

Exploring Opportunities for Increasing the Deployment of Agent Networks in Nigeria

Findings from EFInA A2F 2016 Survey

11th July 2017

Outline

- A** Introduction & Background
- B** Financial Access Points
- C** Profile of the Segments
- D** Products Usage
- E** Opportunities for Deepening the Usage of Agent Networks



Introduction & Background



Financial Access Points



Profile of the Segments



Products Usage



Opportunities for Deepening the Usage of Agent Networks

Introduction and Background

About EFInA

- Enhancing Financial Innovation & Access (EFInA) is a financial sector development organization that promotes financial inclusion in Nigeria
- EFInA's vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system . EFInA adopts a holistic approach to impact the market at three levels – micro, meso and macro levels

Purpose of Presentation

- This presentation is focused on how agent networks can be utilised as a channel for deploying financial services to the underbanked population

Leveraging EFInA A2F Survey Data

- The EFInA A2F survey identifies the financial needs of the adult population and gives service providers data and analyses to develop innovative products to serve them
- Provides insights into regulatory and market obstacles to growth and innovation in the financial sector

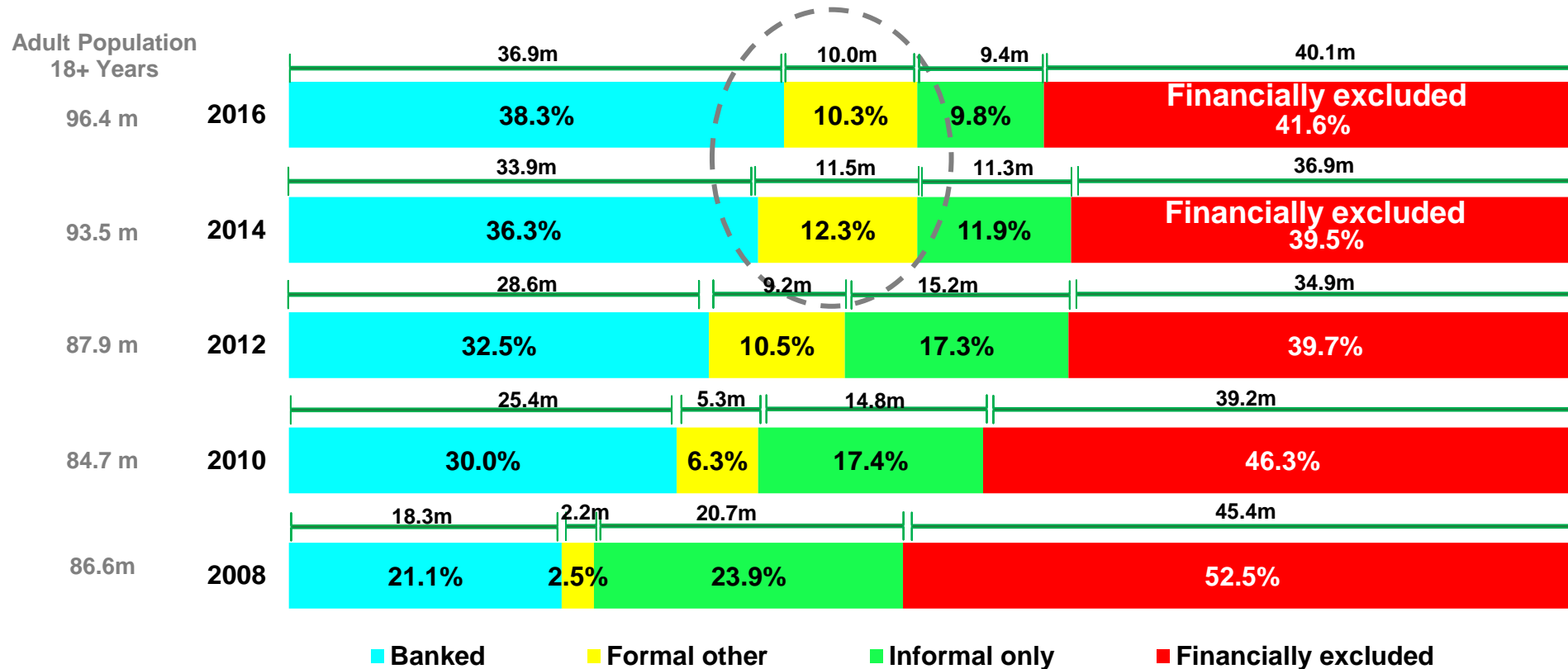
Approach & Methodology

- The A2F research is conducted biennially since 2008. The size of the participants included in each of the survey was over 20,000 with a proportional representation across states. Nationally representative sample of Nigerian adults (18+) across all 36 states and FCT Abuja
- Results were weighted by the National Bureau of Statistics (NBS) to provide for the total adult population and benchmarked to national population estimates for verification

Trends In Financial Access Strand – 2008 to 2016

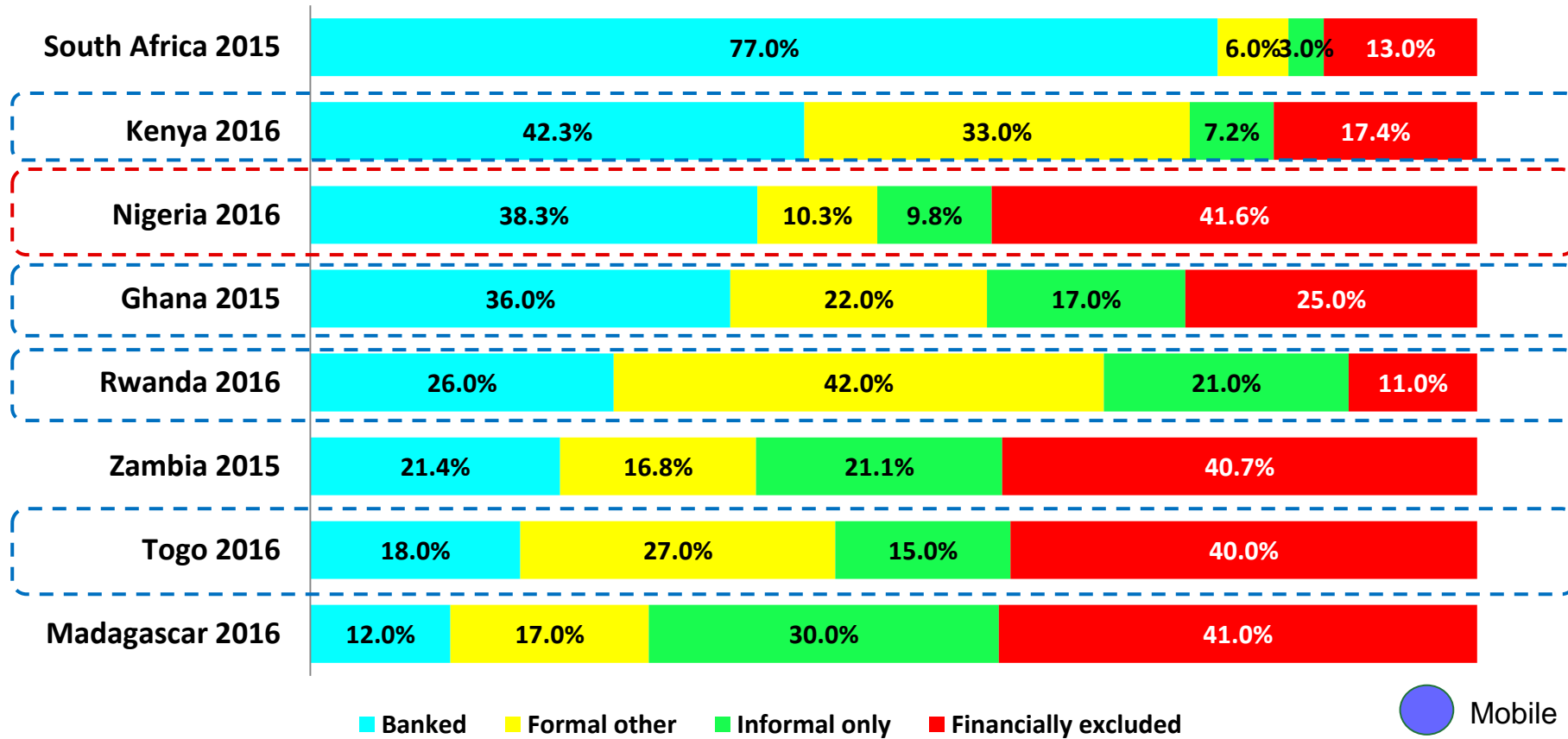
Between 2014 and 2016:

