

Innovation Forum

From Data to Action: Making Financial Inclusion Real in Nigeria

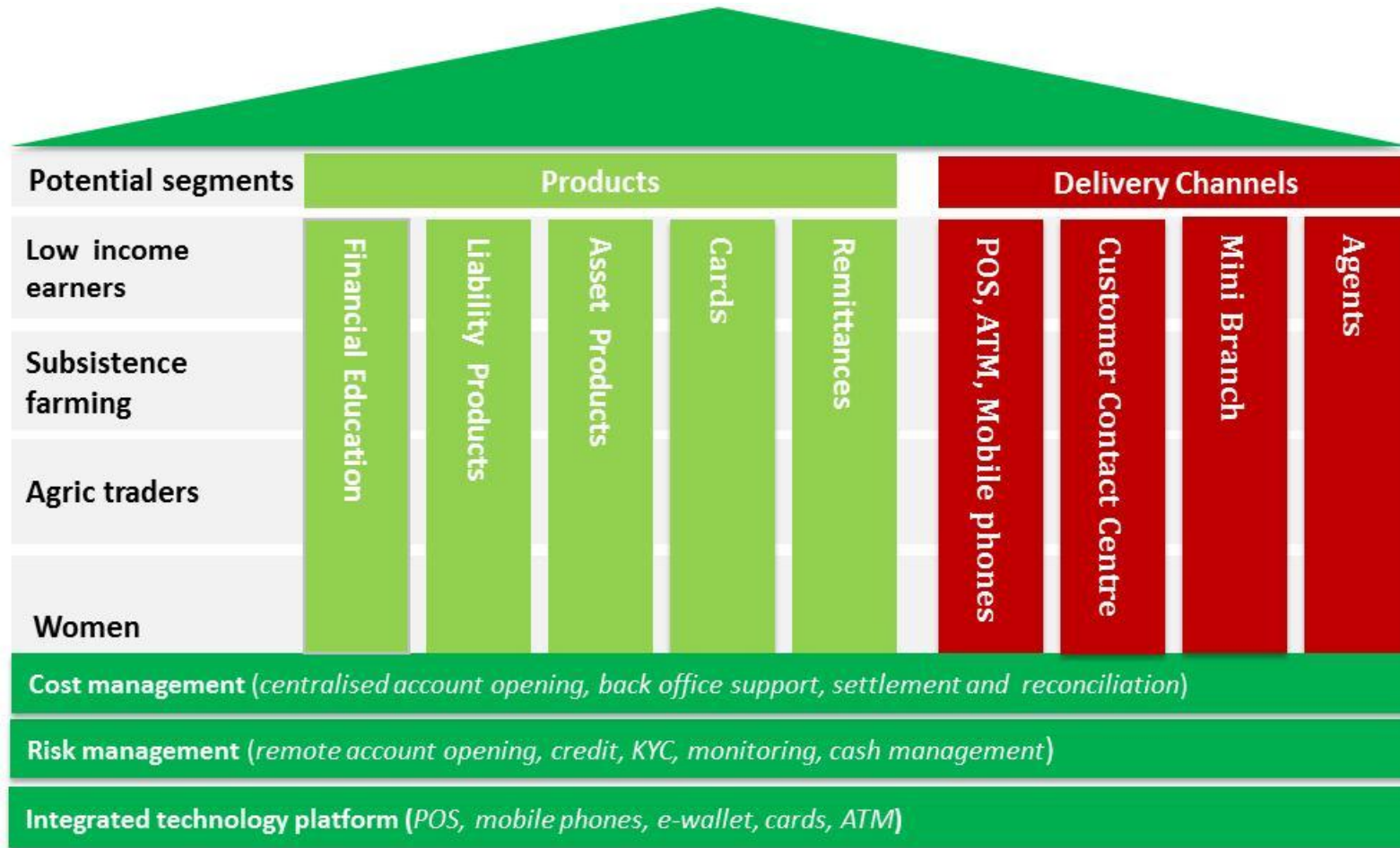
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Actualising Financial Inclusion

Financial Inclusion As a Tool for Deepening Retail Banking



Financial inclusion can facilitate the development of cheaper alternative and electronic channels to serve the unbanked and under-banked population, which reduces the use of cash

Opportunities for Financial Services Providers

- The unbanked and under-banked represent a large and potentially profitable, untapped market. Of the 59.3 million adults that were unbanked, **47.3 million** stated that they would like open a bank account
- Financial services providers can reach the unbanked and under-banked population by:
 - Extending banking beyond branches by the use of technology such as mobile phones and POS devices
 - Taking financial services closer to the customer – e.g. through agent banking
 - Developing products to suit the needs of the unbanked such as:
 - innovative savings products to encourage the 23.0 million adults currently saving at home to save in a bank
 - payments and remittances products which can be linked to bank accounts
 - Implementing awareness and usability campaigns to target those customers that have accounts but don't use them, so as to reduce dormancy levels
 - Ensuring that the benefits of having a bank account is widely communicated to the unbanked and low income population through several different channels

For financial inclusion to succeed in Nigeria, financial services providers (especially deposit money banks) would need to:

- Have a long term view (3-5 year horizon) in terms of return on investment
- Change their KPIs from deposits mobilised/float income to number of accounts, number of transactions, and number of products cross-sold
- Change from focusing on fee-based income to transaction-based income

How can EFInA Help?

