



Enhancing Financial Innovation & Access

WINDOW ONE

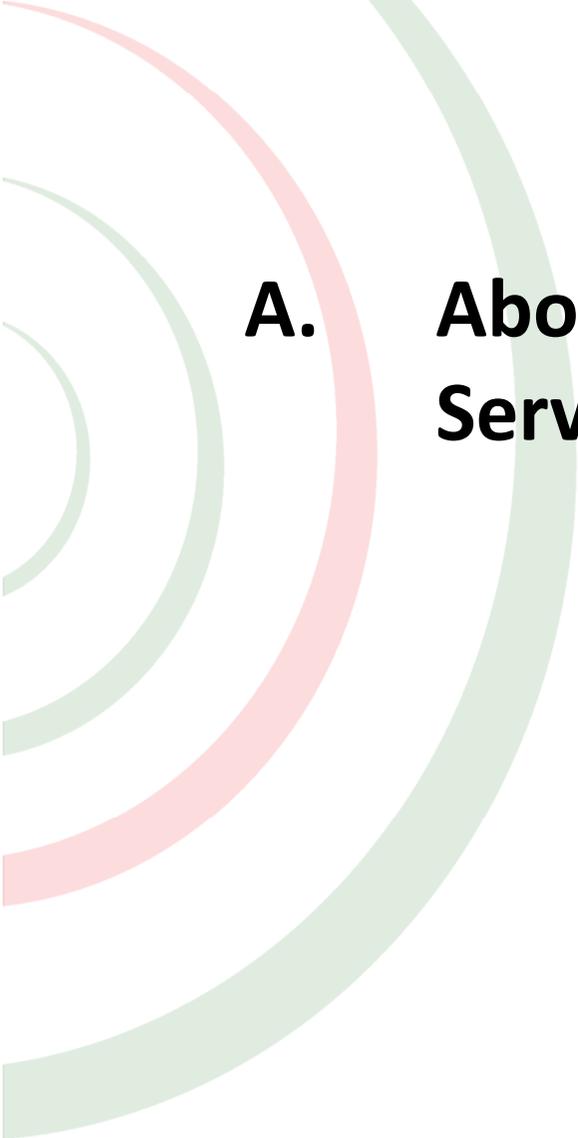
EFinA Innovation Grant Round 6: Building Pervasive Agent Networks

Landscape of Rural Financial Inclusion in Nigeria

21 April 2015

**Modupe Ladipo
Chief Executive Officer, EFinA**

- A. About the EFInA Access to Financial Services in Nigeria Survey
- B. Analysis of the Rural vs. Urban Adult Population
- C. Key Insights into the Rural Adult Population
- D. Barriers to Using Formal Financial Products for the Rural Adult Population
- E. Potential Opportunities for Deepening Financial Inclusion Among the Rural Adult Population
- F. Summary



A. About the EFInA Access to Financial Services in Nigeria Survey

About the EFInA A2F Survey

- Nationally representative of all adults (18+) across all 36 states plus FCT Abuja
- Survey has been conducted four times – in 2008, 2010, 2012 and 2014

“Relevant and reliable data on the demand for and usage of a range of financial products, both formal and informal”

Objectives

- Input to evidence-based financial inclusion policies & reform
- Provide credible benchmarks & indicators
- Highlight financial access trends over time
- Analyse the market opportunity for the unbanked & low income segment

Methodology in 2014

- The questionnaire was translated into and administered in Hausa, Yoruba, Igbo and Pidgin English
- Sample design was provided by the National Bureau of Statistics (NBS)
- Household listing and data collection was conducted from August to November 2014 by Nielsen Nigeria Limited with supervision by the NBS
- Results were weighted by NBS to provide the total adult population. This was also benchmarked to national population estimates for verification

Coverage in 2014

- 22,044 questionnaires were completed (92.0% completion rate)

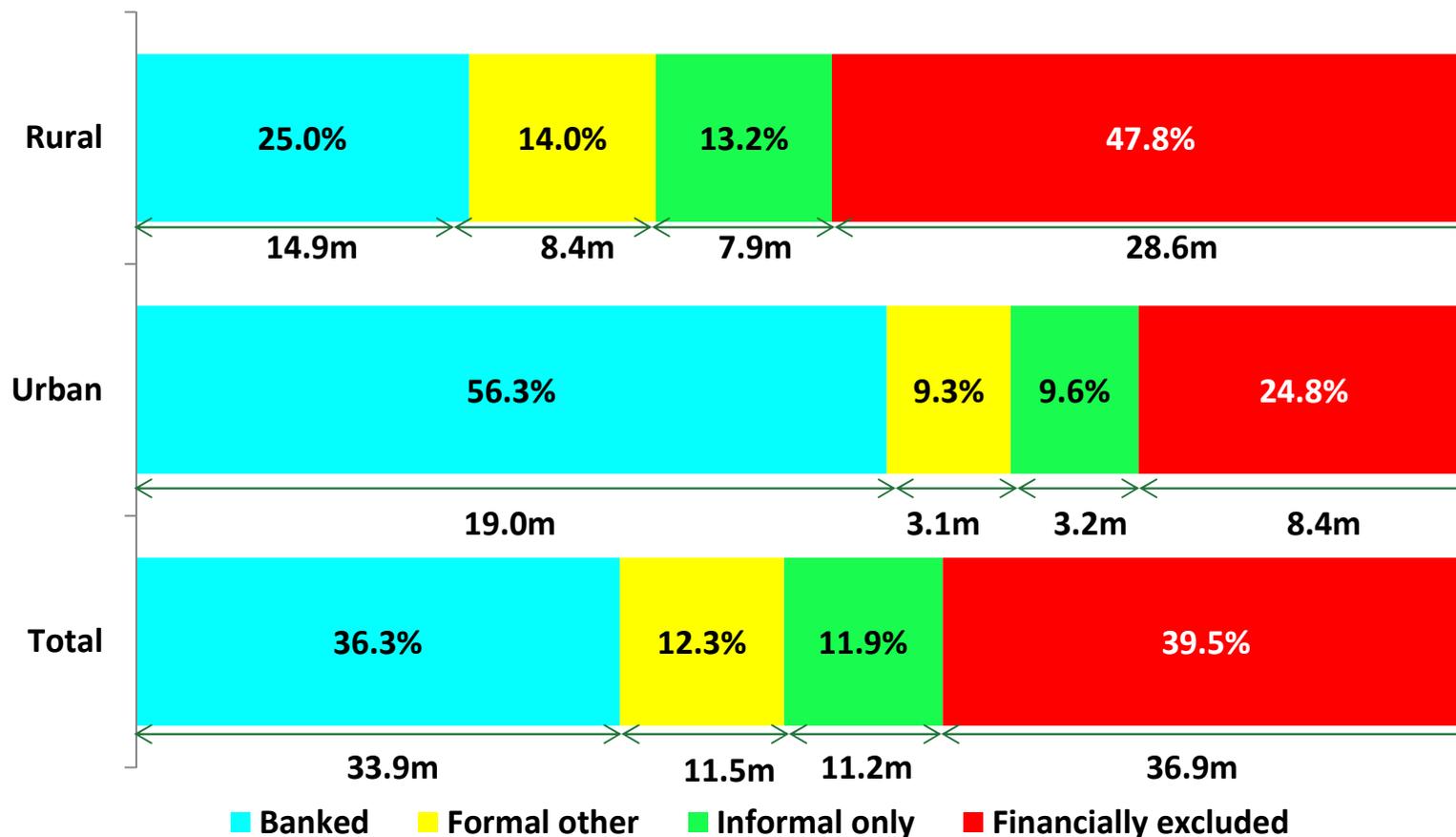


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B. Analysis of the Rural vs. Urban Adult Population

Financial Access by Geographic Location

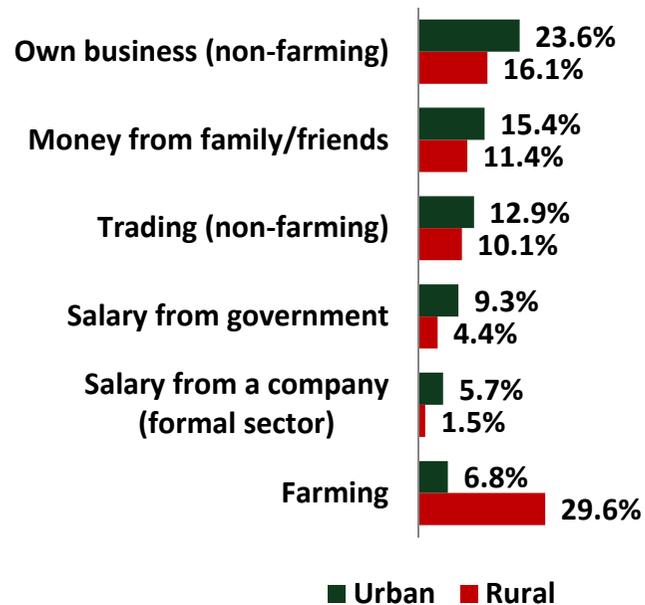
- There are 93.5 million Nigerian adults, of which 59.8 million live in rural areas while 33.7 million live in urban areas
- Formal financial access is skewed towards adults that live in urban areas
- 28.6 million adults (47.8% of the rural population) who live in rural areas are financially excluded versus 8.4 million adults (24.8% of the urban population) who live in urban areas



