![EFInA - Enhancing Financial Innovation & Access]

Survey - Factors that may encourage the Financially Excluded to use Mobile Money

Key Findings

A Presentation at the EFInA Mobile Money Working Group Meeting of September 21, 2018

Outline

A — Background

B — Profile of the Financially Excluded

C — Financial Behaviour of the Financially Excluded

D — Awareness Level

E — Factors that can influence the Uptake and Usage of mobile money among the Excluded

F — Summary and Recommendations

EFInA's Approach

Enhancing Financial Innovation & Access (EFInA) is a financial sector development agency, funded by the UK's Department for International Development (DFID) and the Bill & Melinda Gates Foundation. Set up in late 2007, EFInA's mission is to make Nigeria's financial system work better, especially for the poor, by facilitating the emergence of an all-inclusive, growth-promoting financial system. EFInA's holistic approach to expanding access to financial services for all, especially for low income households is based on the following four pillars:

Research	Advocacy	Innovation Fund	Capacity Building
• Providing credible market information on the Nigerian financial sector • Disseminate bespoke results at EFInA breakfast series, working groups & at stakeholders' events	• 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	• 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	• 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

BILL & MELINDA GATES *foundation*

UKaid
from the British people

Primary efforts target selected thematic areas

Women, Northern Nigeria, Non-interest Finance, Microsavings, Microloans & Microinsurance, Financial Literacy

Background

Considering the high rate of financial exclusion in Nigeria, mobile financial services is an obvious channel for reaching people at the bottom of the pyramid as they adopt formal financial services

According to the EFInA Access to Financial Services in Nigeria 2016 survey, 40.1 million (41.6%) of the adult population have no access to any formal or informal financial services. Mobile money uptake and awareness level in Nigeria still remains low at about 1% and 16% respectively

However, research from other countries where mobile money adoption is high has shown a positive correlation between high mobile money adoption and higher levels of formal financial inclusion
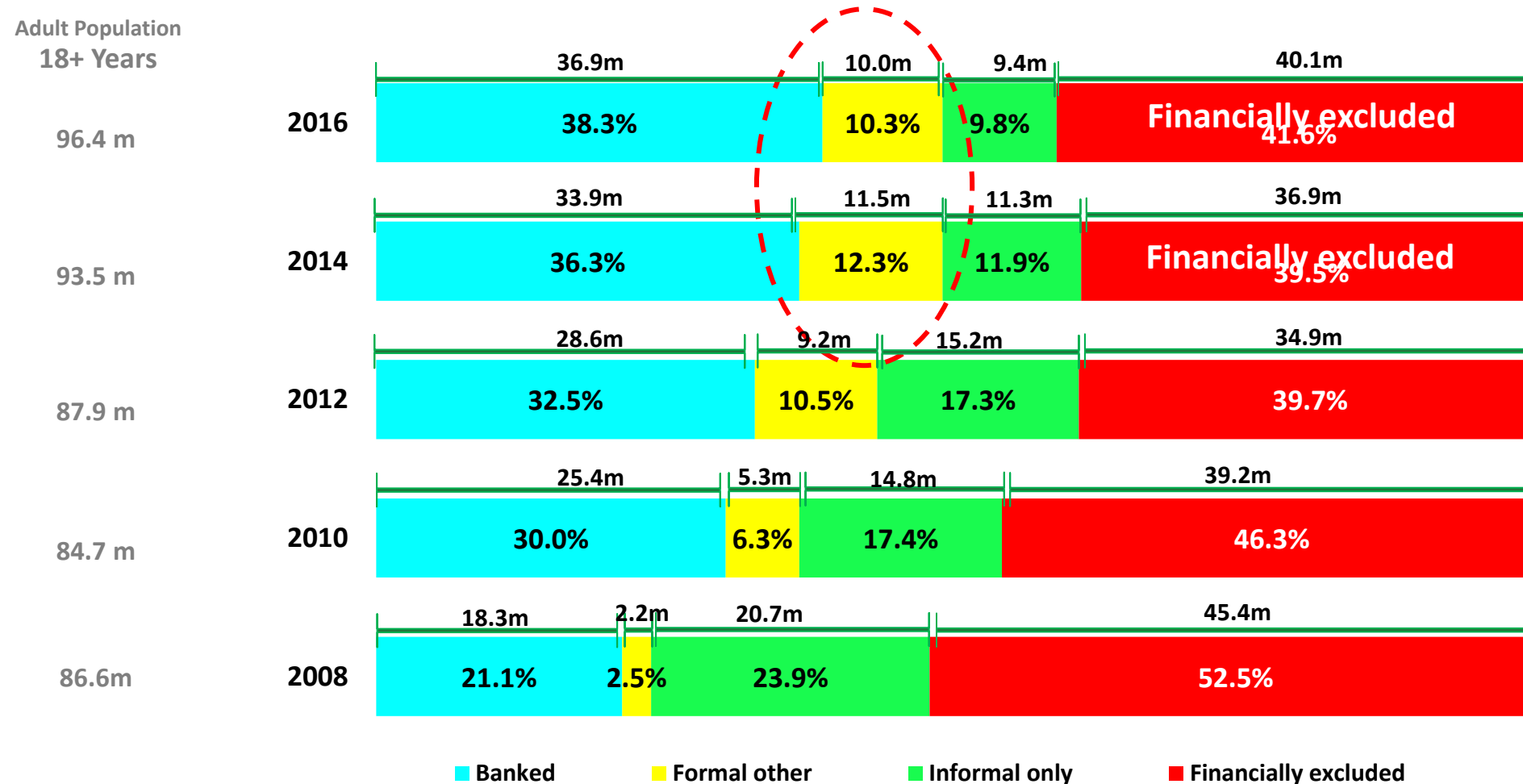
In Nigeria where the financially excluded population remains high at 40.1 million adults, an expansion of mobile money adoption and usage in the country presents a real opportunity to provide the poor with access to financial services as well as to other social benefits and services

