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Beyond Banking: A Phenomenological Study on the Perceptions and Utilization of Fintech Solutions among Informal Sector SMEs in North Central Nigeria

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Abstract
The rapid expansion of Nigeria's fintech ecosystem, accelerated by recent cashless policy drives, presents a transformative potential for the nation's economic landscape. However, the informal sector, which constitutes a significant portion of Nigeria's GDP, remains largely marginalized in the digital financial narrative. This phenomenological study explores the lived experiences and perceptions of informal sector Small and Medium Enterprises (SMEs) regarding their adoption and utilization of fintech solutions. Through in-depth interviews with traders and artisans, the research reveals a complex interplay of trust, convenience, and systemic barriers. While participants appreciate the efficiency and security of digital payments over physical cash, they express profound apprehension regarding transaction failures, hidden charges, and the prevalence of electronic fraud. The study finds that utilization is largely reactive rather than strategic; SMEs adopt tools like USSD and payment gateways primarily to meet customer demand rather than to optimize their own business operations. The findings suggest that current fintech interfaces often fail to accommodate the low-digital literacy and high-risk aversion characteristic of the informal sector. Consequently, the study recommends a paradigm shift towards user-centric designs, robust consumer protection frameworks, and targeted digital literacy programs to bridge the trust gap and integrate informal SMEs effectively into the formal digital economy.

Keywords: Fintech, Informal Sector SMEs, Financial Inclusion, Digital Payments, Nigeria.

Introduction

The global financial landscape has undergone a seismic shift over the last decade, characterized by the disruptive emergence of financial technology (Fintech). This evolution represents a departure from traditional brick-and-mortar banking models toward a digital ecosystem that prioritizes accessibility, speed, and user-centricity. In advanced economies, Fintech has largely enhanced convenience and efficiency for existing banked customers.

However, in developing economies, particularly in sub-Saharan Africa, Fintech transcends mere convenience; it is increasingly viewed as a critical vehicle for financial inclusion and

economic empowerment (Ozili, 2018). By leveraging mobile penetration and digital innovations, Fintech solutions offer a pathway to circumvent the infrastructural and bureaucratic bottlenecks that have historically plagued traditional banking systems. Consequently, the proliferation of these technologies is reshaping the financial behaviors of populations that have remained unbanked or underbanked for generations.

Nigeria is one of Africa's largest economies and its most populous nation, stands at the epicenter of this digital transformation. The Nigerian financial sector has witnessed an influx of investment and innovation, with home-grown startups such as Flutterwave, Paystack, and Opay gaining international recognition. These platforms offer a suite of services ranging from payment gateways and digital wallets to automated lending and investment platforms. This surge is supported by a policy environment that aggressively promotes a cashless economy. The Central Bank of Nigeria (CBN) has implemented various initiatives, such as the cashless policy and the recently re-ignited drive for the National Financial Inclusion Strategy, designed to reduce the volume of physical cash in circulation and integrate more citizens into the formal financial system (CBN, 2021).

A critical component of Nigeria's economic architecture is the Micro, Small, and Medium Enterprises (MSME) sector. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), MSMEs contribute approximately 48% of the national GDP and account for 96% of businesses, employing over 84% of the labor force (SMEDAN & National Bureau of Statistics, 2021). Despite this massive contribution, a significant majority of these enterprises operate within the informal sector. This sector is characterized by unstructured business practices, lack of formal registration, heavy reliance on cash transactions, and limited access to credit facilities. Historically, the informal nature of these businesses has served as a barrier to integration into the formal banking sector, often due to stringent collateral requirements, high transaction costs, and perceived bureaucratic rigidity.

The intersection of the burgeoning Fintech ecosystem and the vast informal SME sector presents a compelling paradox. On one hand, Fintech solutions specifically mobile money, point-of-sale (POS) terminals, and USSD banking hold the promise of lowering the barriers to entry for financial services, offering informal traders a convenient way to receive payments, access credit, and manage their finances without the need for a traditional bank account (Ewah et al., 2022). On the other hand, the adoption of these technologies within the informal sector has been fraught with challenges. Recent macroeconomic events, most notably the naira redesign crisis of late 2022 and early 2023, acted as an unintended stress test for digital payments. The sudden scarcity of physical cash forced a reluctant populace to adopt digital

channels, yet this transition was marred by widespread complaints regarding network failures, high transaction charges, and a pervasive fear of fraud (Adekunle et al., 2023).