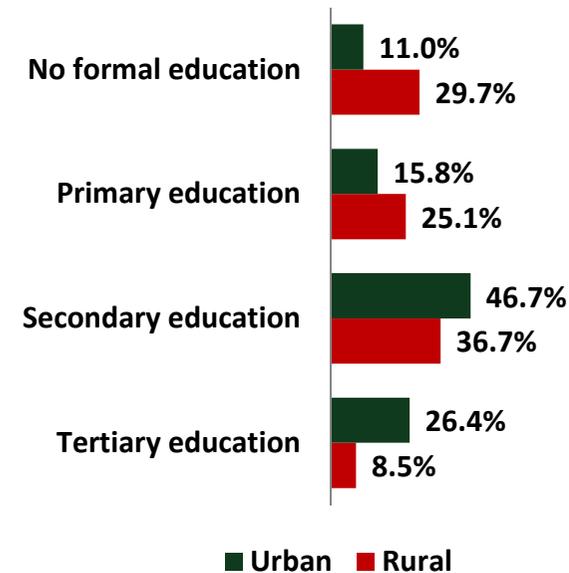
Demographic Profile of the Rural and Urban Adult Population (1 of 3)

- 17.7 million adults (29.6% of the rural adult population) who live in rural areas get their main source of income from farming
- 17.8 million adults (29.7% of the rural population) who live in rural areas have no formal education compared with 3.7 million adults (11.0% of the urban population) who live in urban areas
- 27.0 million adults (45.2% of the rural population) who live in rural areas have secondary education and higher compared with 24.6 million adults (73.1% of the urban population) who live in urban areas

Livelihood profile



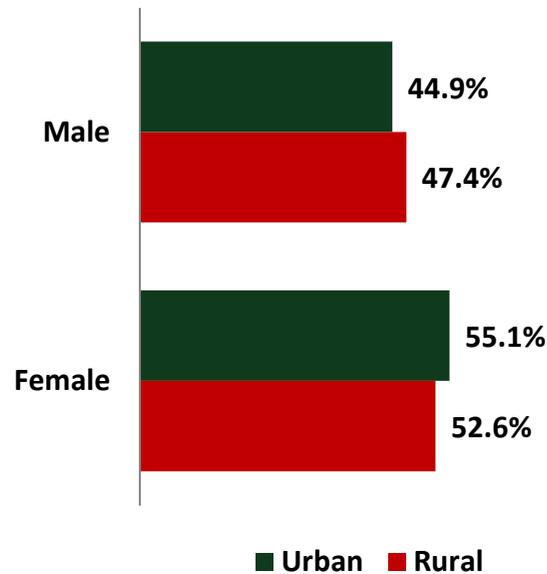
Education profile



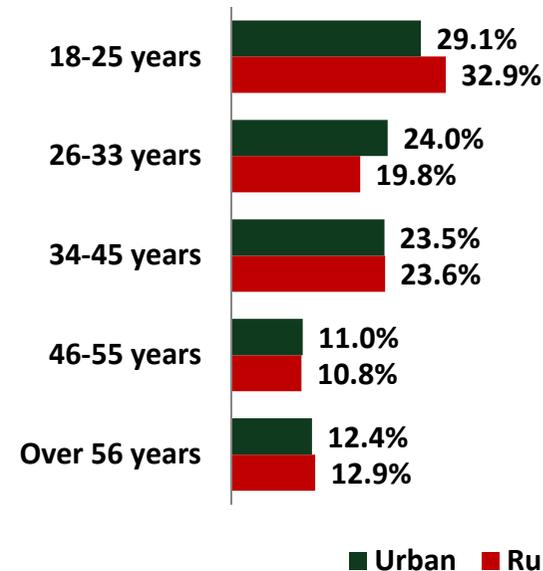
Demographic Profile of the Rural and Urban Adult Population (2 of 3)

- Of the 59.8 million adults living in rural areas, 28.3 million (47.4% of the rural adult population) are male while 31.5 million (52.6% of the rural adult population) are female
- Of the 33.7 million adults living in urban areas, 15.1 million (44.9% of the urban adult population) are male and 18.6 million (55.1% of the urban adult population) are female
- 31.5 million adults (52.7% of the rural adult population) living in rural areas are between 18 to 33 years compared with 17.9 million adults (53.1% of the urban adult population) living in urban areas

Gender profile



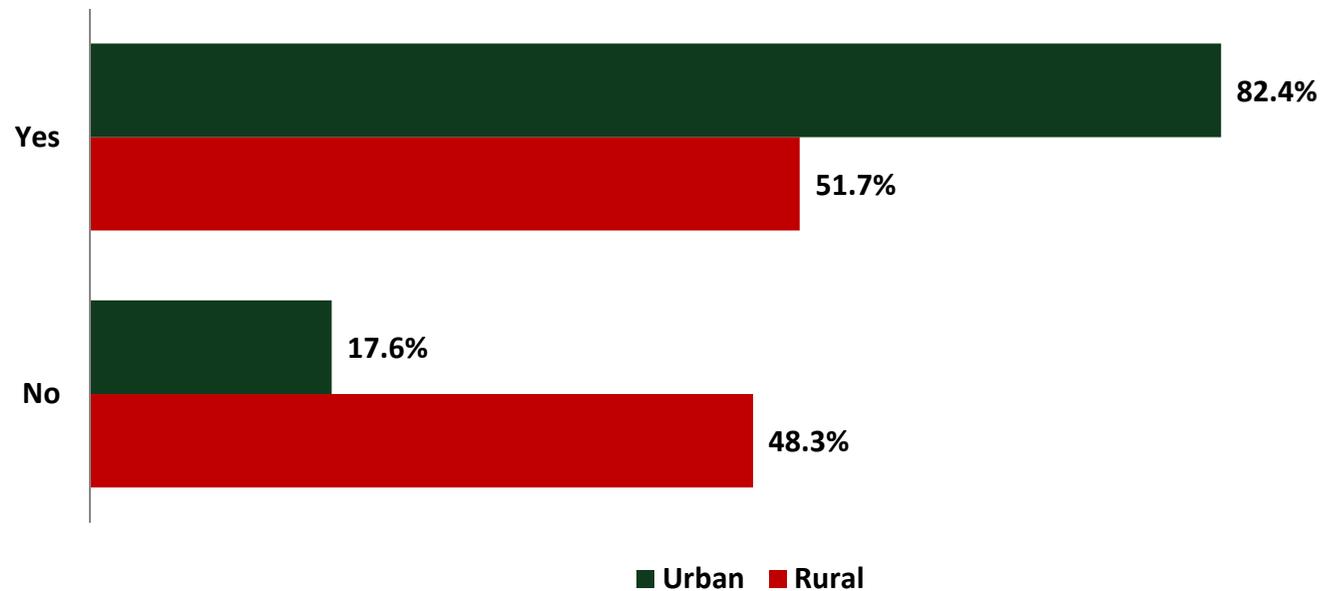
Age profile



Demographic Profile of the Rural and Urban Adult Population (3 of 3)