Mobile money products can be used as a low hanging fruit to introduce the financially excluded population to formal financial services as **35% of them own mobile phones**

This survey intends to broaden our understanding of the population of adults who do not have access to any financial service (formal or informal) in Nigeria, their savings and credit patterns, remittances behaviours, payment channels and their potential to use formal financial services to manage their finances

A2F 2016 Survey indicates a decline in Financial Inclusion which is partly seen by a decline in the 'Formal Other' band

- Between 2012 and 2016, the proportion of financially excluded total adult population increased from 39.7% to 41.6%

Adult Population 18+ Years

		Banked	Formal other	Informal only	Financially excluded
96.4 m	2016	36.9m / 38.3%	10.0m / 10.3%	9.4m / 9.8%	40.1m / Financially excluded 41.6%
93.5 m	2014	33.9m / 36.3%	11.5m / 12.3%	11.3m / 11.9%	36.9m / Financially excluded 39.5%
87.9 m	2012	28.6m / 32.5%	9.2m / 10.5%	15.2m / 17.3%	34.9m / 39.7%
84.7 m	2010	25.4m / 30.0%	5.3m / 6.3%	14.8m / 17.4%	39.2m / 46.3%
86.6m	2008	18.3m / 21.1%	2.2m / 2.5%	20.7m / 23.9%	45.4m / 52.5%

Legend: ■ Banked ■ Formal other ■ Informal only ■ Financially excluded

Source: EFInA Access to Financial Services in Nigeria surveys

Profile of the Financially Excluded Adults

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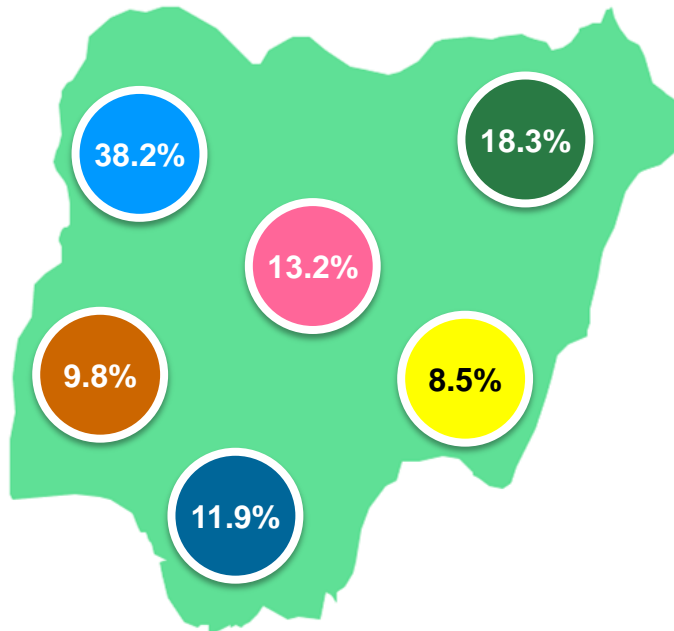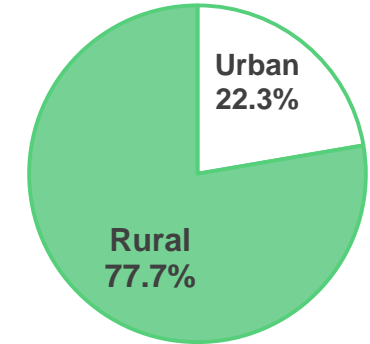Enhancing Financial Innovation & Access

Women, the Youth (under 35 years), Rural residents and those in Northern Nigeria (North East and North West) are the most financially excluded

96.4m
Total Adult Population

40.1m
Financially Excluded

F 55.1%
M 44.9%
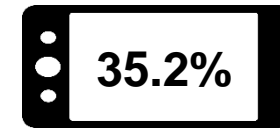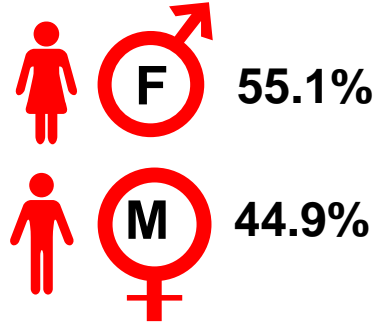
35.2%
Individuals Owning Mobile phone(s)

Urban 22.3%
Rural 77.7%

38.2%
18.3%
13.2%
9.8%
8.5%
11.9%

In the past 12 months:
- 45% have saved at home
- 27% have borrowed from family

- 61.5% are under 35 years of age
- 56.6% are in NE and NW Nigeria
- Only 4% are aware of MM
- 64.8% are willing to use new technology

Main Income Source	
Own business/trader (non-farming/ Services)	24.3%
Subsistence/small scale farming	19.6%
Own business/trader (Agric products/ Inputs)	12.0%
From HH member/ Family/ Friends	10.4%
Commercial/large scale farming	6.0%
Salary/ Wages (Informal Sector)	3.1%
Salary/ Wages (Formal Sector)	0.8%
Pension	0.0%
Others	23.8%

Savings Patterns of the Financially Excluded Population

- The financially excluded desire **Ease of use, Convenience and Accessibility** when looking out for savings channels