Therefore, understanding the perceptions and utilization of Fintech solutions among informal sector SMEs requires moving beyond binary metrics of "adoption" or "non-adoption." It necessitates a deep dive into the phenomenological realities of these entrepreneurs. How do they interpret the concept of "money" when it moves through abstract digital channels rather than physical notes? What forms of trust do they place in faceless algorithms compared to the tangible relationships they share with local cash collectors? How do they navigate the tension between the ease of digital payments and the opacity of hidden bank charges? These are not merely technical questions but socio-economic ones that determine the sustainability of the digital finance drive in Nigeria.

On the whole, while the trajectory of Nigerian finance is undeniably digital, the depth of this transition remains superficial among the critical mass of informal SMEs. The push for a cashless economy has imposed new technologies on a sector that remains deeply rooted in traditional, cash-based trust systems. This study, therefore, investigates the perceptions and utilization patterns of Fintech among informal SMEs, arguing that sustainable financial inclusion requires a nuanced understanding of the phenomenological resistance and reactive adaptation strategies of this vital economic segment.

Conceptual and Literature Review

The informal economy is a dominant feature of the Nigerian economic landscape, providing a livelihood for the majority of the population. The International Labour Organization (ILO, 2002) defines the informal sector as economic activities operated by unincorporated enterprises that lack formal registration and often have unstable employment relationships. In Nigeria, this sector is comprised largely of Small and Medium Enterprises (SMEs) which, despite their contribution to GDP (estimated at 48%), operate largely outside the purview of formal regulation (SMEDAN & NBS, 2021).

These enterprises ranging from open-air markets to small-scale manufacturing are the backbone of the domestic economy. However, their informal status has historically acted as a barrier to accessing formal financial services. Traditional banks have often excluded these actors due to the lack of verifiable financial documentation, the perceived high risk associated with cash-based transactions, and the high operational cost of serving dispersed micro-entrepreneurs (Beck & Cull, 2014).

Financial Technology (Fintech) refers to the integration of technology into offerings by financial services companies to improve their use and delivery to consumers (Schueffel, 2016). In developing economies, the promise of Fintech extends beyond efficiency to the critical goal of financial inclusion. Scholars argue that mobile money and digital payment platforms can leapfrog traditional banking infrastructure, offering unbanked populations access to savings, credit, and payment services at a lower cost (Jack & Suri, 2011).

In Nigeria, the Fintech ecosystem has expanded rapidly, driven by the proliferation of mobile phones and regulatory support from the Central Bank of Nigeria (CBN) for mobile money operators and Payment Solution Service Providers (PSSPs) (Ozili, 2018). Studies have shown that Fintech adoption has the potential to improve the performance of SMEs by reducing transaction costs, increasing transaction speed, and facilitating better cash flow management (Oke et al., 2020).

The majority of empirical research investigating the adoption of Fintech among SMEs is grounded in the Technology Acceptance Model (TAM) developed by Davis (1989) and the Unified Theory of Acceptance and Use of Technology (UTAUT) by Venkatesh et al. (2003). These models posit that the intention to use a technology is determined by factors such as perceived usefulness, ease of use, social influence, and facilitating conditions. There remains a significant gap in understanding the qualitative dimensions of this phenomenon (Oke et al., 2020). Most studies treat the informal sector as a homogeneous block, focusing on statistical correlations that often obscure the nuanced lived experiences of the actors within the sector. The voices of the market women, roadside mechanics, and small-scale retailers who bear the brunt of transaction failures or the anxiety of digital fraud are often missing from the narrative. Furthermore, the "adoption" of Fintech in the Nigerian context is not always a voluntary choice driven by tech-savviness; it is often a reactive strategy forced by policy changes or customer pressure.

Quantitative studies utilizing these models have been prolific in the Nigerian context. For instance, Adewopo et al. (2019) found that perceived ease of use and performance expectancy were significant predictors of mobile money adoption among traders in Lagos. Similarly, Mubarak et al. (2020) utilized UTAUT to demonstrate that trust and risk awareness significantly influence the willingness of SMEs to adopt digital lending platforms. These studies collectively suggest that when SMEs perceive the benefits of Fintech to outweigh the associated risks and complexities, adoption is likely.