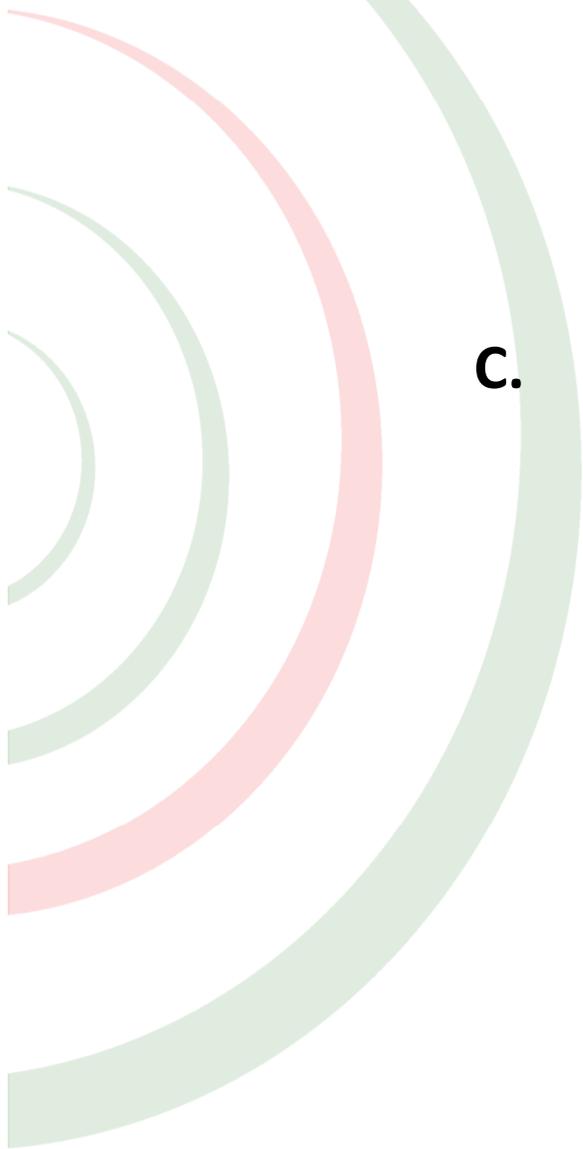
- 30.9 million adults (51.7% of the rural adult population) living in rural areas own a mobile phone compared with 27.8 million adults (82.4% of the urban adult population) living in urban areas

Ownership of mobile phones





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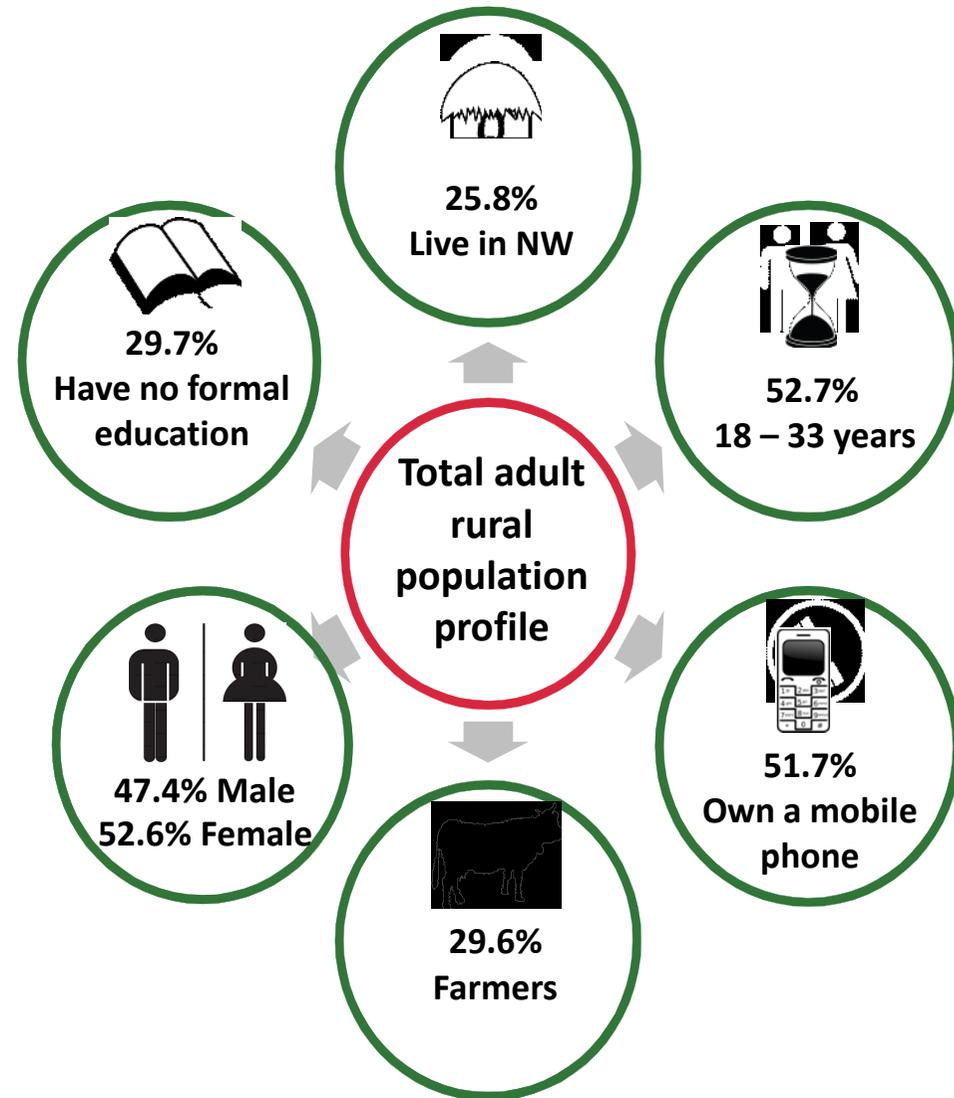
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C. Key Insights into the Rural Adult Population

Summary of Demographic Profile of the Rural Adult Population

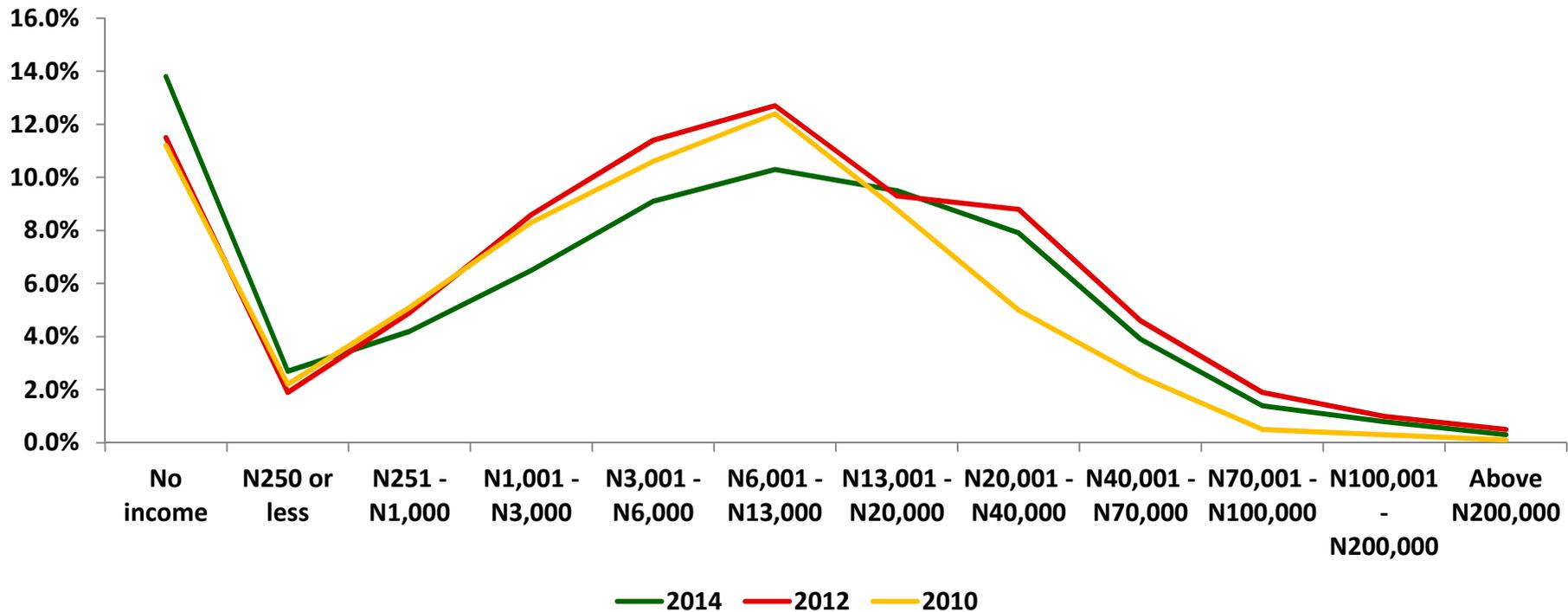
There are 59.8 million adults living in rural areas in Nigeria, of which:

- 52.7% are within the age bracket of 18 to 33 years
- 29.7% have no formal education
- 92.7% fall within the DE Social Economic Class
- 29.6% get their main source of income from farming
- 51.7% own a mobile phone