What customers are looking for in savings channels
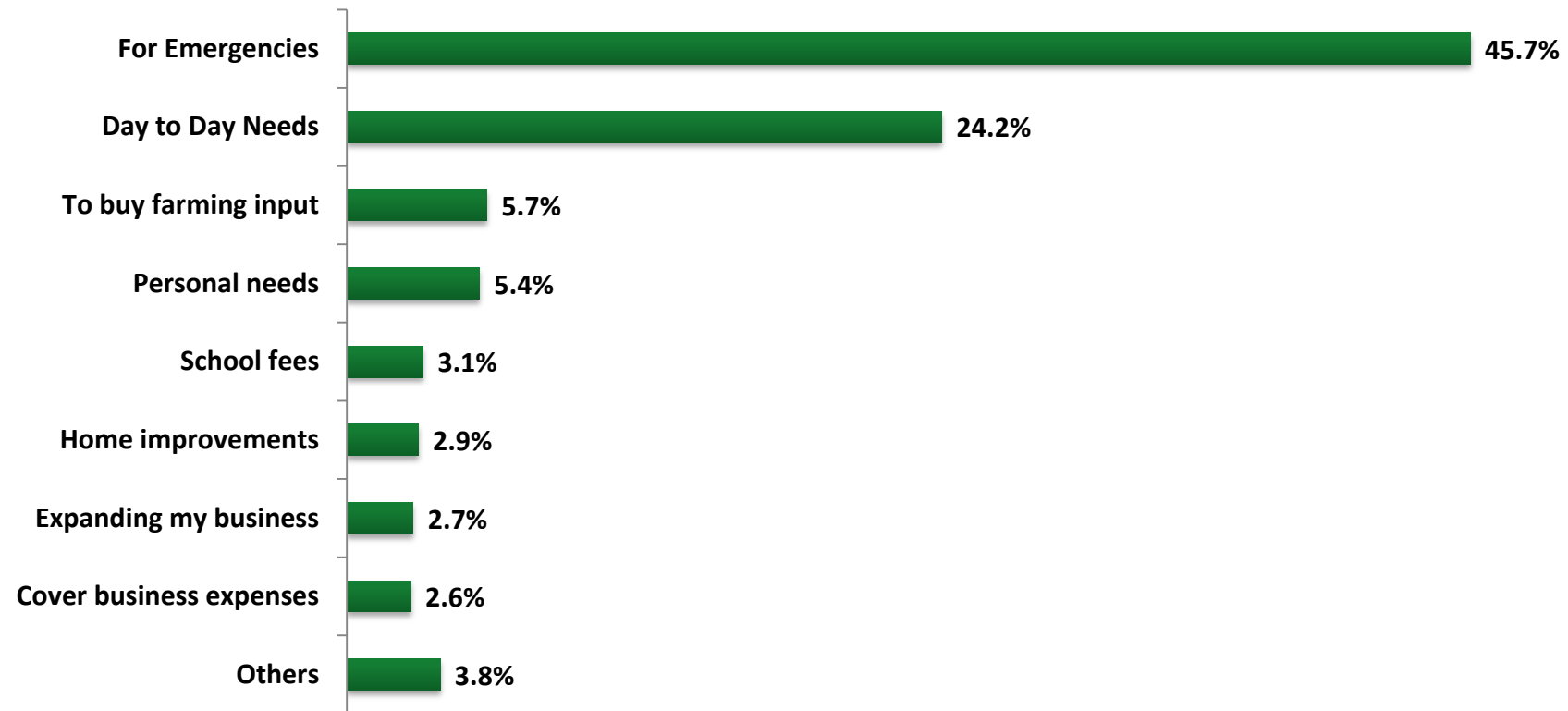
18m of the Excluded Population saved

Ease of use	51%
Proximity	21%
Quick access	13%

9.1m Financially Excluded Women saved

Ease of use	53%
Proximity	20%
Quick access	13%

Reasons the Financially Excluded Save Money

- **Majority save for emergencies and day to day needs (69.9%), with others saving to buy farming input and meet personal needs (11.1%)**

Reason	Percentage
For Emergencies	45.7%
Day to Day Needs	24.2%
To buy farming input	5.7%
Personal needs	5.4%
School fees	3.1%
Home improvements	2.9%
Expanding my business	2.7%
Cover business expenses	2.6%
Others	3.8%

Loans Patterns of the Financially Excluded Population

- The financially excluded desire seek *Fast, Convenient repayment plan and Nearness to the lender* when deciding on loans channels

What customers are looking for in loans channels

10.6m of the Excluded Population borrowed

Quick service	58%
Suitable repayment	13%
Nearness	8%

5.9m Financially Excluded Women borrowed

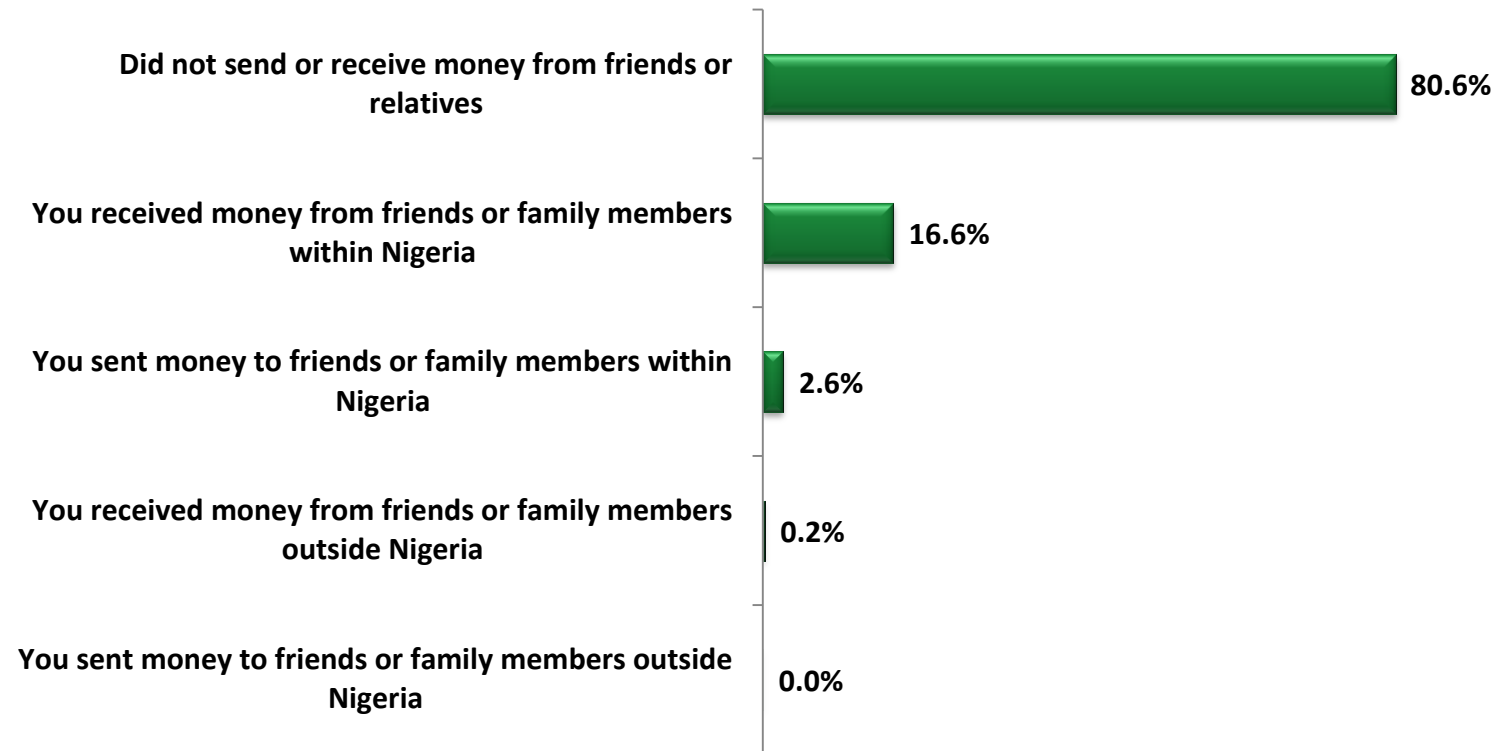|	
To get the money quickly	59%
Suitable repayment	12%
Affordable Monthly Installments	8%