- The adult population growth outpaced the growth in the banked population
- The financially excluded population grew from 36.9 million to 40.1 million
- Contribution of MFBs to formal financial inclusion declined, with adult users reducing from 2.6m to 1.8m



Financial Access - Cross Country Comparisons

- Compared to other countries in Sub Saharan Africa, Nigeria has one of the lowest penetration in mobile money (formal other). As a result, despite the fact that Nigeria has one of the highest banked population (38.3%), the percentage of financially excluded is the highest at 41.6%



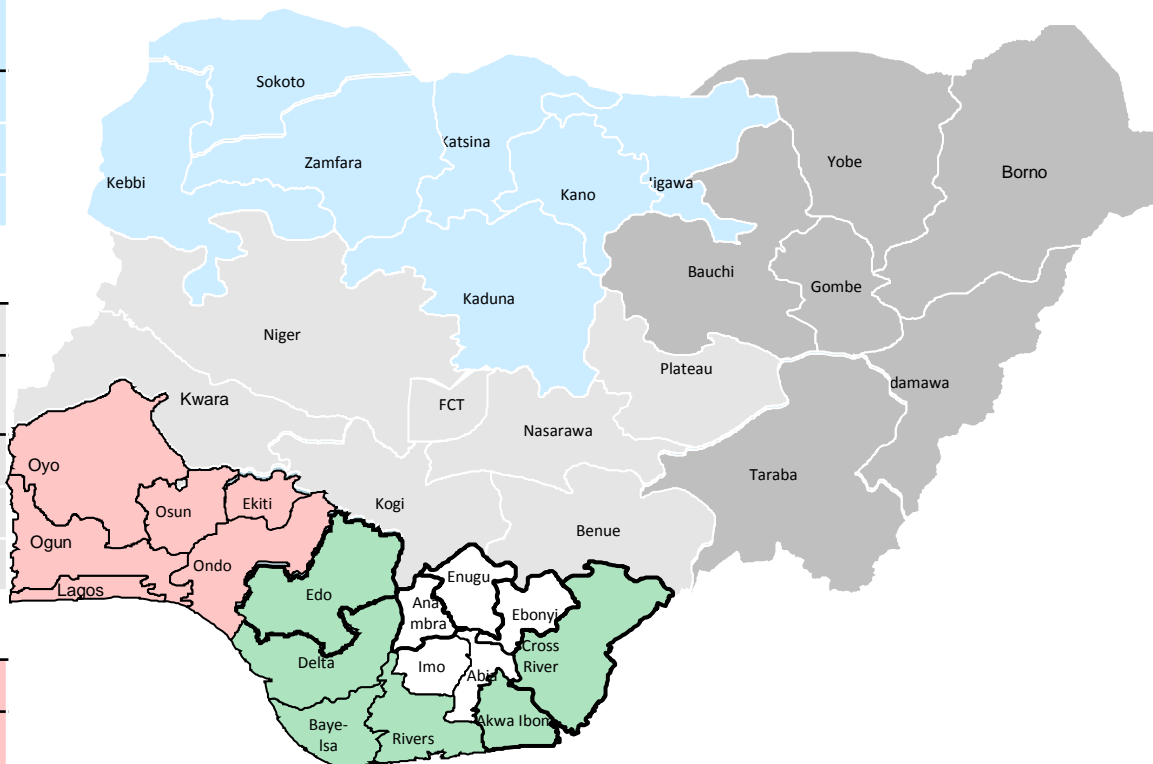
Note: There are some differences in the classification of products/services in the categories of the access strand between the countries

The Financially Excluded are Concentrated in the North East and North West Geo-political Zones

North West	2012	2014	2016
Total Adult Population	19M	21M	22M
Formally Included	23%	35%	24%
Informal Only	14%	9%	6%
Financially Excluded	64%	56%	70%

North Central	2012	2014	2016
Total Adult Population	13M	14M	14M
Formally Included	48%	49%	48%
Informal Only	20%	19%	14%
Financially Excluded	32%	33%	39%

South West	2012	2014	2016
Total Adult Population	19M	20M	21M
Formally Included	58%	63%	78%
Informal Only	18%	13%	4%
Financially Excluded	25%	25%	18%



North East	2012	2014	2016
Total Adult Population	11M	11M	12M
Formally Included	26%	26%	25%
Informal Only	15%	5%	14%
Financially Excluded	60%	68%	62%

South South	2012	2014	2016
Total Adult Population	14M	15M	16M
Formally Included	52%	52%	55%
Informal Only	18%	15%	14%
Financially Excluded	30%	33%	31%

South East	2012	2014	2016
Total Adult Population	12M	12M	12M
Formally Included	52%	63%	59%
Informal Only	22%	11%	13%
Financially Excluded	26%	25%	28%