Despite the optimistic projections regarding Fintech adoption, a growing body of literature highlights the structural and perceptual barriers specific to the informal sector. The primary barriers identified in the literature include:

a. **Trust and Security:** The "trust deficit" between informal traders and digital institutions is a recurring theme. Unlike the face-to-face interactions with familiar cash collectors, digital platforms are impersonal. Studies indicate that fear of fraud, unauthorized deductions, and the loss of funds due to network failures serve as major deterrents (Ewah et al., 2022).
b. **Digital Literacy:** The success of Fintech is predicated on a minimum level of technical proficiency. However, the informal sector in Nigeria is characterized by varying levels of education, with a significant demographic of older traders who may struggle with the interface of modern banking apps (Aker & Mbiti, 2010).
c. **Infrastructure:** The reliability of the supporting infrastructure is a critical determinant. Network connectivity issues and power instability have been cited as significant challenges that erode confidence in digital solutions, particularly for real-time payments (Usman, 2021).

A review of the existing literature reveals a heavy reliance on positivist, quantitative methodologies. While the TAM and UTAUT frameworks have successfully identified which factors influence adoption, they have largely failed to explain the nature of the experience of adoption within the informal sector. Consequently, three distinct research gaps emerge: The existing literature is dominated by survey-based studies that reduce complex human behaviours to statistical correlations (e.g., "ease of use correlates with adoption"). These studies offer a macro-level view but fail to capture the micro-level, lived experiences of informal traders. There is a paucity of qualitative research that explores how informal SMEs subjectively experience Fintech tools. For instance, quantitative studies measure if a trader finds an app "useful," but they fail to capture the anxiety they feel when a transaction hangs, or the specific strategies they use to mitigate risk. This lack of phenomenological depth represents a significant gap in the literature.

Existing theoretical models (TAM/UTAUT) often assume voluntary adoption where a rational actor weighs pros and cons. However, the context of recent Nigerian history specifically the cashless policy drive and the naira redesign crisis of late 2022/early 2023 introduced a scenario of "forced adoption." Many informal traders did not adopt Fintech because they found it useful, but because the physical cash scarcity left them with no choice. The literature has yet to fully account for how this reactive, crisis-driven adoption differs from voluntary, utility-driven

adoption. The perceptions of Fintech formed under the duress of economic hardship are likely to be distinct and more critical than those formed under normal conditions.

Most existing studies treat "SMEs" as a homogenous group, often sampling from registered SMEs or business owners who already possess a level of sophistication (such as an email address or a registered bank account). There is a gap in research that focuses specifically on the deep informal sector, those who operate entirely in the cash economy, have no formal identification, and whose engagement with Fintech is episodic. This demographic's perceptions of Fintech are likely colored by a fear of the "formal economy" and taxation, a nuance that is often missed in broader SME studies. Therefore, this study seeks to bridge these gaps by adopting a phenomenological approach. By shifting the focus from statistical determinants to the "lived experience," this research will provide a richer, more empathetic understanding of the challenges and perceptions of the informal sector regarding Fintech solutions in Nigeria.

Theoretical Framework

To provide a comprehensive understanding of the perceptions and utilization of Fintech solutions among informal sector SMEs in Nigeria, it is essential to examine the phenomenon through established theoretical lenses. This section discusses three relevant theories: the Technology Acceptance Model (TAM), the Diffusion of Innovations Theory (DOI), and Institutional Theory. Following this discussion, Institutional Theory is adopted as the primary theoretical framework for the study.

The Technology Acceptance Model (TAM) was developed by Davis (1989), the Technology Acceptance Model (TAM) is one of the most influential and widely applied theories for predicting and explaining user acceptance of information systems. The model posits that two specific beliefs Perceived Usefulness (the degree to which a person believes that using a particular system would enhance their job performance) and Perceived Ease of Use (the degree to which a person believes that using a particular system would be free of effort) are the primary determinants of an individual's intention to use a system. According to TAM, external variables influence these beliefs, which in turn affect the attitude toward use and the actual system usage. In the context of SMEs and Fintech, TAM has been used to explain why small business owners choose to adopt digital payment platforms. It suggests that an informal trader will only use a mobile money app if they believe it makes their transactions faster (useful) and is simple to operate (easy to use). While TAM offers a parsimonious framework, it has been criticized for being overly rational and simplistic. It assumes that decision-making is a purely cognitive

process, ignoring the complex social, cultural, and emotional factors that influence behavior in the informal sector. It fails to account for trust, fear, or the social pressures that might drive an SME to adopt a technology they find difficult to use.