Reasons the Financially Excluded Borrow Money

- **About 32.1% have borrowed to meet basic needs like food and clothing while 14.6% borrowed to start/expand their business**

- **More than half of the financially excluded who borrowed money never missed a loan repayment**

Buy food/clothing **32.1%**
Start/Expand business **14.6%**
Medical expenses **12.5%**
Buy fertilizer **9.3%**
Help friend/familymember **8.9%**
Buy household goods **8.3%**
Education **3.5%**
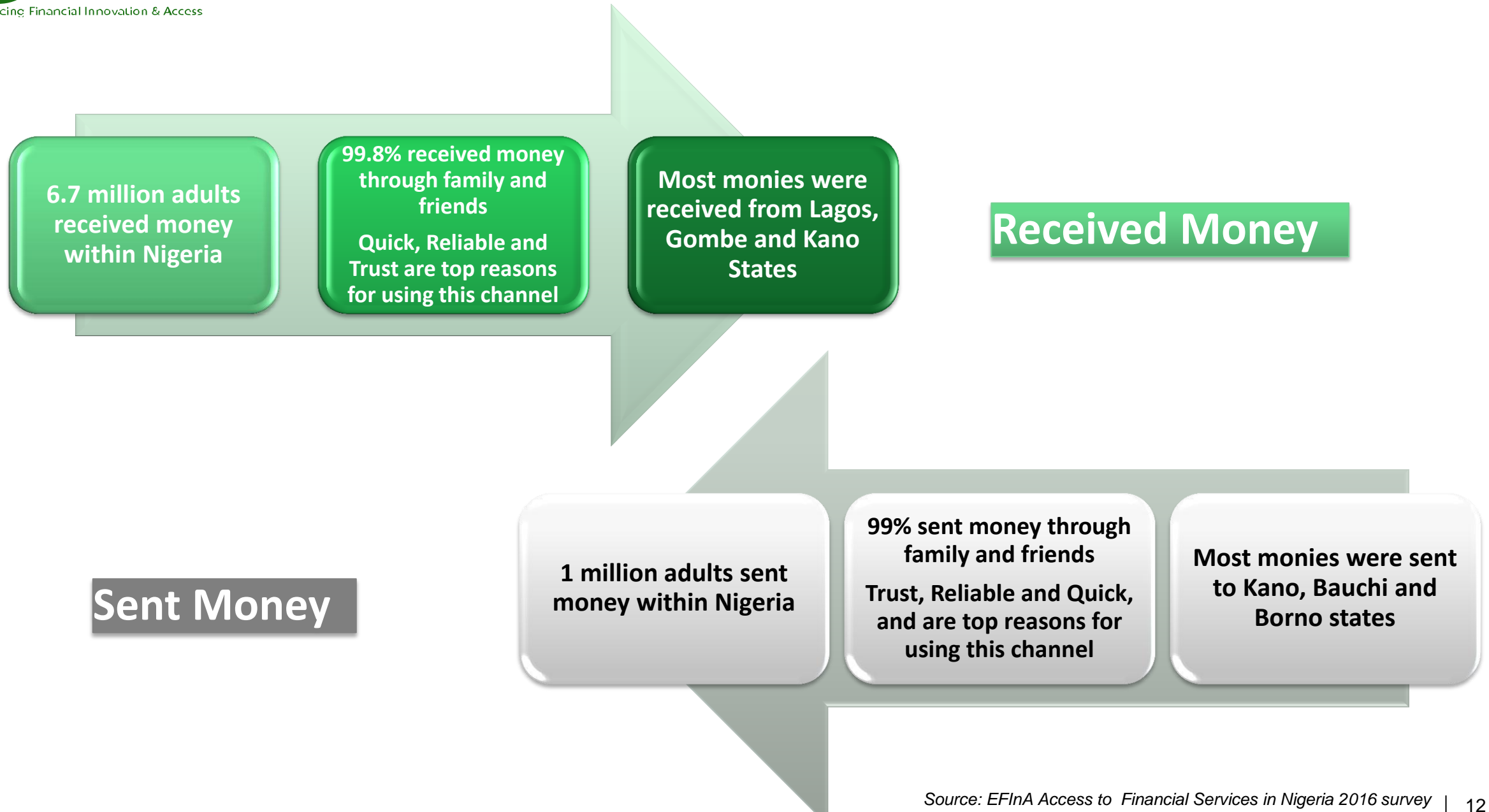Others **10.8%**