Outline

A Introduction & Background

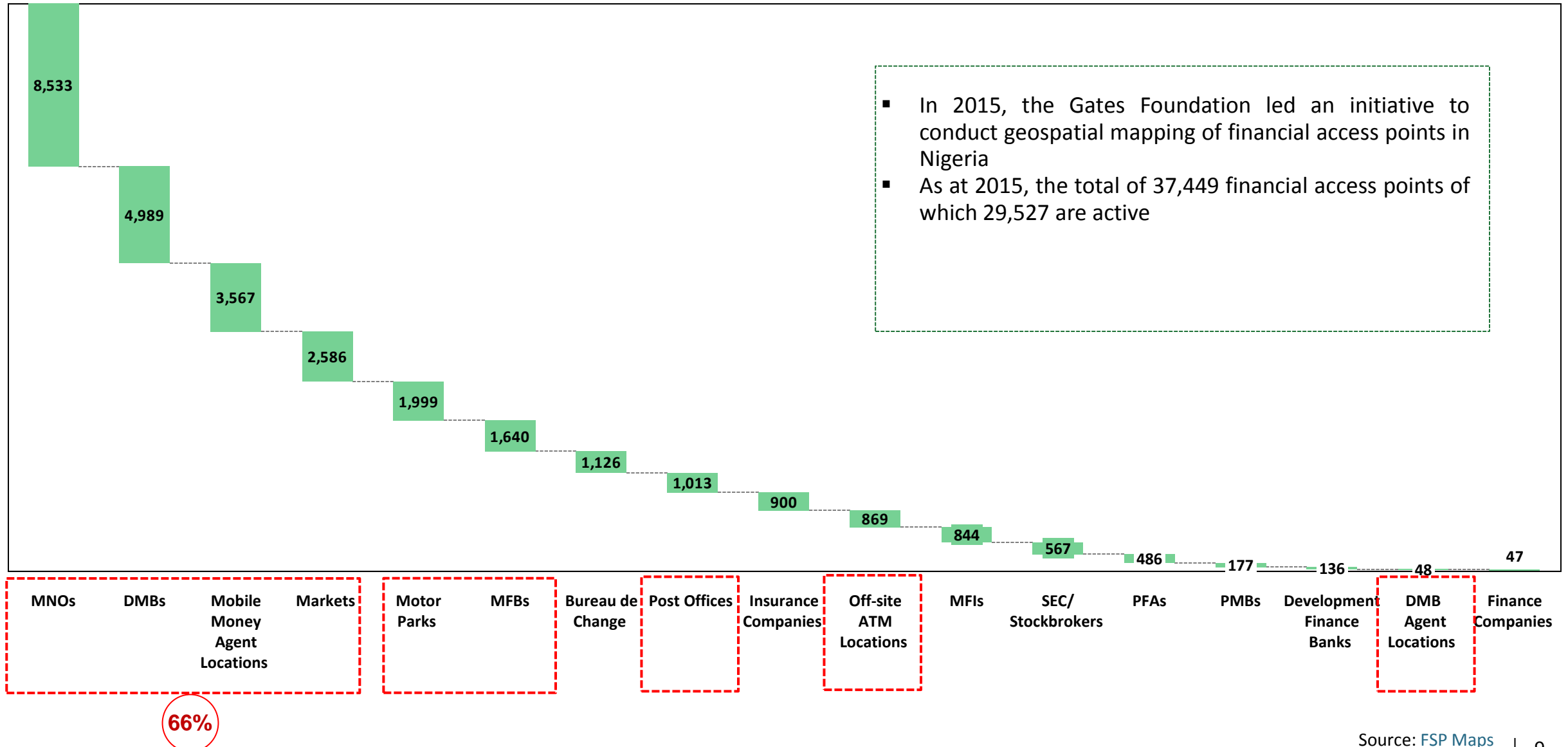
B Financial Access Points

C Profile of the Segments

D Products Usage

E Opportunities for Deepening the Usage of Agent Networks

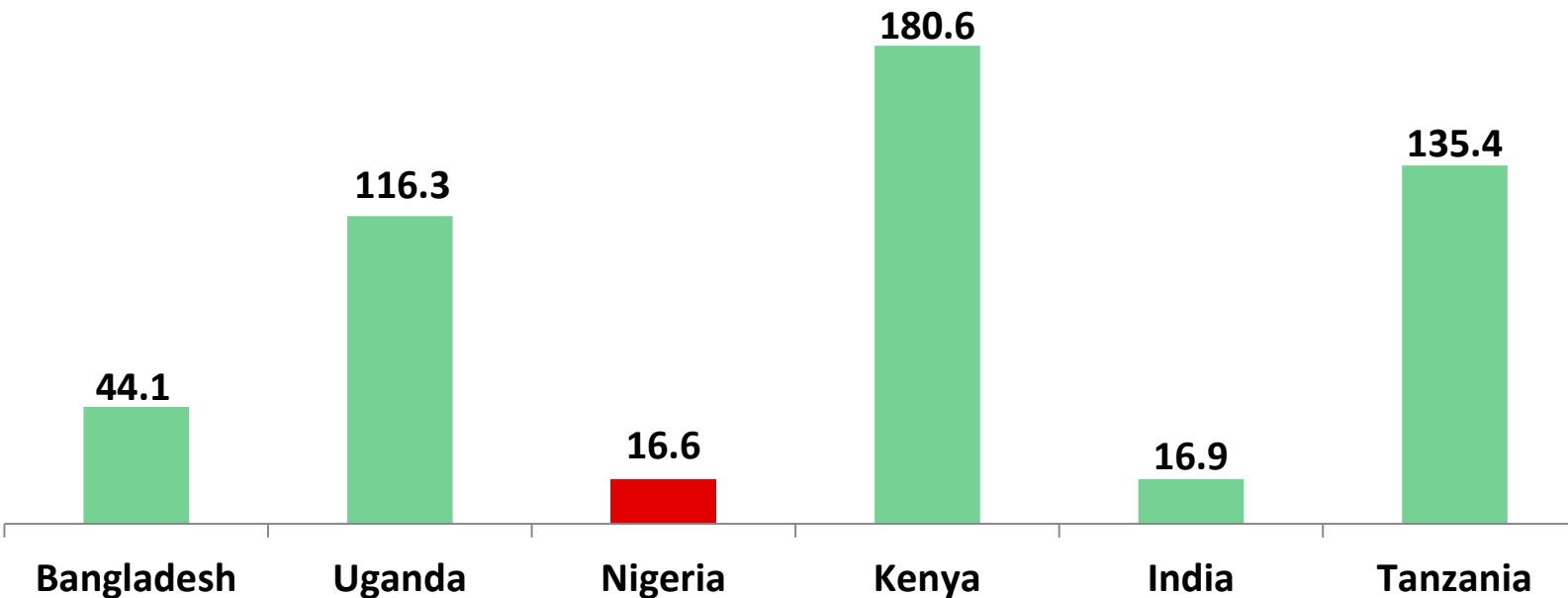
A Snapshot of Active Financial Access Points in Nigeria reveals the need for significant agent proliferation to fill the gap



Comparing Active Financial Access Points in Nigeria to other countries indicates that Nigeria is far behind...