What is Unique About EFInA

- **Strong identity as a “champion of the unbanked”** and a catalyst for stimulating innovation and highlighting pertinent issues of importance to promoting financial inclusion
- **Good reputation for commitment to quality information and input** with access to the best international experts on financial inclusion
- Provide **credible, evidence-based research** that can be used in supporting the business case for the development of appropriate products, services, channels and processes for the low income population
- **Respected as independent company and “honest broker”** which allows EFInA to effectively intermediate between regulators and market players to remove obstacles and ensure that return on investment can be more quickly attained through dialogue and strategic partnerships
- Arrange **study tours** to countries where financial inclusion is part of the national agenda and link banks with the technical experts that can help with development and implementation of their inclusion/retail strategy
- Position financial inclusion as a **revenue driver** that supports business growth, through the provision of financial products to a new customer segment

EFInA's new 5 Year Strategy (2012-2017)

- EFInA will sharpen its strategic focus to enable it to produce substantial return in terms of large scale financial inclusion over the next five years
- EFInA will decide on a limited portfolio initially of three strategic areas in which it will focus its attention; other strategic areas will be added in the future
- EFInA will also maintain a short list of cross-cutting themes, which will initially be **Women, Northern Nigeria** (as they have a high number of financially excluded) and Financial **Capability**

Building inclusive payments networks which support targeted segments

1. Build up ubiquitous agent banking

2. Enable affordable reliable real time payments

3. Inclusive products such as non-interest finance, savings, credit and insurance

Funding tools: including a new "Scale Fund"

- EFInA will continue to use its existing funding tools, namely Technical Assistance Grants and Innovation Grants, in its strategic areas
- EFInA will investigate the establishment of a new mechanism which would allocate funds in a different manner than challenge-style grants awarded through RFPs
- Agent banking seems most likely to require large Scale Funding to accelerate and broaden deployment especially in low density or currently underserved areas. A Scale Fund may introduce different instruments such as an area-based subsidy or guarantee to reduce the risk of investment in these areas

EFInA's Initial Strategic Areas for 2012-2017

Agent banking

- The lack of sufficient agents is considered one of the major constraints on the growth of mobile money to date in Nigeria today.
- Therefore, the first major strategic area for EFInA is to support the development of pervasive agent networks for financial services in Nigeria.

E-payment systems

- To enable widespread inclusive electronic payments, *real time electronic payment instruments must be safe and cheap* to promote the spread of agent networks into areas which would not otherwise be served
- Therefore, building on the work which already started with mobile payments, EFInA will widen its focus from mobile payments to consider the electronic payment system as a whole, of which mobile will remain a significant part.

Support the development of inclusive product and services

- EFInA will support the development of products and services targeted at the low income segments which will leverage agent and e-payment networks (“run on the electronic rails”) for distribution and delivery

- **The full existing EFInA toolkit (research, funding innovation, advocacy and capacity building) will be used to support and catalyse development in each strategic area**

Implementing the Business Case Using Our Grants

- Our Innovation Fund is aimed at catalyzing the development and implementation of innovative inclusive financial services for the unbanked and under-banked population in Nigeria

Innovation FUND

*Financing Innovation
Empowering Nigerians*



Technical Assistance Grants	Innovation Grants
<ul style="list-style-type: none"> Given at an early stage to provide support for projects in design, pilot or development as a stepping stone for larger initiatives 	<ul style="list-style-type: none"> Provide larger long term funding and are available for projects in sectors defined by our request for proposals (RFPs)
<ul style="list-style-type: none"> Provides grants up to U\$250,000 for a maximum of 12 months 	<ul style="list-style-type: none"> Provides grants in the range of U\$250,000 to U\$2.0 million for up to 24 months
<ul style="list-style-type: none"> To date, we have awarded 7 Technical Assistance Grants, worth over U\$1.0 million 	<ul style="list-style-type: none"> To date we have awarded 4 Innovation Grants, worth U\$5.2 million

- EFInA will award 2 Technical Assistant Grants for up to a maximum of U\$250,000 to organisations that are committed to setting up a financial inclusion unit and or developing an innovative product/service targeted at the low income population**

Winner of Our ‘Guess the Banked Population in 2012!’

- In April 2012, we held a workshop to provide key stakeholders with feedback from the qualitative phase of the EFInA Access to Financial Services in Nigeria 2012 survey and to actively participate in shaping the pilot questionnaire
- Stakeholders were asked to predict the percentage of the adult population that would be banked in the EFInA Access to Financial Services in Nigeria 2012 survey. Predictions ranged from **26% to 45%**
- The winner is **Lateral Links** with a prediction of **33.8%**

The prize is a subset of the EFInA Access to Financial Services in Nigeria 2010 survey (maximum of 20 variables)

THANK YOU

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