27.7% — Yes
72.3% — No
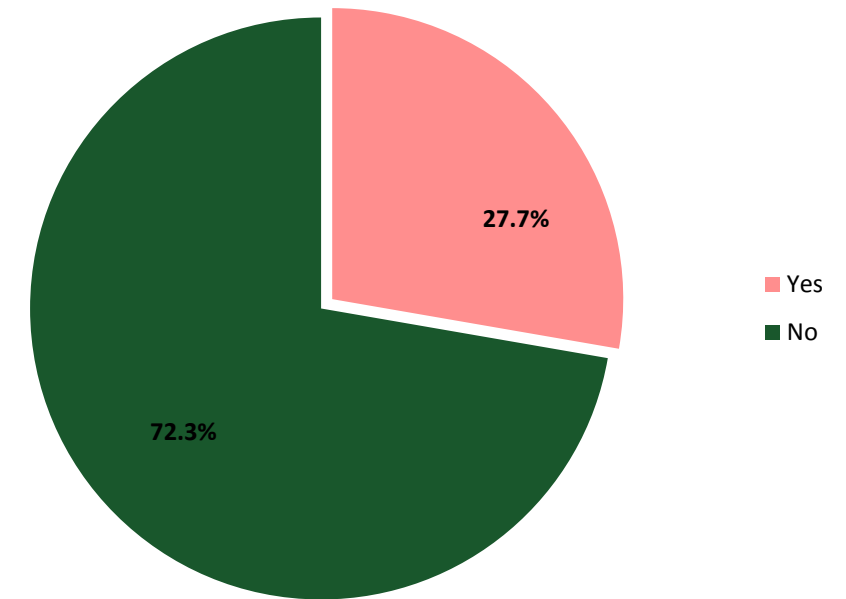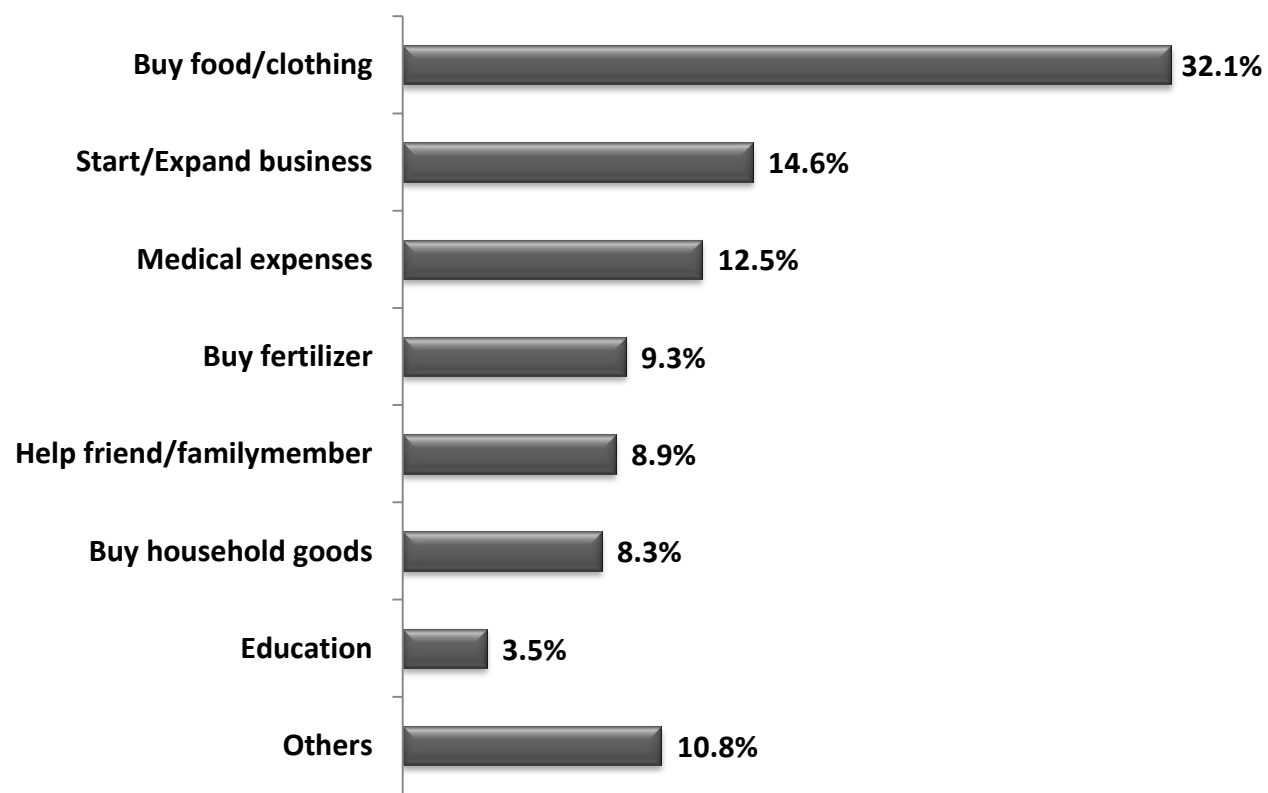
Remittances Behaviour of the Financially Excluded (1 of 2)

- **About 80% of the adults who are financially excluded do not send or receive money from friends and family**

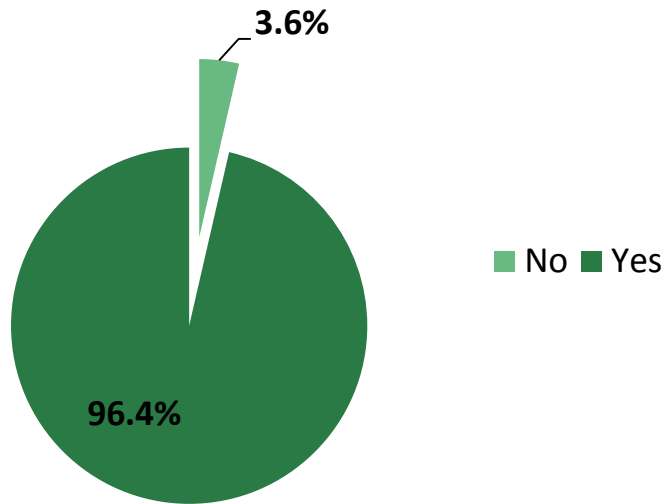- **For those who made remittances, most of money sent or received was within Nigeria**