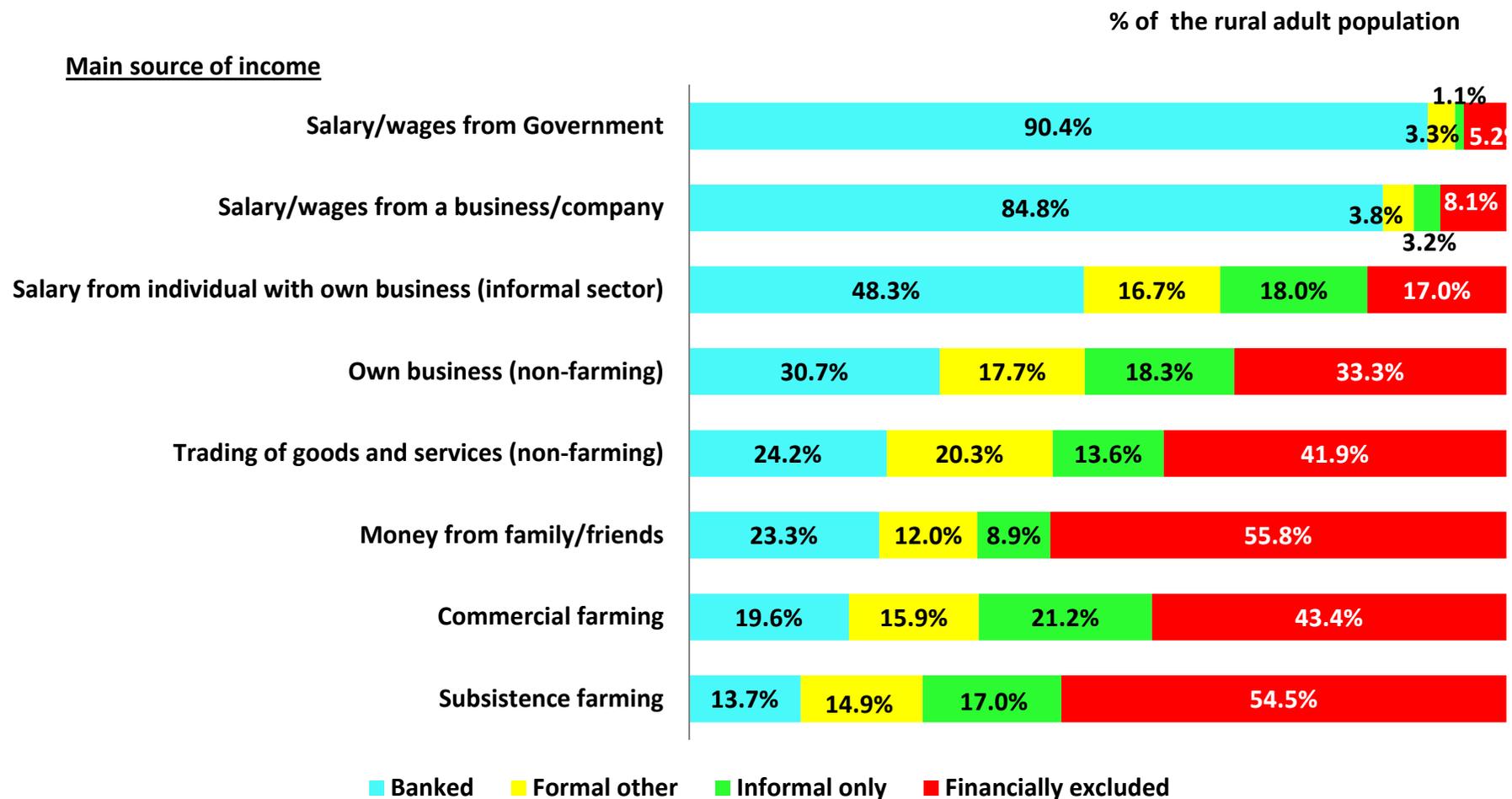
- 13.8% of the rural adult population receives no income
- 42.3% of the rural adult population earns N20,000 or less per month

Income level of the rural adult population



Financial Access by Livelihood Profile

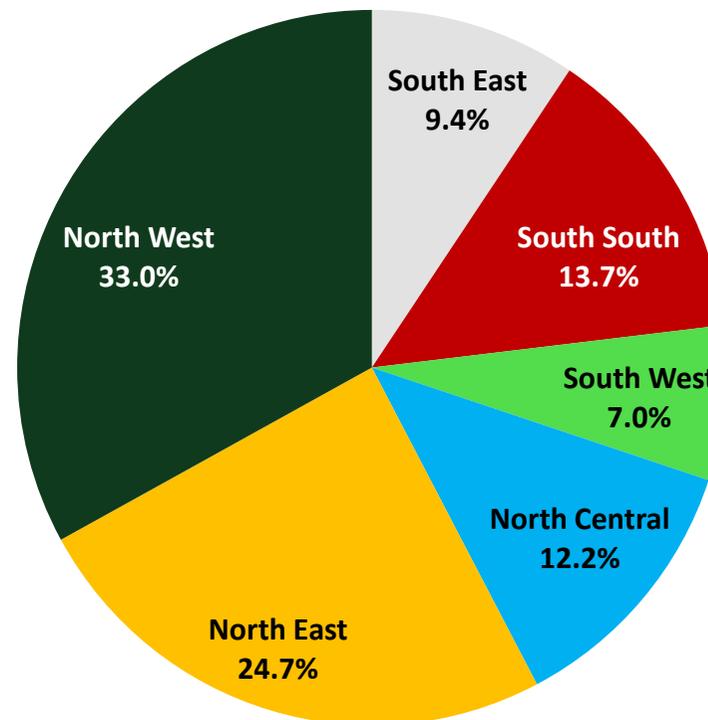
- Among the adult rural population, those that get their main source of income from farming and trading (non-farming), as well as those that rely on family/friends tend to have higher levels of financial exclusion



Financial Exclusion in Rural Areas by Geo-political Zones

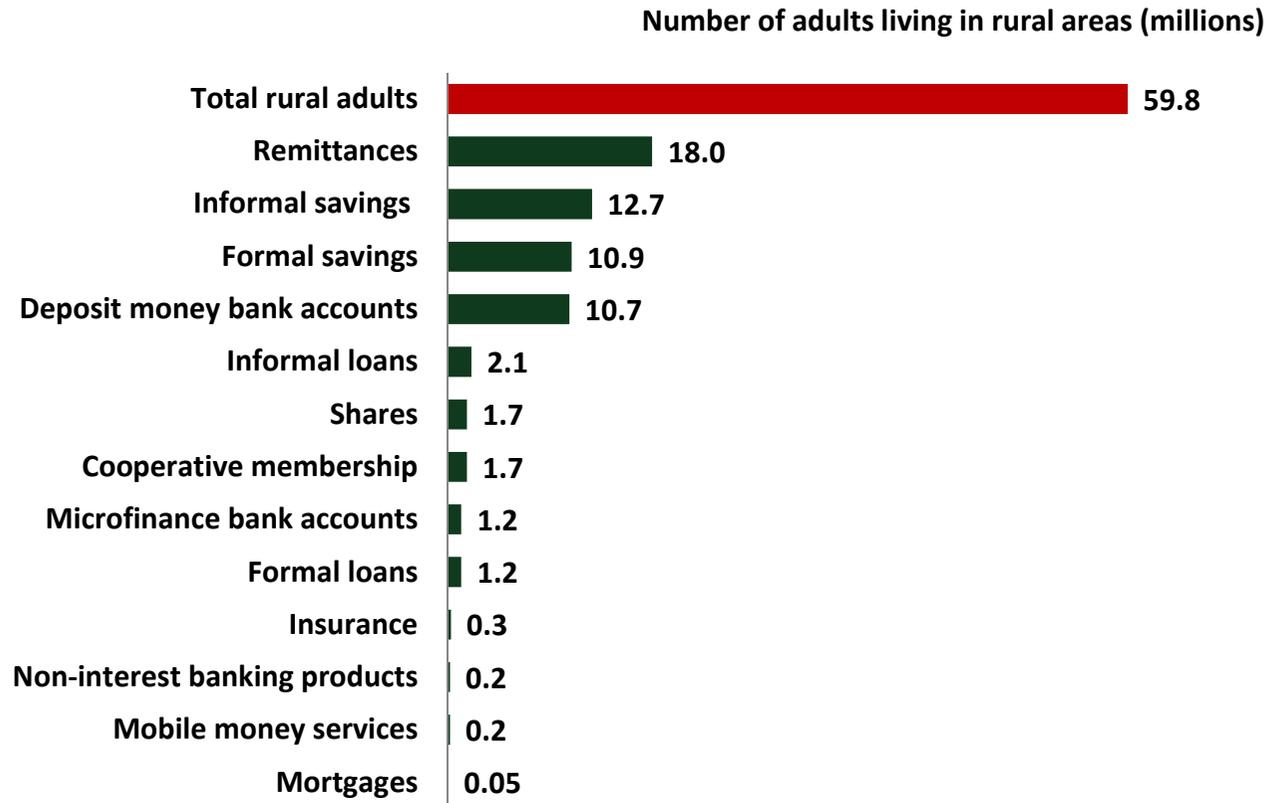
- The North West and North East geo-political zones account for 57.7% of the financially excluded rural population
- Of the 28.6 million adults that live in rural areas who are financially excluded, 9.4 million live in the North West geo-political zone and 7.1 million live in the North East geo-political zone