The Diffusion of Innovations (DOI) Theory proposed by Rogers (2003), the Diffusion of Innovations theory explains how, why, and at what rate new ideas and technology spread through a social system. The theory identifies four main elements that influence the spread of a new idea: the innovation, communication channels, time, and the social system. Crucially, Rogers categorizes adopters into five groups (innovators, early adopters, early majority, late majority, and laggards) based on their readiness to adopt new technologies. DOI also identifies five characteristics of an innovation that determine its adoption rate: relative advantage, compatibility, complexity, trialability, and observability.

DOI is relevant to this study because it highlights the social system of the informal market. In Nigerian markets, information spreads through word of mouth and observation. If a respected market leader adopts a Fintech solution, others are likely to follow (observability). However, DOI also emphasizes compatibility which is the degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters. For the informal sector, Fintech must be compatible with the cash-based, relationship-driven culture they operate in. While DOI provides a strong macro-view of technology spread, it is less effective at explaining the deep, internal psychological conflicts and lived experiences of the adopters during the transition phase.

Institutional Theory, particularly sociological neo-institutionalism, shifts the focus from individual rationality to the organizational field and the wider social environment. Developed by scholars such as DiMaggio and Powell (1983) and Scott (2014), the theory posits that organizational structures and practices are often adopted not because they are efficient (technical rationality), but because they provide legitimacy and social approval (institutional rationality). A central tenet of Institutional Theory is the concept of Institutional Isomorphism, which describes the homogenizing process that causes organizations in the same field to resemble one another. This occurs through three mechanisms:

a. **Coercive Isomorphism:** Pressures from political influence, laws, or expectations of other organizations in the environment (e.g., government mandates for cashless policies).
b. **Mimetic Isomorphism:** Responses to uncertainty; organizations model themselves after similar organizations in their field that they perceive to be legitimate or successful.

c. **Normative Isomorphism:** Pressures associated with professionalization and education.

More recently, the concept of Institutional Logics has been applied to understand how conflicting belief systems (e.g., community vs. market vs. state) influence behavior (Friedland & Alford, 1991). This is particularly relevant to the informal sector, which operates under a distinct logic of "survival," "kinship," and "cash-based trust," whereas Fintech operates under the formal logic of "efficiency," "regulation," and "digital transparency."

This study adopts Institutional Theory, specifically the lens of Institutional Logics, as its primary theoretical framework. While TAM and DOI offer valuable insights into the functional and social mechanics of adoption, they are insufficient for a phenomenological study of the informal sector for several reasons.

Unlike TAM, which assumes voluntary adoption based on utility, the Nigerian context has been marked by "forced" adoption events, such as the cashless policy and the naira redesign. Institutional Theory provides the language of "coercive isomorphism" to explain how the state and banking authorities have forced informal SMEs to adopt Fintech, not necessarily because they want to, but to survive in a hostile economic environment. The theory helps explain the resentment, anxiety, and resistance that are part of the "lived experience." The central phenomenon of this study is the tension between the informal way of life and the formal digital tools. Institutional Theory allows the researcher to frame this as a collision of competing.

TAM views the user as a passive receptor of technology. Institutional Theory views the user (the SME) as an active actor trying to survive in a complex social field. The SME adopts Fintech not just for efficiency, but to gain legitimacy to be seen as a "serious business" by customers, banks, and the government. However, they must also maintain legitimacy within their peer group (other traders), which may still value cash. The study will utilize Institutional Theory to understand how these SMEs perform this balancing act. Therefore, by adopting Institutional Theory, this research moves beyond the binary of "user" or "non-user" to uncover the complex, and often contradictory, strategies informal SMEs use to survive in a digital age that has been thrust upon them.

Methodology

This study employs a qualitative research design grounded in the Interpretative Phenomenological Analysis (IPA) approach. A qualitative design is chosen because the study is exploratory and aims to uncover the deep, subjective perceptions of informal sector SMEs regarding Fintech solutions. Unlike quantitative designs that seek to measure the frequency of behaviors, this design is appropriate for understanding the "lived experience" of the participants

(Smith et al., 2009). It allows the researcher to explore the complex meanings, beliefs, and emotions that traders attach to digital finance technologies within their specific socio-economic context.