Did not send or receive money from friends or relatives	80.6%
You received money from friends or family members within Nigeria	16.6%
You sent money to friends or family members within Nigeria	2.6%
You received money from friends or family members outside Nigeria	0.2%
You sent money to friends or family members outside Nigeria	0.0%

Received Money

- 6.7 million adults received money within Nigeria
- 99.8% received money through family and friends

  Quick, Reliable and Trust are top reasons for using this channel
- Most monies were received from Lagos, Gombe and Kano States

Sent Money

- 1 million adults sent money within Nigeria
- 99% sent money through family and friends

  Trust, Reliable and Quick, and are top reasons for using this channel
- Most monies were sent to Kano, Bauchi and Borno states

Source: EFInA Access to Financial Services in Nigeria 2016 survey

Awareness level of Mobile Money among the Financially Excluded

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Have you heard of mobile money

3.6%

96.4%

No ■ Yes

Only 1.4 million financially excluded adults have heard of mobile money

How did you hear of mobile money

39.1%

26.8%

20.4%

6.2%

7.5%

Family & friend | Radio | Television | SMS | Others
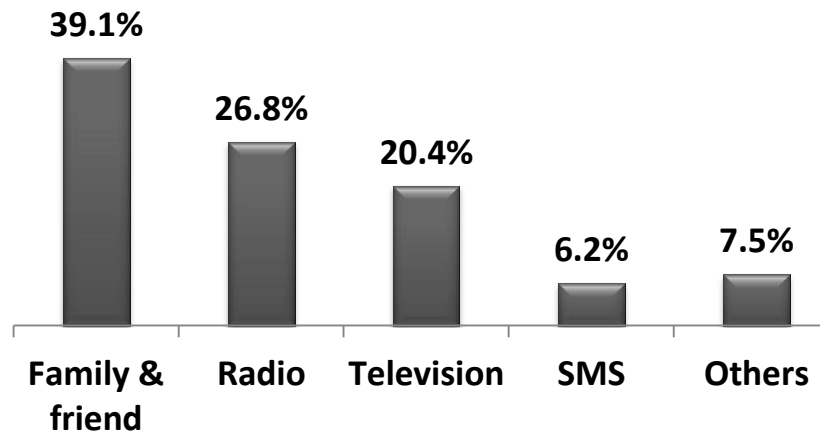
Of the 1.4 million who have heard about mobile money, 39.1% heard about it through family or friends