% of financially excluded adults living in rural areas



Uptake of Financial Services by the Rural Adult Population

- The uptake of formal financial services is still low relative to the total rural adult population
- The uptake of informal savings products is more prevalent than formal savings products
- The uptake of informal loans is more prevalent than formal loans
- Mobile money is yet to gain any significant traction

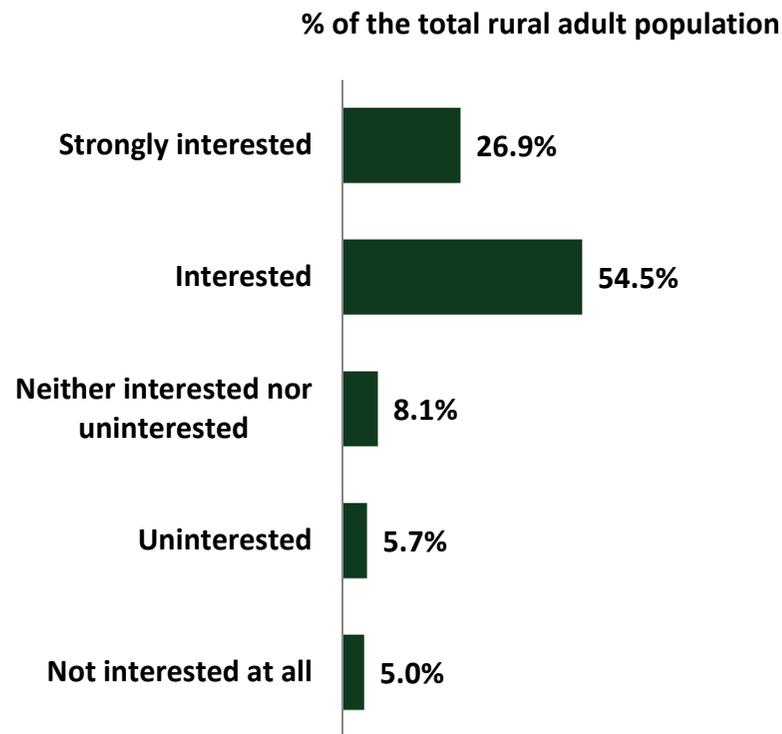


Financial Related Issues

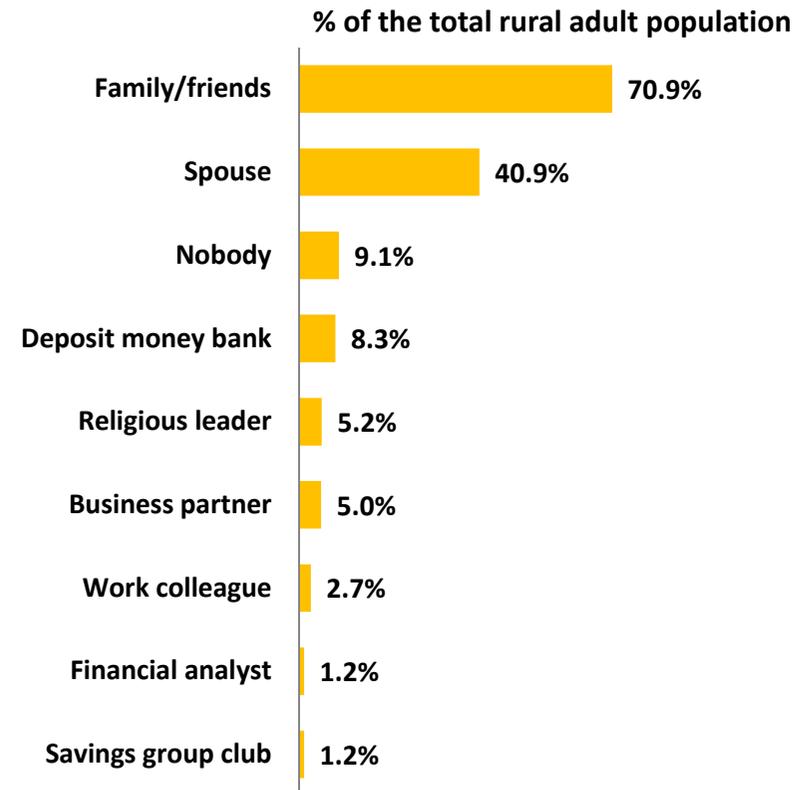
Sources of Financial Advice/Level of Interest in Financial Matters

- 48.5 million adults living in rural areas (81.4% of the rural adult population) are interested (“strongly interested” and “interested”) in financial matters
- The main source of financial advice for adults living in rural areas is family/friends