The target population for the study comprises SMEs operating within the informal sector in the North-Central zone of Nigeria. This region is selected due to its commercial vibrancy and its unique mix of urban and semi-urban trading hubs. The specific focus is on market traders, roadside artisans, and small-scale retailers who typically operate without formal business registration.

The study targeted a sample size of 20 participants. In phenomenological research, small sample sizes are preferred because they allow for an in-depth, detailed analysis of each participant's lived experience until data saturation is reached (Guest et al., 2006). The primary instrument for data collection is the Semi-Structured Interview Guide. An interview guide was chosen over a rigid questionnaire to allow the researcher the flexibility to probe deeper into responses and ask follow-up questions based on the participant's narrative. This flexibility is crucial for uncovering insights that the researcher may not have anticipated. The data collection process was conducted in three phases: A pilot study was conducted with two informal traders to test the clarity and flow of the interview questions. The researcher visited selected markets and commercial centers. With the assistance of gatekeepers (local market union leaders), potential participants were approached, informed about the study, and their consent obtained. Interviews were conducted face-to-face in a combination of English and Pidgin to ensure effective communication. Each interview lasted between 30 and 45 minutes. Immediately after each interview session, the audio recordings were transcribed verbatim into text format to preserve the richness of the data.

Data analysis followed the six-step framework proposed by Braun and Clarke (2006), adapted for phenomenological inquiry: The researcher read and re-read the transcripts multiple times to immerse themselves in the participants' stories. Interesting and significant features of the text were highlighted and coded. Codes were sorted into potential overarching themes. Themes were checked against the full dataset to ensure they accurately reflected the participants' accounts. The specific nature of each theme was defined and refined. The final analysis was woven together with vivid participant quotations to support the findings. To ensure rigor, the concept of bracketing (epoche) was applied. This involved the researcher consciously setting aside their own biases and preconceived notions about Fintech to focus solely on the perspectives of the informal traders.

Ethical clearance was obtained from the institutional research ethics committee. Participants were fully informed about the purpose of the study, their voluntary participation, and their right to withdraw at any time. Confidentiality was maintained by using pseudonyms (e.g., Participant A, Trader 1) instead of real names. Audio recordings and transcripts were stored securely and will be deleted after a specified retention period.

Discussion of Findings

The phenomenological inquiry into the perceptions and utilization of Fintech solutions among informal sector SMEs in the North-Central zone of Nigeria reveals a complex landscape where digital inclusion is not a seamless narrative of modernization, but a fraught process of negotiation and survival. Utilizing Interpretative Phenomenological Analysis (IPA) on the narratives of 20 participants, this study illuminates the deep, subjective experiences of traders who have been thrust often unwillingly into the digital economy.

The findings suggest that the adoption of Fintech among these SMEs is not driven by the rational assessment of technological efficiency, but by a struggle for legitimacy in a rapidly digitizing environment. The discussion of findings is organized around four primary themes: reactive adoption and coercive isomorphism, the ontological anxiety of abstract money, strategic decoupling and the dual-economy trap, and the paradox of the mediated interface. Each theme offers critical insights into the limitations of current digital financial inclusion strategies.

The most dominant theme emerging from the data is the pervasive sense among informal SMEs that their adoption of Fintech was not a choice, but a survivalist necessity. The narratives paint a picture of traders who were comfortably settled in a cash-based ecosystem until external environmental shocks specifically the Central Bank of Nigeria's (CBN) cashless policy and the subsequent naira redesign crisis of late 2022 disrupted their operational equilibrium. Participants recounted harrowing experiences of losing sales simply because they could not accept bank transfers or did not have a Point of Sale (POS) terminal. This aligns perfectly with the Institutional Theory concept of coercive isomorphism (DiMaggio & Powell, 1983), where organizational structures, or in this case, business practices, change primarily in response to regulatory and political pressures rather than internal efficiency goals.

Unlike the Technology Acceptance Model (TAM), which posits that users adopt technology based on a rational assessment of its perceived usefulness and ease of use (Davis, 1989), the findings of this study reveal a sharp departure from rational choice theory. Participants frequently described the digital tools not as "innovations" that made their business easier, but

as "barriers to entry" that they had to surmount to stay afloat. The lived experience was one of resentment and anxiety. The trader's identity, traditionally rooted in the autonomy and sovereignty of cash, was suddenly subordinated to the requirements of digital gateways. This finding suggests that for the informal sector, Fintech adoption is not a linear progression towards modernity, but a chaotic, reactive scramble to adapt to a hostile environment.