Country (Total Population 2015)	Total Population	Active Access Points	Ratio of Population per 1 Active Access Point (per 100,000 adults)
Bangladesh	148,441,532	65,534	44.1
Uganda	39,066,910	45,417	116.3
Nigeria	178,321,196	29,527	16.6
Kenya	46,107,723	83,275	180.6
India	299,931,126	50,743	16.9
Tanzania	41,372,390	56,017	135.4

Ratio of Population to Active Access point per 100,000 adults



- Nigeria is far behind at 16.6 active financial access point per 100,000 adults
- The CBN plans to increase access points to 7.6 Deposit Money Bank (DMB) branches; 5 Microfinance Bank (MFB) branches, 203.6 ATMs, 850 Point of Sales terminals (PoS) and 62 mobile agents for every 100,000 adults, by 2020
- There has to be significant proliferation of agent networks to increase active financial access points from 29,527

Financial Access points are Commercial Banks, Mobile Network Operators, Mobile Money Agents, Markets, Motor Parks, Microfinance Bank, Bureau de Change, Post Offices, NAICOM, Offsite ATM, Microfinance institutions, Securities Exchange Commission, PENCOM, Primary Mortgage Banks, Development Finance Institution, Bank Agent and Finance Companies

Ratio of Population to Active Financial Access Points by Geo-political zones indicates that access points are heavily strained

North West	
Total Population	45,767,979
Active Access Points	4,768
Ratio of Population to Active Access Points per 100,000 adults	10.4
DMB Agent Locations	2
Mobile Money Agent Locations	474

North Central	
Total Population	25,591,078
Active Access Points	4,688
Ratio of Population to Active Access Points per 100,000 adults	18.3
DMB Agent Locations	2
Mobile Money Agent Locations	539

South West	
Total Population	36,426,113
Active Access Points	8585
Ratio of Population to Active Access Points per 100,000 adults	23.6
DMB Agent Locations	19
Mobile Money Agent Locations	1686

National average of total population to 16.6 active access points to 100,000 adults



North East	
Total Population	23,574,409
Active Access Points	2,696
Ratio of Population to Active Access Points per 100,000 adults	11.4
DMB Agent Locations	6
Mobile Money Agent Locations	66

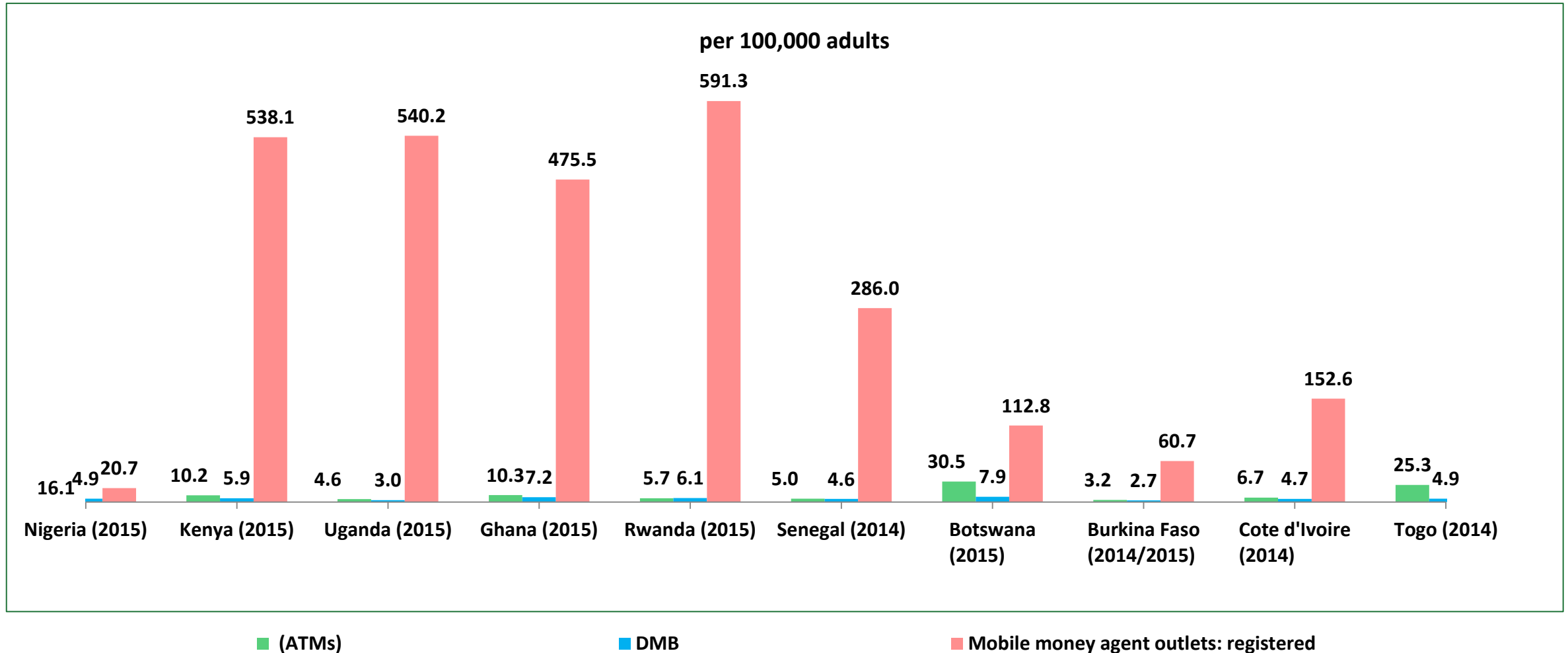
South South	
Total Population	26,136,989
Active Access Points	3,844
Ratio of Population to Active Access Point per 100,000 adults	14.7
DMB Agent Locations	4
Mobile Money Agent Locations	288

South East	
Total Population	20,746,974
Active Access Points	4,946
Ratio of Population to Active Access Points per 100,000 adults	23.8
DMB Agent Locations	15
Mobile Money Agent Locations	514



Comparison of Access Points in Sub-Saharan Africa

- Comparison of access points across other countries in Sub-Saharan Africa suggests that while Nigeria is relatively well served by bank branches and ATMs, it has very few mobile money agents, as the data in the graph shows.



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The Informally Served and Financially Excluded are economically active, with a large majority being business owners...