Reasons for not using mobile money

3.2%   6.5%   3.2%   3.8%

83.3%

■ Don't know what mobile money is

■ Don't know where to get mobile money

■ No reason

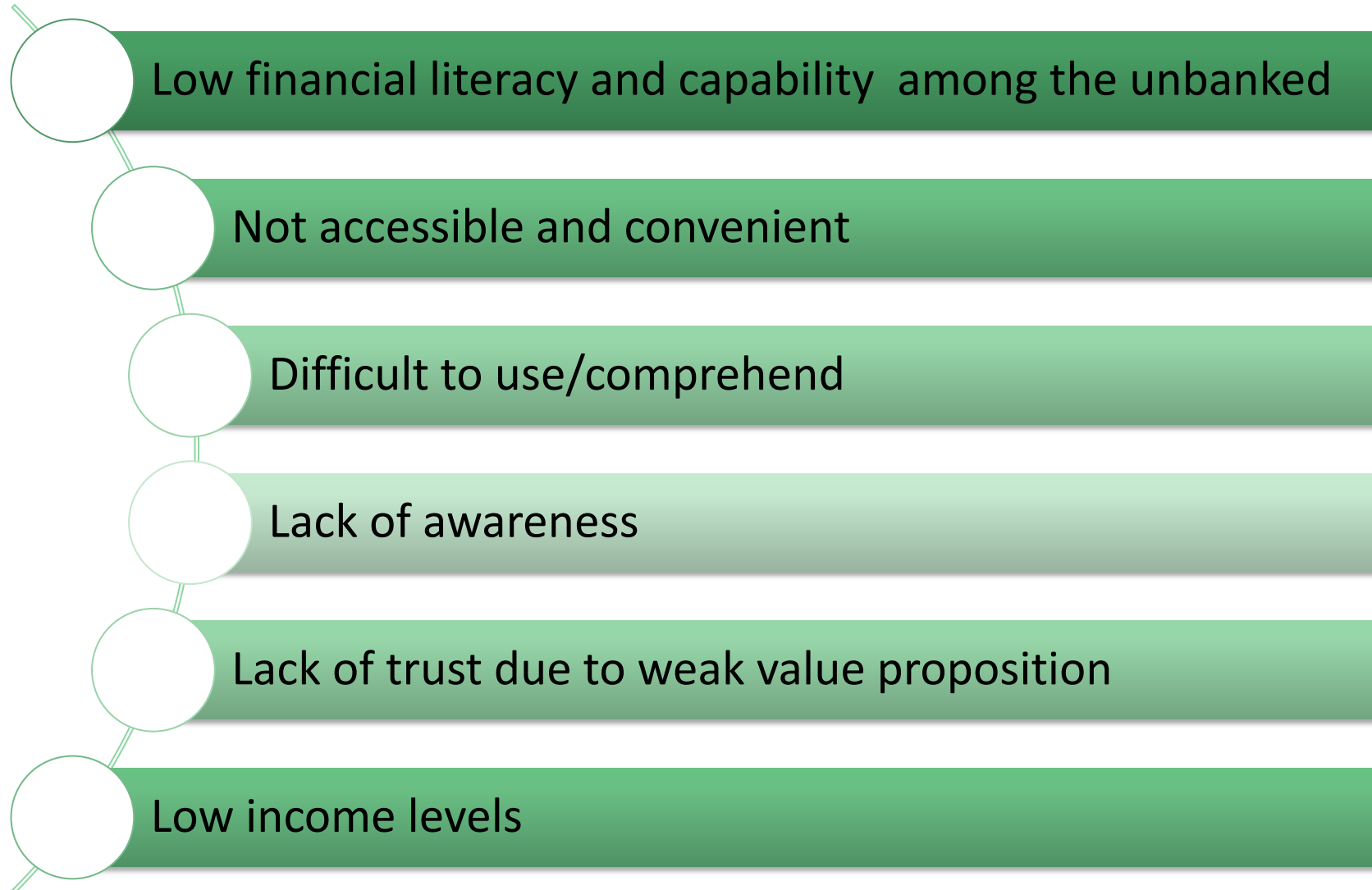■ Do not trust it

■ Others
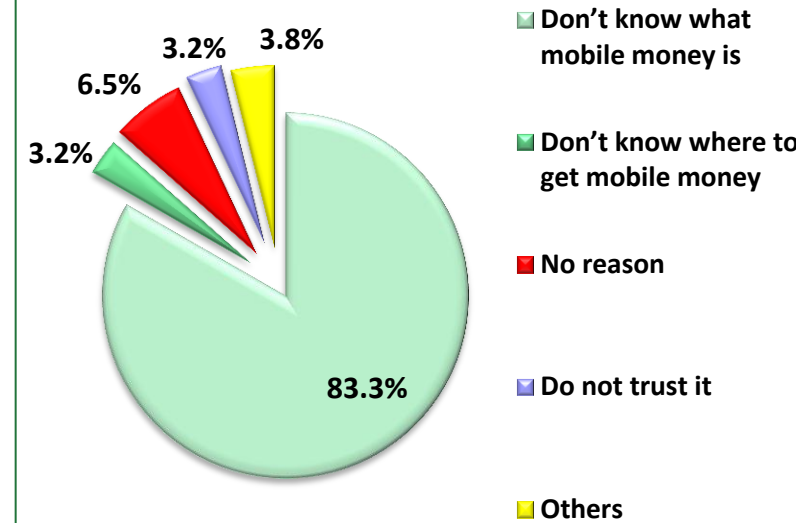
About 33.4m do not use mobile money because they do not know what mobile money is

Awareness level of Bank Agents among the Financially Excluded

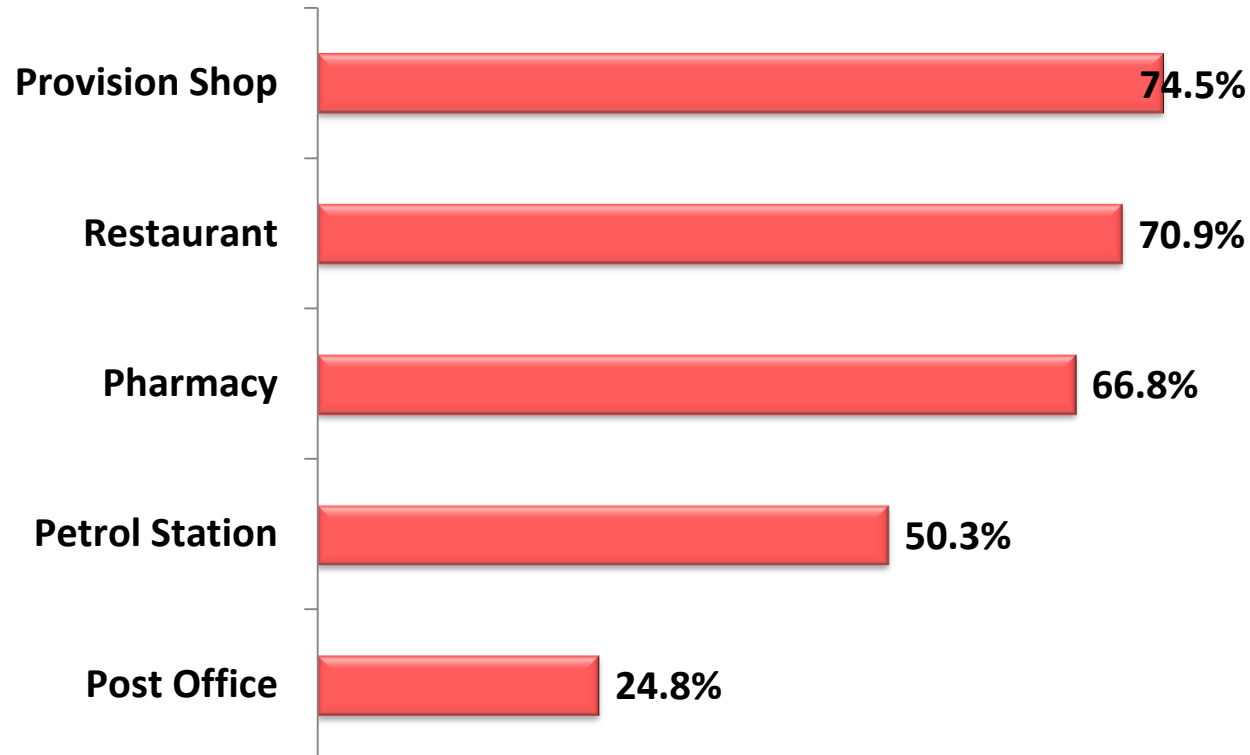- **About 50% of financially excluded adults do not know what a bank agent is**
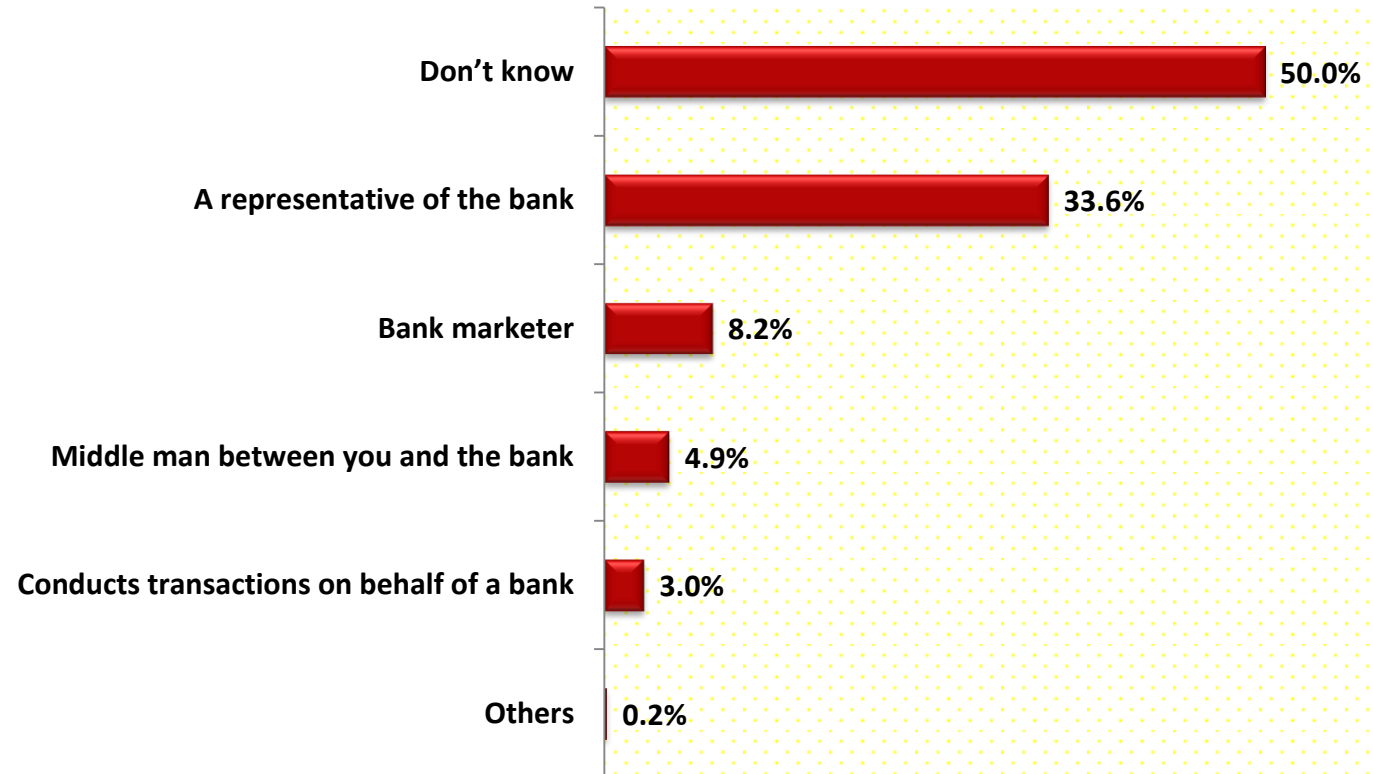
Major Reasons for not using Formal Financial Services among the Excluded