The implications of this reactive adoption are profound and concerning for the sustainability of the digital financial inclusion project in Nigeria. Because adoption is driven by external coercion rather than internal motivation, the behavioral change is likely to be fragile and reversible. Phenomenological evidence suggests that if the regulatory environment relaxes or physical cash becomes readily available again, the majority of these traders would likely revert to cash transactions immediately. This implies that the high volume of transactions recorded by Fintech platforms during the cashless crisis may be a temporary spike rather than a permanent behavioral shift. Furthermore, reactive adoption leads to superficial utilization. Traders are adopting the "hardware" (e.g., acquiring a POS terminal) but not the "software" (e.g., integrating digital ledgers into their accounting). They treat the Fintech tool merely as a "cash extraction" device rather than a business management tool. This undermines the broader financial inclusion goal, which is not just to get people using digital platforms, but to leverage those platforms to build credit history, access loans, and formalize their businesses. Consequently, the current high adoption rates mask a deep resistance that could undermine the entire digitization agenda in the long run.

A profound insight derived from the IPA is the participants' deep-seated anxiety regarding the abstraction of money. The informal economy is built on the physicality of value. The crispness of the naira note, the sound of coins, and the physical act of exchange. The study reveals that moving this value into the digital realm creates an "ontological insecurity." Participants frequently expressed the fear that "money can vanish" into the network or that once a transaction is initiated, the value is suspended in a void until it physically exits the bank.

This anxiety is exacerbated by the unreliability of telecommunications infrastructure. In North-Central Nigeria, network fluctuations are a frequent reality. A participant's narrative of waiting minutes or hours for a debit notification to arrive creates a state of acute stress. This finding highlights a clash between the institutional logic of immediacy inherent in the informal sector (I want my money now so I can buy my next stock) and the institutional logic of processing inherent in the formal banking system (pending settlement, bank delays). The trust in the technology is not just about security from hackers; it is about reliability of access. When a

"network error" denies a trader access to their capital for even an hour, it threatens their business survival.

The implications of this trust deficit for the design and deployment of Fintech in developing economies are significant. The immediate conversion of digital funds to cash means that money never truly circulates within the digital ecosystem for long. This "cash-out" economy stifles the velocity of digital currency and prevents Fintech firms from leveraging deposits for liquidity or credit creation. It creates a massive operational burden on the banking system and POS agents, who are essentially acting as cash recyclers rather than financial intermediaries. Furthermore, the findings imply that for Fintech to be truly adopted, it must provide tangible feedback mechanisms. Simple digital notifications are insufficient; the "success" tone is often distrusted. Traders need physical proof or instantaneous reversal capabilities. Fintech developers must prioritize ultra-low latency and offline-first capabilities to bridge the gap between digital and physical reality. Finally, the anxiety stems largely from the fear of loss due to errors or fraud. The study underscores that trust in Fintech is fragile. It implies that robust, fast-acting consumer protection mechanisms are prerequisites for adoption. Without the guarantee that "money that fails will return instantly," the informal sector will always prefer the safety of cash.

A critical finding of this study is the practice of strategic decoupling. Participants revealed a distinct strategy: they operate simultaneously in two economies. The digital economy for *receiving* value and the physical economy for disbursing value. While they accept bank transfers and mobile payments from customers (often grudgingly), they refuse to use these channels for paying their own suppliers or bills.

The phenomenological data suggests that this decoupling is driven by two factors: social capital and privacy. In the informal market, paying a supplier in cash is a performative act that strengthens social bonds and allows for negotiation. A digital payment is sterile and leaves a permanent trace. Furthermore, there is a prevailing logic of informality maintenance. Many traders believe that leaving a digital footprint exposes them to tax authorities or government regulation, which they view as predatory. Therefore, they treat the Fintech wallet as a transient holding pen. They accept the money (because the customer cannot pay cash) and immediately withdraw it, thereby "cleansing" the funds of their digital footprint before using it to restock inventory. This finding illustrates a form of institutional work where informal actors mimic the formal structures (using the Fintech tools) to satisfy their customers, but actively subvert the formal intent (transparency) to maintain their survival.