Interest in financial matters



Sources of financial advice



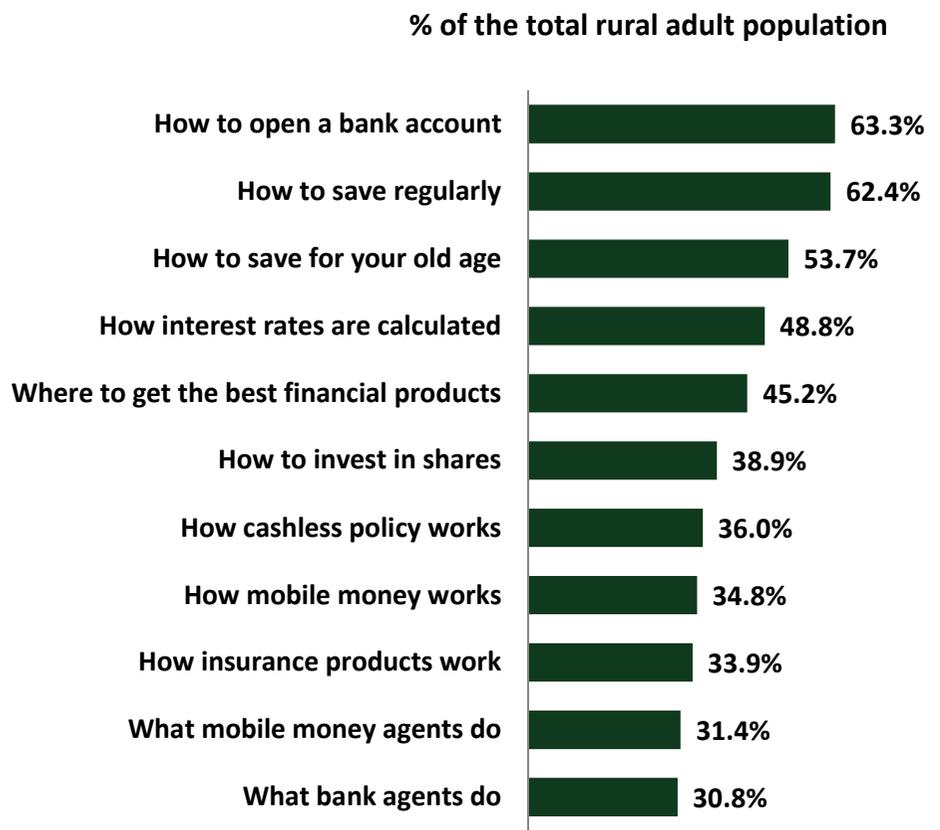


EFInA Interest in Financial Matters

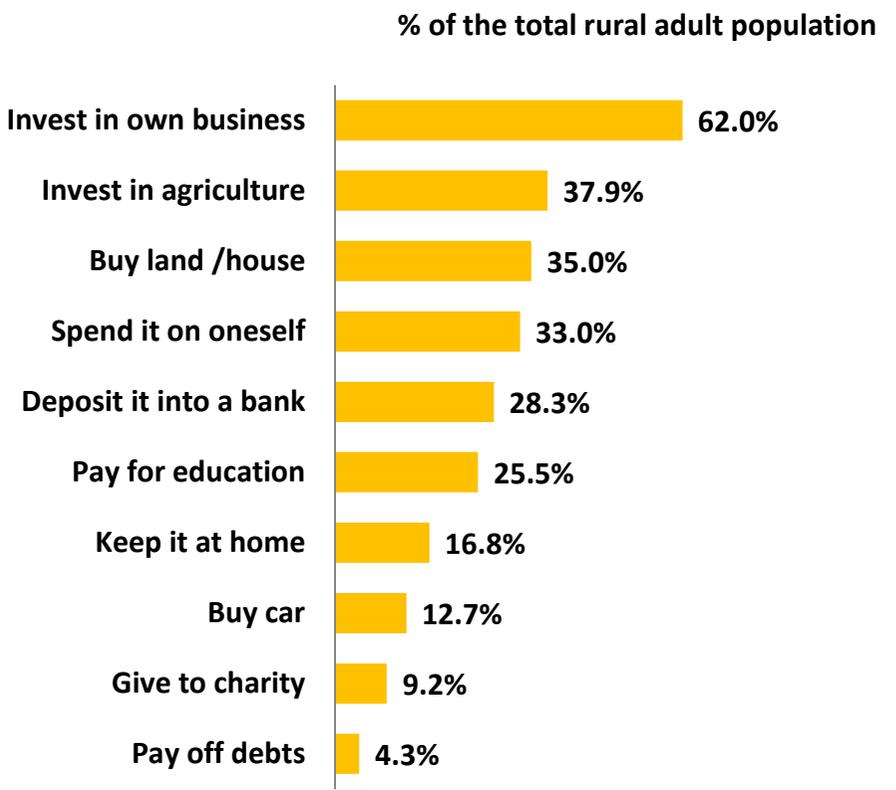
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- The top 3 financial topics of interest for adults living in rural areas are **how to open a bank account, how to save regularly and how to save for their old age**
- 16.9 million adults living in rural areas (28.3% of the rural population) said that if they received a fairly large sum of money, they would deposit it into a bank

Financial topics of interest



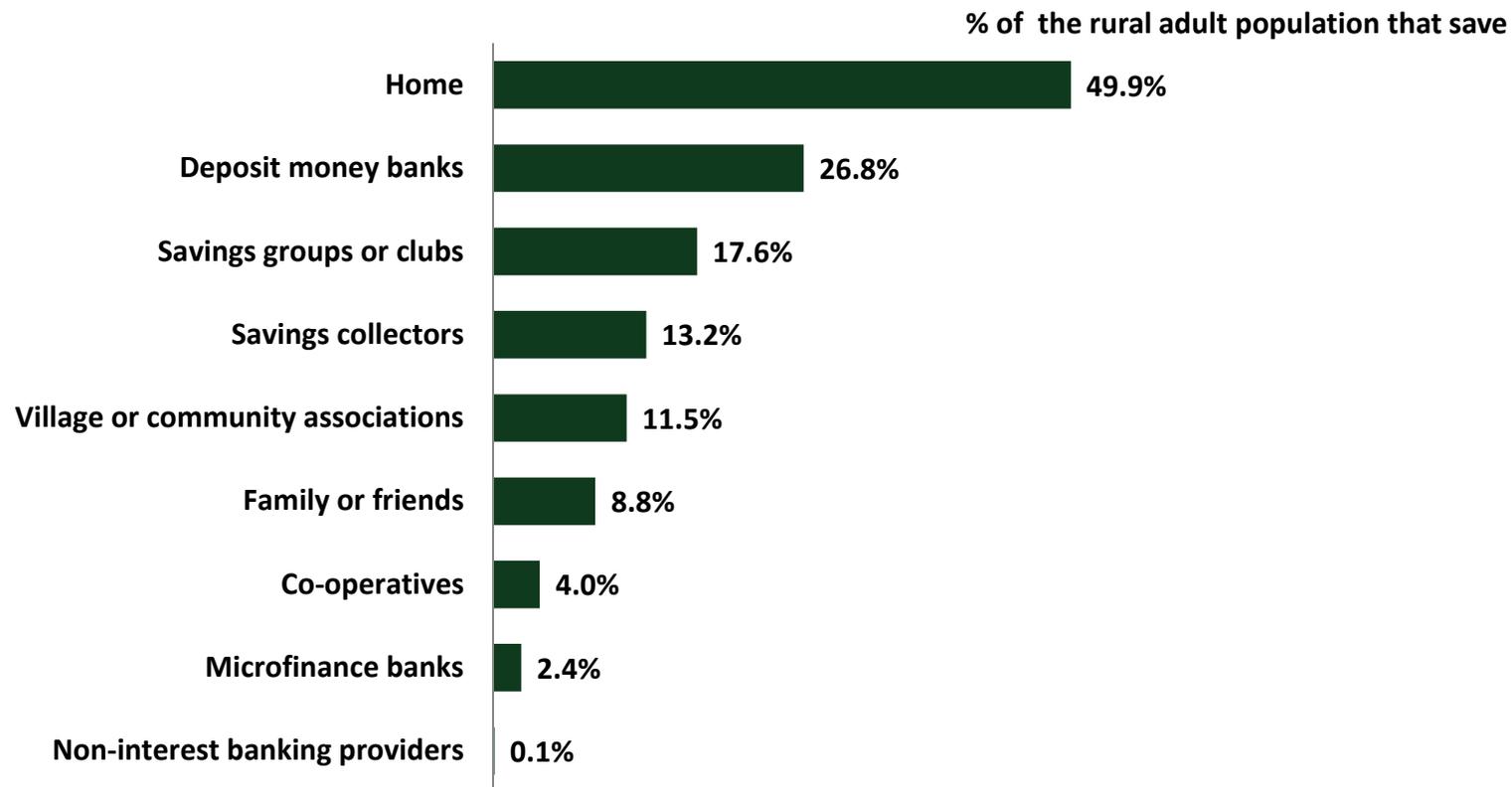
What rural adults would do if they receive a fairly large sum of money



Saving Behaviour of the Rural Adult Population

- 35.7 million adults (59.7% of the rural adult population) living in rural areas save
- Of the 35.7 million rural adult population that save, 49.9% save at home, while 26.8% save at a deposit money bank

Where the rural adult population save



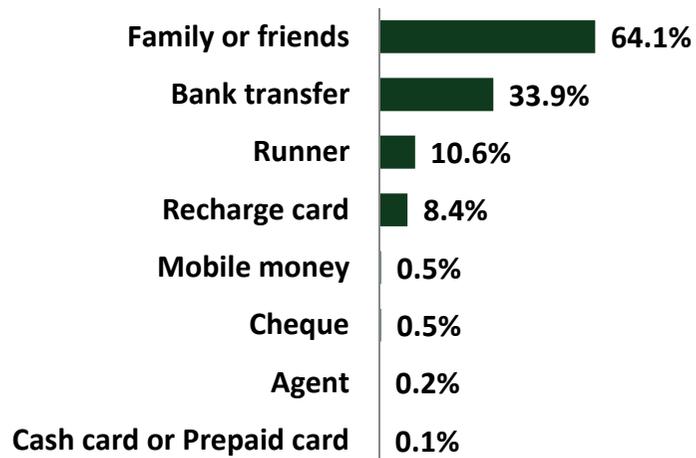
Domestic Remittances Behaviour of the Rural Adult Population

In the prior six months to the A2F 2014 survey being conducted:

- 14.1 million adults (23.6% of the rural adult population) living in rural areas received money from within Nigeria
- For those that received money from within Nigeria, the top 5 States they received money from were: **Lagos, FCT, Rivers, Kaduna and Abia**
- 8.4 million adults (14.0% of the rural adult population) living in rural areas sent money within Nigeria
- For those that sent money within Nigeria, the top 5 States they sent money to were: **Lagos, Rivers, Delta, Abia and FCT**