North West

Financial Access	Phone Ownership	Education	Sector	Income Source
Formally Served (5.3m)	60.4%	36.6% have no formal education	64.1% rural	48.4% are business owners*
Informally Served (1.3m)	41.3%	43.8% have no formal education	82.8% rural	60.3% are business owners*
Financially Excluded (15.4m)	23.4%	59.4% have no formal education	85.5% rural	38.3% are business owners*

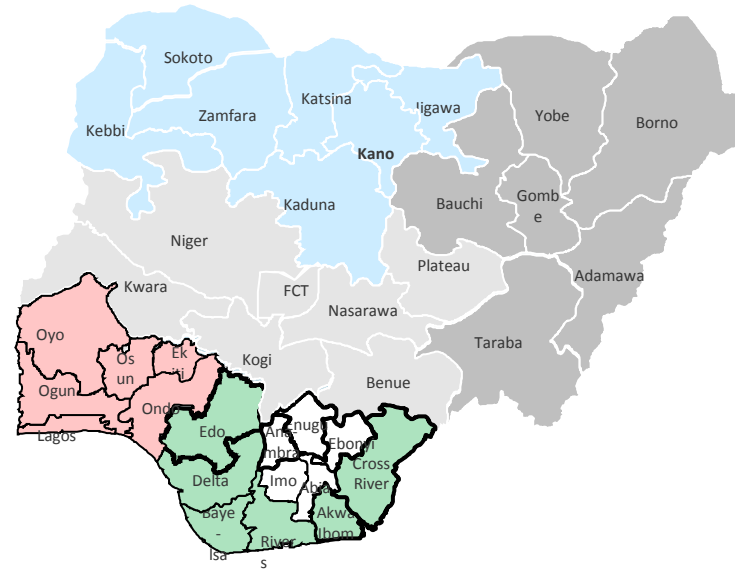
North Central

Financial Access	Phone Ownership	Education	Sector	Income Source
Formally Served (6.5m)	84.2%	11.7% have no formal education	62.5% rural	38.8% are business owners*
Informally Served (1.9m)	46.0%	23.5% have no formal education	87.8% rural	39.8% are business owners*
Financially Excluded (5.3m)	41.1%	38.4% have no formal education	87.8% rural	30.7% are business owners*

South-West

Financial Access	Phone Ownership	Education	Sector	Income Source
Formally Served (16.5m)	90.8%	4.4% have no formal education	85.0% urban	54.1% are business owners*
Informally Served (0.9m)	72.8%	16.6% have no formal education	61.4% urban	58.6% are business owners*
Financially Excluded (3.9m)	58.9%	22.6% have no formal education	71.6% urban	44.2% are business owners*

Financial products/services should be simple and easy to use because of the low levels of financial literacy, especially in the Northern areas



*Business Owners comprises of Artisans, Traders of farming/non-farming products, Traders of agricultural inputs

North East

Financial Access	Phone Ownership	Education	Sector	Income Source
Formally Served (3.0m)	77.1%	16.3% have no formal education	60.9% rural	44.5% are business owners*
Informally Served (1.6m)	45.9%	39.7% have no formal education	85.9% rural	39.5% are business owners*
Financially Excluded (3.9m)	34.6%	46.7% have no formal education	77.8% rural	30.9% are business owners*

South-South

Financial Access	Phone Ownership	Education	Sector	Income Source
Formally Served (8.6m)	82.7%	0.6% have no formal education	58.2% rural	46.2% are business owners*
Informally Served (2.2m)	58.8%	4.2% have no formal education	88.3% rural	53.7% are business owners*
Financially Excluded (4.8m)	37.3%	2.0% have no formal education	80.5% rural	37.3% are business owners*

Financial Access	Phone Ownership	Education	Sector	Income Source
Formally Served (7.1m)	87.1%	0.6% have no formal education	56.3% rural	48.7% are business owners*
Informally Served (1.6m)	55.7%	8.1% have no formal education	92.9% rural	49.8% are business owners*
Financially Excluded (3.4m)	50.9%	6.6% have no formal education	79.4% rural	36.5% are business owners*

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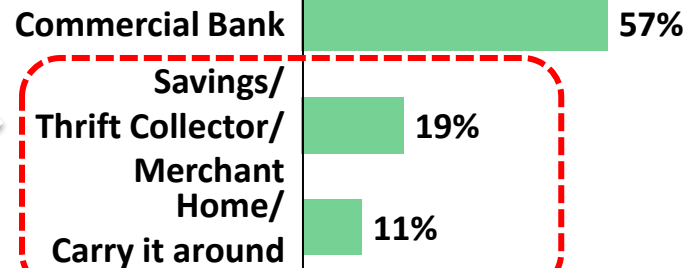
Products Usage of the Formally Served – Savings, Credit and Remittances

- There are opportunities for agent network providers to leverage the models of informal financial services providers to roll out agent networks among the formally served.



In the past 12months

40.0m Formally served adults saved



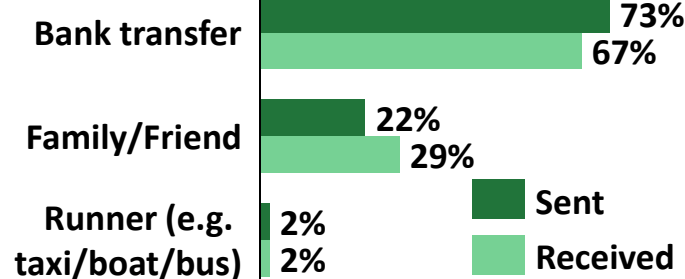
What customers are looking for in channels

Easy to use	27%
Close to me	23%
Know money is safe from theft/fire	21%



In the past 6 months

27.7m Formally served adults sent/ received money within Nigeria:
Sent 15.8m
Received 21.7m

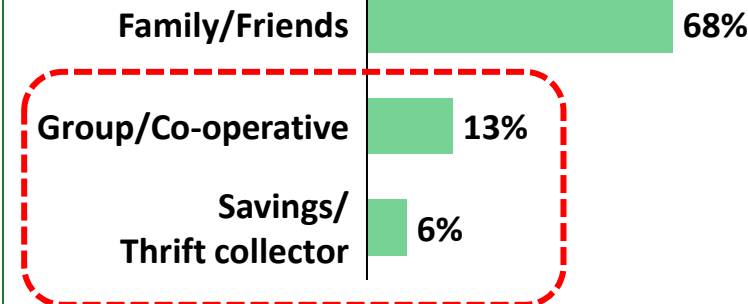


	Sent	Received
Quick service	36%	35%
Reliability	22%	22%
Easy to use	16%	15%



In the past 12months

16.6m Formally served adults borrowed



To get the money quickly	51%
Suitable repayment	13%
No collateral required	10%

Products Usage of the Informally Served – Savings, Credit and Remittances

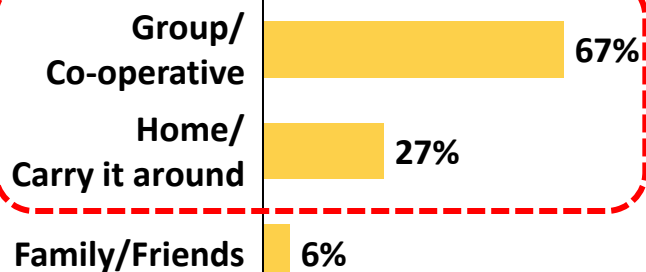
- There are opportunities for agent network providers to leverage the models of informal financial services providers to roll out agent networks among the informally served.