- Low financial literacy and capability among the unbanked
- Not accessible and convenient
- Difficult to use/comprehend
- Lack of awareness
- Lack of trust due to weak value proposition
- Low income levels

Source: Global Partnership for Financial Inclusion

Potential for Agency Banking

- Provision shops, Restaurants and Pharmacies remain potential channels for the proliferation of agent networks among the financially excluded

- It takes 10 minutes or less for more the financially excluded to reach these potential agent channels

Channel	Percentage
Provision Shop	74.5%
Restaurant	70.9%
Pharmacy	66.8%
Petrol Station	50.3%
Post Office	24.8%

Factors that can influence the Uptake and Usage of mobile money among the Excluded

Mobile money platforms should be easy to use

Perceived usefulness affects the demand and adoption of mobile money

Consumers need to trust in the organisation's integrity and competence

Low income people have low purchasing power and are price sensitive

Source: EFInA Access to Financial Services in Nigeria 2016 survey

Potential Market Value of Savings and Credit by the Financially Excluded

Adult Population	Value of Savings (in Naira)	Value of Credit (in Naira)
Formally Included (Base=46.9m)	645.4 billion	1.13 trillion
Informally Served (Base=9.4m)	42.9 billion	68.7 billion
Financially Excluded (Base=40.1m)	127.4 billion	101.8 billion
Total (Base=96.4m)	815.7 billion	1.3 trillion

- If the formal financial services providers targets 35% of the financially excluded population (% that own phones):

  o About N44.59billion worth of savings could be injected into the formal financial sector

  o About 14.1million more adults could become formally included

Summary and Recommendation

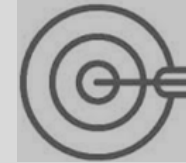## AGENTS

The proliferation of financial services agents is extremely important for successful deployment, uptake and usage among the financially excluded

Customers must have a convenient way to cash-out as and when needed

TRUST

MMOs need to win the trust of the people. Using simple language and inclusive marketing tools as well as building strong liquidity processes will make customers confident in the product – **Great first use experience**

AWARENESS

General awareness and understanding of mobile money is very low within this group

MMOs can leverage on Village Chiefs, Religious Heads and Community associations to push awareness

INNOVATION

MMOs should place a lot on emphasis on Ease of access, Convenience, Safety and Availability when designing Mobile money products

CUSTOMER UNDERSTANDING

Have a clear-cut, specific customer segmentation and target potential customers with a compelling value proposition

INVEST IN ROBUST TECHNOLOGY

Ensure that technology platforms conform with standards and requirements on international best practices on mobile payment services…

…the platforms must be reliable, user friendly, safe and secure

Thank You

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

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Website

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