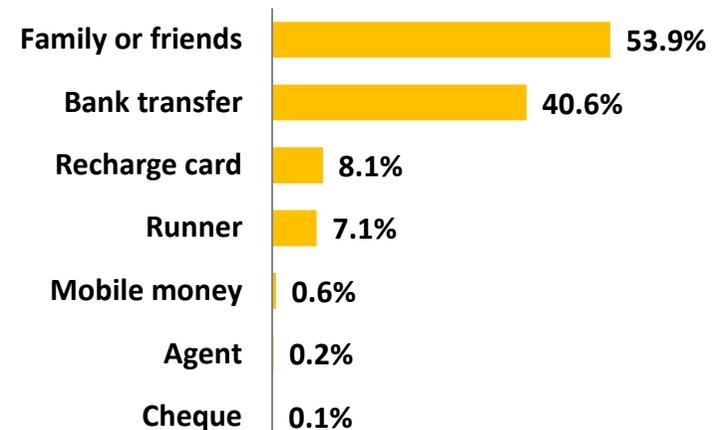
Received money

% of the rural adult population that received money



Sent money

% of the rural adult population that sent money

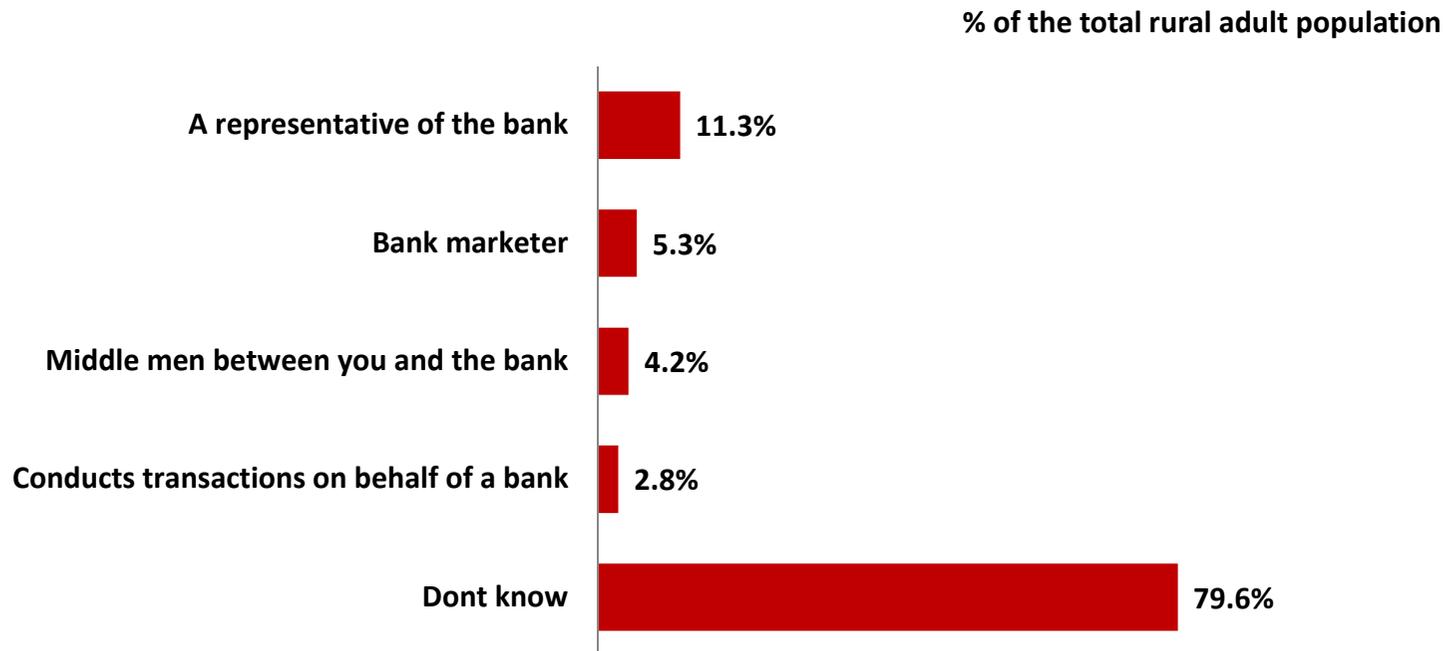


Awareness of Agents and Mobile Money

Perceptions of the Role of Bank Agents of the Rural Adult Population

- 6.8 million adults living in rural areas say a bank agent is a representative of the bank
- 3.2 million adults living in rural areas say a bank agent is a bank marketer
- However, 47.6 million adults living in rural areas do not know what a bank agent is
- Only 0.6 million adults living in rural areas have ever used a bank agent

What the term “bank agent” means?

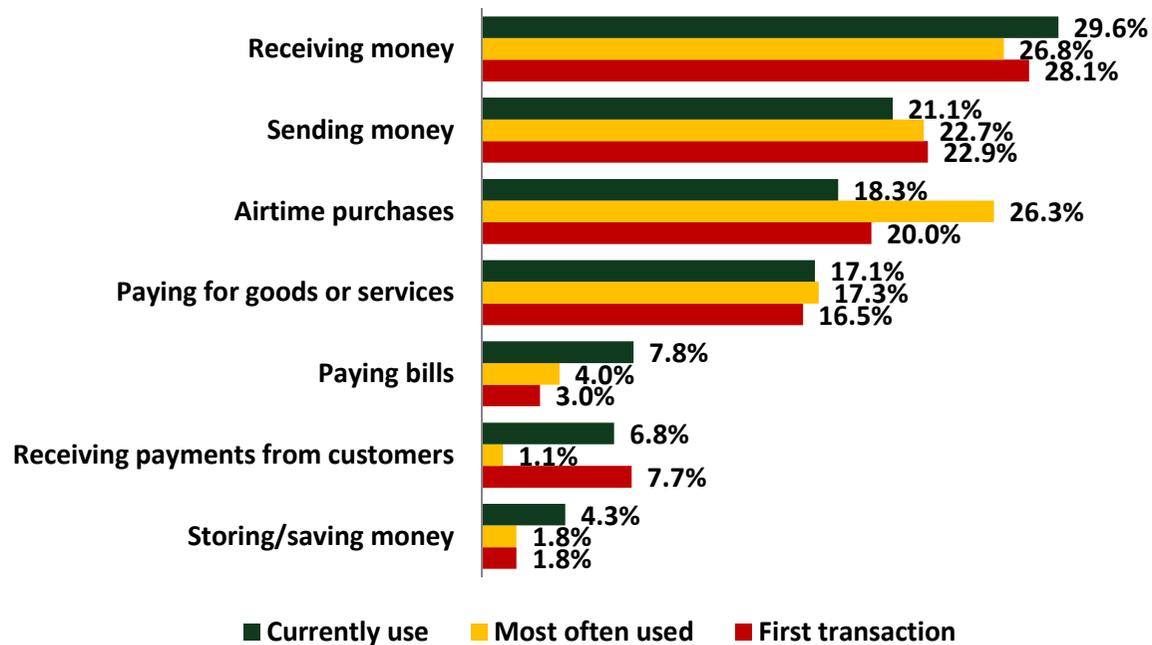


Awareness and Usage of Mobile Money of the Rural Adult Population

- 11.9 million adults are aware of mobile money, of which 4.5 million live in rural areas
- Although 4.5 million adults living in rural areas are aware of mobile money, only 0.2 million of them use mobile money (registered and non-registered users)
- Of the 0.2 million adults living in rural areas population that use mobile money, 28.1% cited receiving money as their first transaction and 26.3% cited airtime purchase as their most often used transaction

Mobile money services used

% of the rural adult population that use mobile money





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D. Barriers to Using Formal Financial Products for the Rural Adult Population

Barriers to Using Formal Financial Products for the Rural Adult Population

Rural adult population only

	DMB	MFB	NIB	MM	INSURANCE
DEMAND-SIDE BARRIERS					
Irregular income	X	X			
Unemployed	X	X			
Can't read or write	X				
Not interested			X		
Not aware of what products/services are available			X		
Do not understand the products			X		
Do not know the benefits of having the product					X
Do not know where to get it from					X
Do not believe in the product					X
Use other ways to do the same transaction				X	
SUPPLY-SIDE BARRIERS					
Banks are too far from where they live and work	X	X			
Cannot afford the product					X
It costs too much to reach a bank	X	X			
Lack of trust		X		X	
It is not easy to use				X	
Services needed are not available				X	