7.7m Informally served adults saved

In the past 12months

Main Channels



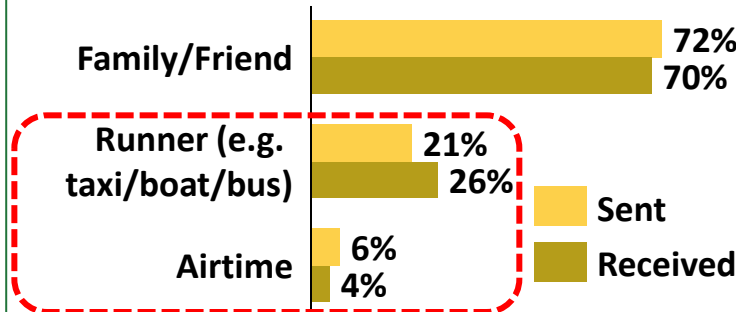
Easy to use	38%
Close to me	23%
Have quick access to savings	15%

What customers are looking for in channels



In the past 6 months

3.6m informally served adults sent/received money
Sent 1.4m
Received 3.1m

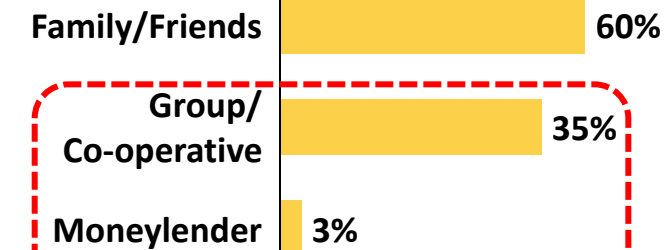


	Sent	Received
Reliability	30%	23%
Trust	24%	18%
Quick service	22%	29%



4.1m Informally served adults borrowed

In the past 12months



To get the money quickly	49%
Suitable repayment	15%
Flexible terms	7%

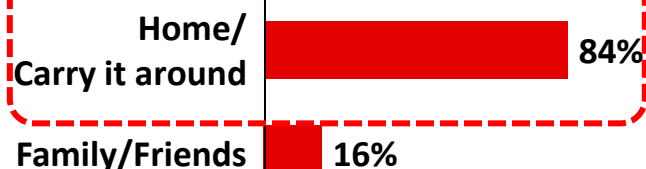
Products Usage of the Financially Excluded– Savings, Credit and Remittances

- 18.0m financially excluded adults save. Increasing the reach of agent networks may bring help to the financially excluded into the formal financial system, by providing more access points and hence available options



In the past 12months

18.0m Financially Excluded adults saved



Main Channels

What customers are looking for in channels

Easy to use	51%
Close to me	21%
To get the money quickly	13%



In the past 6 months

7.7m Financially Excluded adults sent /received money
Sent 1.9m
Received 6.6m



■ Sent
■ Received

	Sent	Received
Trust	32%	21%
Quick service	21%	23%
Reliability	21%	22%



10.8m Financially Excluded adults borrowed



To get the money quickly	58%
Suitable repayment	13%
Proximity	8%

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Agent Networks can help address the barriers to the roll-out of conventional (non-agent) access points

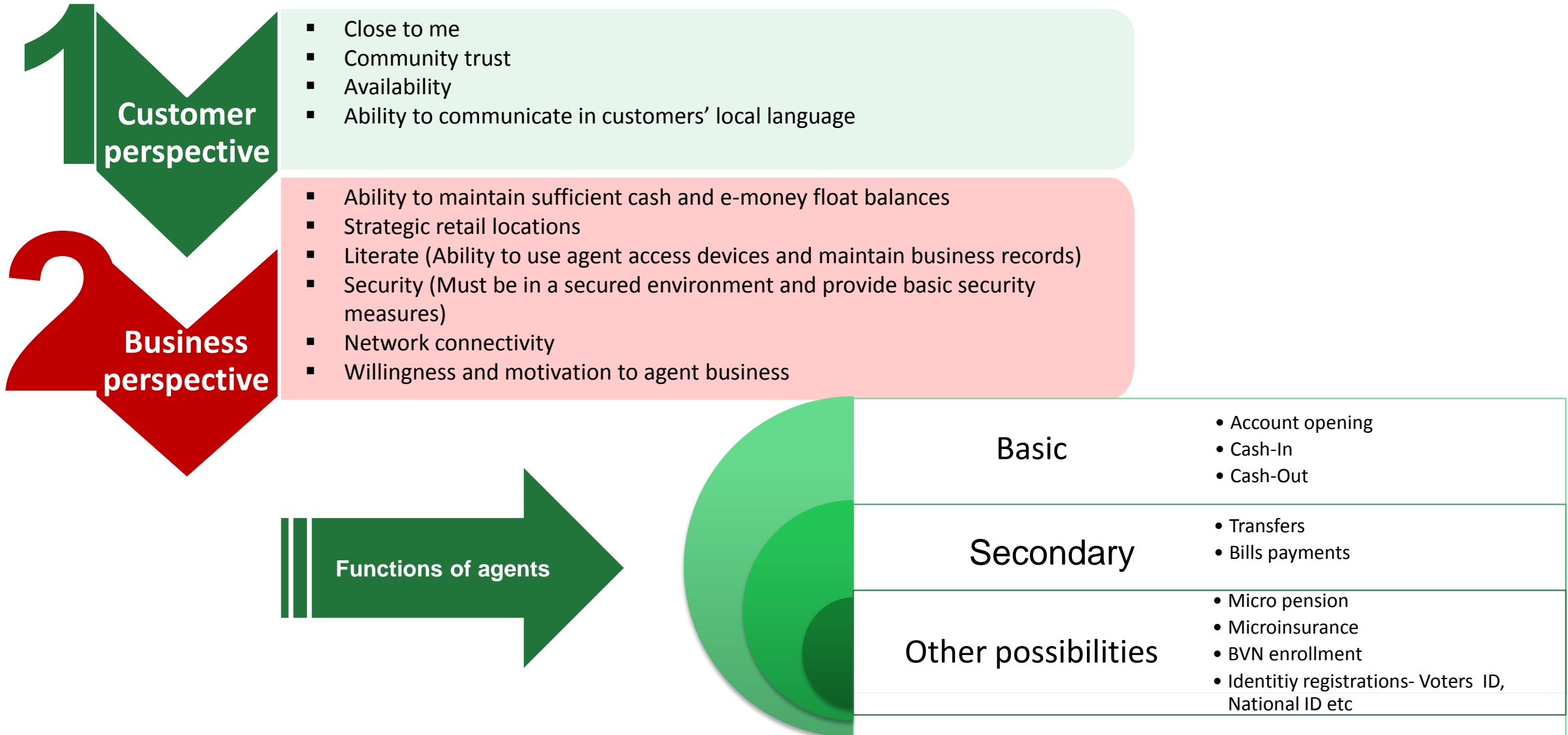
Barriers to the roll-out of conventional (non-agent) access points (e.g. branches, ATMs etc.)