The persistence of this dual-economy strategy has serious implications for economic planning and financial formalization. Policymakers may see high transaction volumes on POS terminals and assume that the informal sector is being successfully integrated into the formal tax net. However, this study reveals that this is an illusion. The funds are merely passing through the digital rails temporarily. The transactional opacity of the informal sector remains intact. The "formalization" is superficial (Meyer & Rowan, 1977), meaning the trader uses the digital form but maintains the informal substance. Consequently, financial transaction data from Fintech apps cannot be reliably used by tax authorities to assess the income of informal SMEs, as these receipts do not represent gross income. The government needs to develop new methodologies for assessing income that account for the fact that digital receipts are a poor proxy for total turnover in the informal sector. Additionally, the "Cash-Out" behavior is economically inefficient, involving paying withdrawal fees and transport costs that reduce the profitability of the entire value chain.

While the study focuses on "Fintech solutions," a contradictory finding emerged: the enduring reliance on human intermediaries. Even when using digital tools, participants expressed a stronger reliance on POS agents and mobile money operators than on banking apps or USSD codes directly. The phenomenological analysis reveals that for many informal traders, particularly the older demographic or those with low digital literacy, the POS operator is not just a service provider but a trusted interpreter of the digital world.

When a "debit" notification comes, they show it to the POS operator to ask, "Is this real?" When a transaction hangs, they turn to the POS operator to "fix" it. The trust is placed in the human interface rather than the technological interface. This suggests that in the informal sector, Fintech is not perceived as "self-service" banking. It is perceived as "assisted" banking. The POS agent acts as a safety buffer, absorbing the complexity and risk of the technology. This finding suggests a significant digital literacy gap. While SMEs are "adopting" the technology, they are not necessarily "mastering" it. They are dependent on a third party. This creates a vulnerability; if agents defraud them (e.g., claiming a transaction failed when it succeeded), the SME has no way of knowing because they cannot access the transaction history themselves.

The implications of this mediated interface are strategic. Fintech companies and banks should not focus their user experience (UX) design efforts solely on the end-user. A significant portion of the user experience is actually mediated by the POS agent. Therefore, training, incentivization, and support for these agents are as critical as the design of the app itself. If the agent cannot resolve a "declined" transaction, the SME will lose trust in the entire Fintech

ecosystem. Furthermore, this reliance on agents adds a layer of cost (agent fees) to every transaction. While necessary now, the long-term goal should be to build simpler, audio-visual, or vernacular interfaces that empower SMEs to bypass the human intermediary, thereby retaining more of their profits and reducing their dependency on agents.

Conclusion

The phenomenological study reveals that the relationship between informal sector SMEs and Fintech in North-Central Nigeria is characterized by complexity and contradiction. Adoption is reactive, driven by coercion rather than convenience; utilization is fragmented, accepting digital but spending physical; and trust is tenuous, mediated by anxiety and the desire for human assurance. The implications for stakeholders are clear: the current "one-size-fits-all" approach to Fintech implementation is failing to penetrate the deep structures of the informal economy. For financial inclusion to be sustainable, it must align with the institutional logic of the informal sector. This means designing systems that are fail-safe to address the anxiety of abstraction, creating regulatory environments that incentivize genuine digital retention rather than just "cash-out," and recognizing that in the short to medium term, the human agent is the most critical node in the digital value chain. Until the "survivalist" nature of the informal economy is addressed, Fintech will remain a tool for coping with crisis, rather than a catalyst for structural transformation.

Recommendations

a. Policymakers must shift from coercive cashless policy enforcement to incentive-driven strategies that demonstrate tangible economic benefits to foster voluntary Fintech adoption.
b. Fintech developers should prioritize the creation of robust, offline-capable interfaces and instant reversal features to alleviate the anxiety traders associate with abstract digital money.
c. Financial institutions need to introduce digital loyalty rewards and interest on balances to discourage the immediate "cash-out" behavior that currently drains liquidity from the system.
d. Training and resource allocation should be heavily focused on POS agents and mobile money operators, as they remain the primary trusted intermediaries for informal sector SMEs.
e. Tax authorities must implement simplified, transparent tax regimes that protect privacy, thereby reducing the fear of surveillance that drives traders to strategically decouple digital receipts from formal business operations.

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