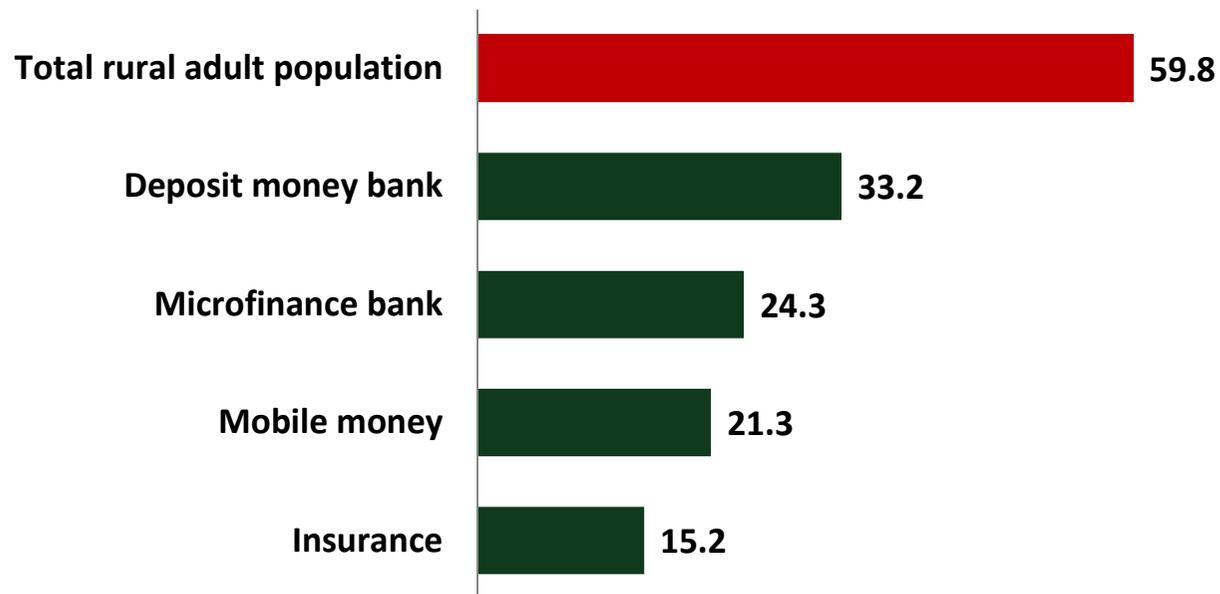


E. Potential Opportunities for Deepening Financial Inclusion Among the Rural Adult Population

Potential Opportunities for Deepening Financial Inclusion in Rural Areas

- **33.2 million** adults living in rural areas can be encouraged to open a deposit money bank account
- **24.3 million** adults living in rural areas can be encouraged to open a microfinance bank account
- **21.3 million** adults living in rural areas can be encouraged to use mobile money
- **15.2 million** adults living in rural areas can be encouraged to use insurance

Number of adults living in rural areas that can be encouraged to use the specific product (millions)



Factors that Would Encourage the Uptake of Formal Financial Services Among the Rural Adult Population

Rural adult population only

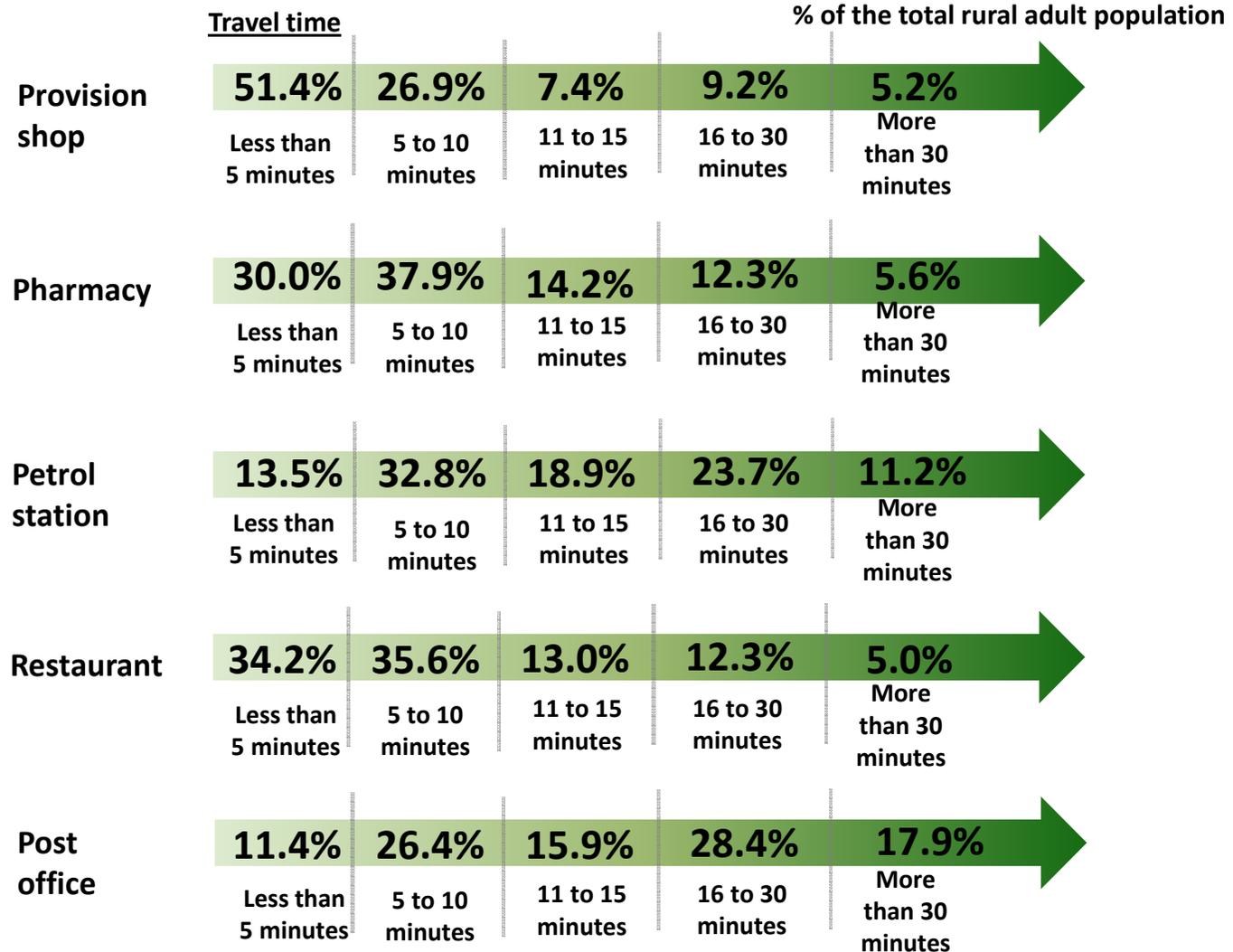
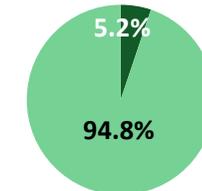
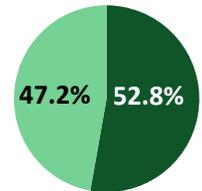
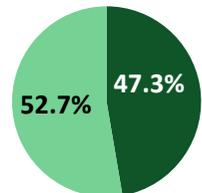
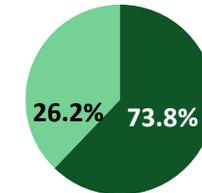
	DMB	MFB	MM	INSURANCE
DEMAND-SIDE FACTORS				
When the benefits of having the product are understood	X			X
When they have a job or income	X	X		
When they understand how the product works			X	X
When they feel it is safe to send/receive money or pay bills using their phones			X	
When many people are using mobile money			X	
SUPPLY-SIDE FACTORS				
When banks are closer to where they live or work	X	X		
When they know where to get the product from				X
When they can afford the product				X
When they trust them		X		
When they trust them to settle claims				X
Better access to loans		X		
Lower interest on loans		X		
Lower charges		X		
When there is an agent close to them			X	
When there is an agent close to their recipient			X	

Potential Access Points for Agent Locations in Rural Areas

- In terms of awareness of locations - provision shops and pharmacies have the highest level of awareness amongst adults that live in rural areas

Awareness of location

■ Know ■ Don't Know





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F. Summary

Why Rural? Why Agents?

Why Rural?

- There are **59.8 million** adults live in rural areas in Nigeria
- The rural adult population lead active financial lives:
 - **14.1 million** received money from within Nigeria
 - **8.4 million sent** money within Nigeria
 - **12.7 million** use informal saving products
 - **2.1 million** use informal loans

In addition:

- **48.5 million** adults living in rural areas are interested in financial matters
- **33.2 million** adults living in rural areas can be encouraged to open a deposit money bank account
- **24.3 million** adults living in rural areas can be encouraged to open a microfinance bank account
- **21.3 million** adults living in rural areas can be encouraged to use mobile money
- **15.2 million** adults living in rural areas can be encouraged to use insurance

Why Agents?

- Should address two of the major supply-side barriers to using formal financial products such as – **banks are too far from where they live and work, and it costs too much to reach a bank**
- Could also address some of the demand-side barriers to using formal financial products such as – **not aware of what products/services are available, do not understand the products, do not know the benefits of having the products, and do not know where to get products from**