- High fixed costs of dedicated physical infrastructure in remote locations
- High operational costs (e.g. high security, staff salaries, high speed internet connectivity, 24hrs electricity etc.)
- Limited market size leading to conventional access points being loss-making beyond a certain point

Agents can help to address these barriers

- Agent costs are spread/shared across other business activities of the agents
- Agent costs are largely variable costs than fixed cost, hence less hampered by low transactions volumes
- It is fast and easy to set up, and thus minimises the capital expenditure of expansion

Desirable attributes and functions of agents

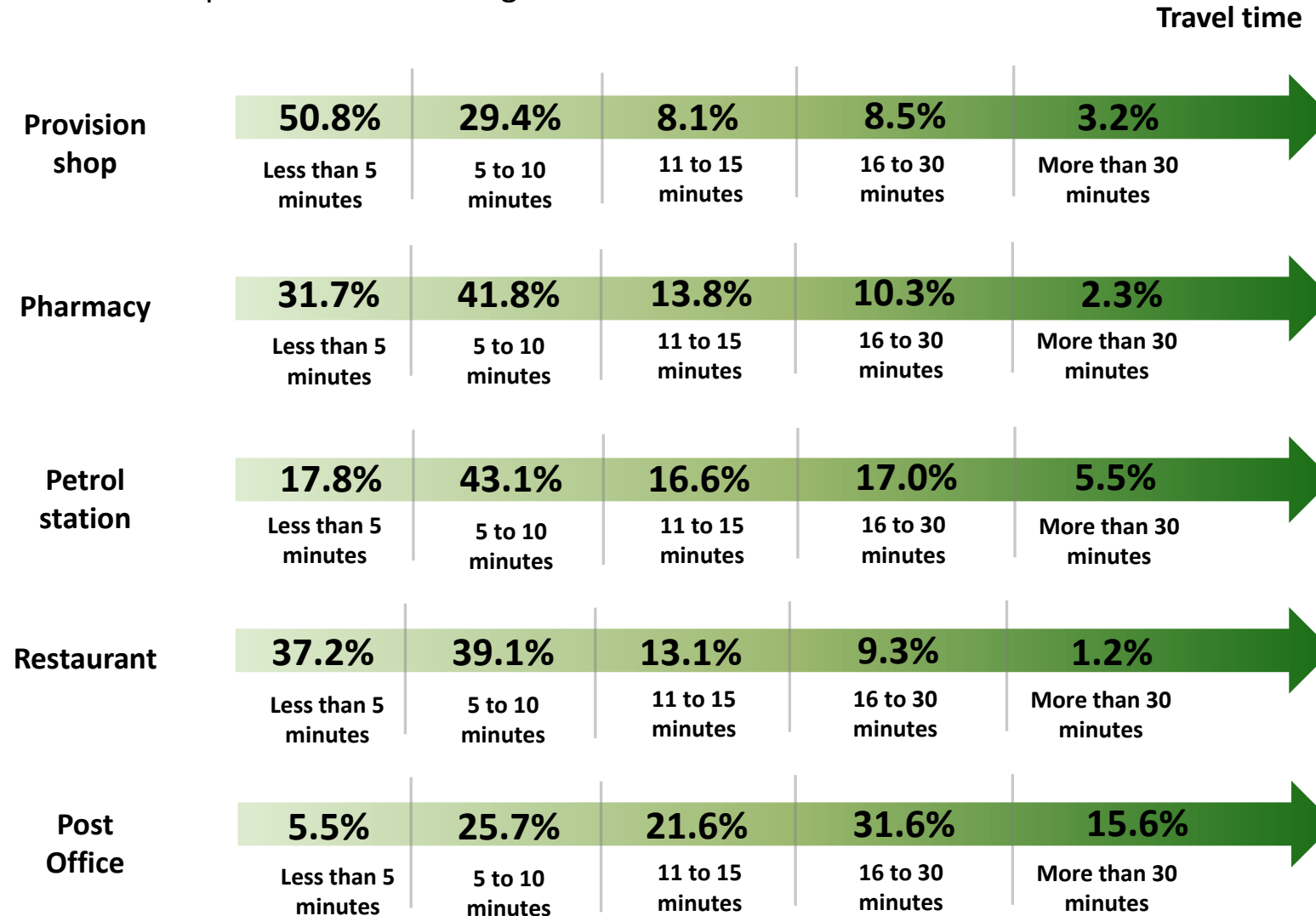
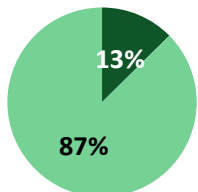
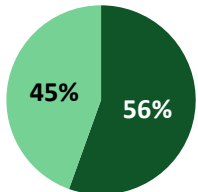
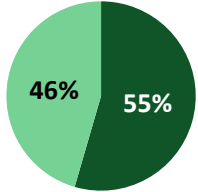
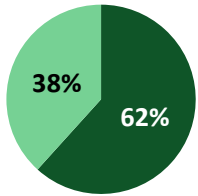
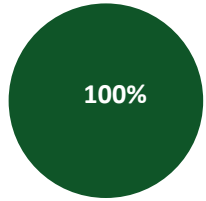


Financial Services Providers can potentially roll-out Agent Networks at these Locations

- In terms of awareness of location – provision shops and pharmacies have the highest level of awareness, and are also convenient in terms of requiring little time to reach them. Agent networks providers can leverage these locations.

Awareness of location

■ Yes ■ No

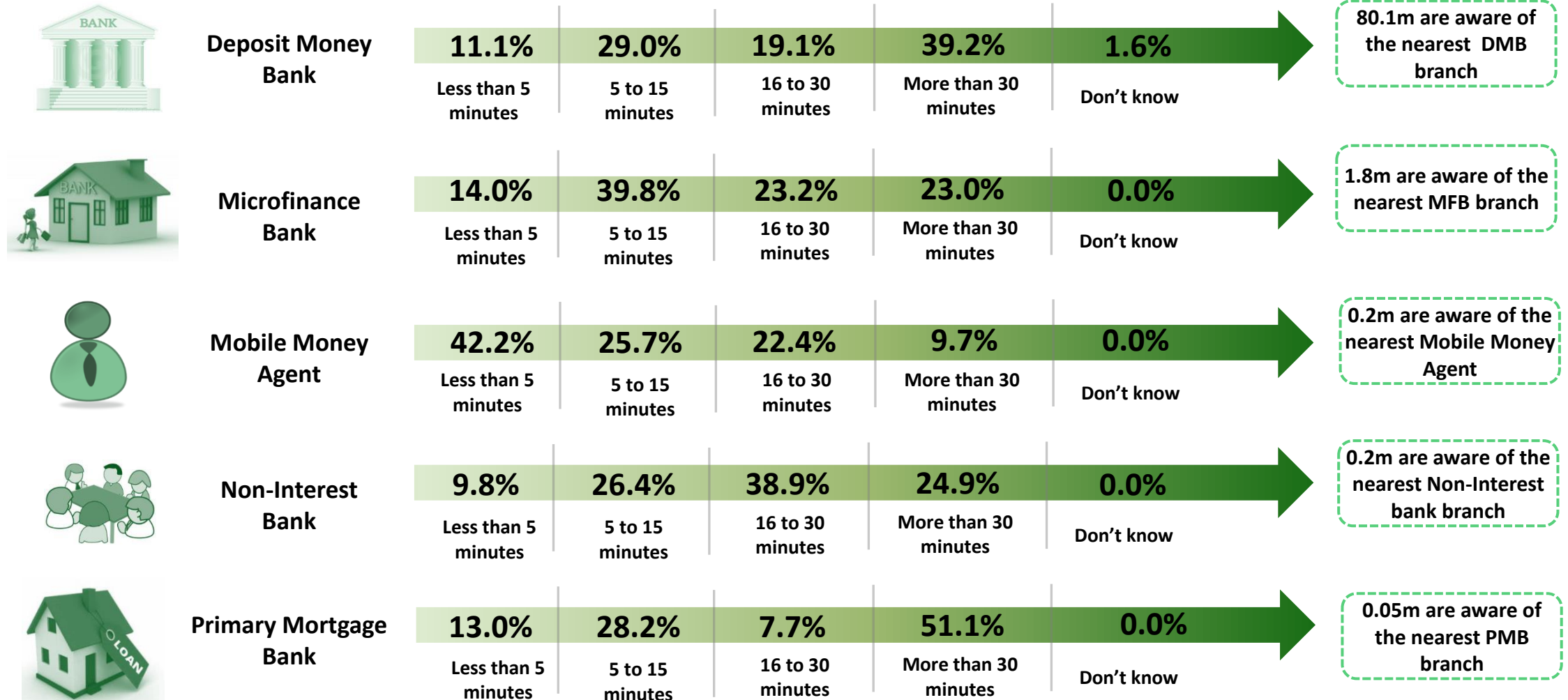


Distance to Financial Services Providers is one of the main barriers to uptake and usage of formal financial products

Financial Service Provider




Travel Time

Awareness






How can we leverage existing infrastructure to support the deployment of Agent Networks...




North West

 Households with access to electricity	 Markets	 Post Offices
8,129,016	284	113

North Central




 Households with access to electricity	 Markets	 Post Offices
4,910,659	557	145

South-West




 Households with access to electricity	 Markets	 Post Offices
3,336,482	419	232



North East

 Households with access to electricity	 Markets	 Post Offices
5,786,302	180	54

South-South

 Households with access to electricity	 Markets	 Post Offices
3,988,411	360	170

South-East

 Households with access to electricity	 Markets	 Post Offices
2,310,586	786	299



Potential Collaborative Opportunities for Agent Networks Providers

At least **USD383.4 million** in aid/support can be disbursed through Agent Networks

USD 134.3million was disbursed in 2016

Federal Government Social Investment Programmes (SIPs)- Government's Enterprise and Empowerment Programme (GEEP), National Cash Transfer, Home grown school feeding programme , N-Power etc



USD 2.2million was budgeted as at 2017

Mercy Corps Nigeria's humanitarian program



USD 260,000 was utilised in 2015

DRC programme responds to the huge humanitarian needs and challenges in North East Nigeria



USD 2.3million has been utilised in 2017

CRS is using cash transfer methodology in providing food as well as water, sanitation and hygiene assistance to IDPs in Yobe, Borno and Adamawa



Common areas these programmes focus on are:

- Rural areas
- Northern Nigeria
- Poor
- Hard to reach population

These present opportunities for Agent Networks Providers to collaborate with development agencies and Government programmes to rollout agent networks in the rural areas. This has the potential to:

- Drive uptake of agent services in the rural areas
- Subsidise the cost of penetrating unprofitable areas
- Guarantee business activities for agents etc.



USD 1.6million was disbursed in 2013

NEMA disburses Conditional Cash Transfer (CCT) to the Internally Displaced Persons



USD 10.3million was utilised in 2015

Action Against Hunger programmes across Jigawa, Yobe, Borno, Kastina, Kebbi, Zamfara, and Abuja



ICRC

USD 68.5million was budgeted in 2016

ICRC utilises cash transfer in ensuring that the most basic needs of distressed people are met



Save the Children

USD16.9 million has been utilised since 2012

Save the Children Nigeria Child Development Grant Programme (CDGP) in Zamfara and Jigawa.



USD 147million was budgeted for 2017

UNICEF, the World Food Programme (WFP) and Action Against Hunger (AAH) are working together to support vulnerable families in North East Nigeria

Agent Networks play a strategic role in deepening financial access

- Increasing the reach of agent networks is key to improving financial access for the underserved/unbanked

Expand the reach to underserved and unbanked population

Decongest bank branches and reduce the associated costs

Expand to new geographies and more customers

Reduce the operational costs of providing financial services



Challenges and Recommendations

Agent networks sustainability

Recommendations

- Improve agent value proposition
- Align value proposition with national social protection policies (utilise agent networks to disburse Government social interventions)
- Target key corridors with high ratios of population to active access points
- Align regulatory requirements across industries on the use of super agents

Lack of infrastructure that supports agent networks

Recommendations

- Government can intervene by subsidising cost of providing required infrastructure for rolling-out agent networks
- Government can create an enabling environment for infrastructure providers
- More investments in infrastructure that supports agent networks
- Remove regulatory barriers to the provision of mobile money by MNOs

Lack of brand visibility of agent locations

Recommendations

- Invest more in customer awareness and financial literacy
- Monitor performance of customer awareness programmes

High cost of penetrating unprofitable areas (rural areas)

Recommendations

- Review pricing structure of agent services to ensure profitability
- Government and development agencies can subsidise the cost of penetrating rural areas

How EFInA Intends to Deepen Financial Inclusion in Nigeria

Enhance collaborative efforts through EFInA's pillars

Review status, understand challenges, leverage opportunities

Research

- Continue to provide credible market information on the Nigerian financial sector
- Disseminate bespoke results at EFInA breakfast series, working groups & at stakeholders' events

Support stakeholder linkages for an enabling environment

Advocacy

- Work closely with regulators & policy makers in Nigeria to foster an enabling environment for innovative inclusive financial services & products for the un-banked & under-banked segments

Provide incentives for innovative products and services

Innovation Fund

- Host and facilitate innovation fora to trigger debate and ideas about pertinent issues.
- Financial support for new ideas and approaches to expanding financial access to the un-banked and under-banked segments

Support capacity to implement

Capacity Building

- Provide linkages between local stakeholders and experts who can help with the development & implementation of inclusive products
- Facilitate skills acquisition through opportunities to attend training sessions or interact with success stories within and beyond Nigeria

Primary efforts will target selected thematic areas

Women, Northern Nigeria, Mobile Money, Non-interest Finance, Microsavings, Microloans, Micro insurance and Financial Literacy

Data Dissemination Options

EFInA Access to Financial Services in Nigeria 2008 / 2010 / 2012 / 2014 / 2016 surveys

- Comprehensive database where information can be segmented in multiple dimensions, e.g., gender, geopolitical zone, age, education, etc.
- Data will be provided in SPSS or Ms Excel format
- Key findings can be downloaded from the EFInA website

Data Options

- Data request form can be downloaded from the EFInA website
 - Full dataset
 - Limited number of variables
 - Customised analysis

www.efina.org.ng

Contact
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Website

Thank You

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