

# **EFInA Innovation Forum**

## **Global Perspectives on Financial Inclusion**

**4 November 2010**

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# **EFInA Access to Financial Services in Nigeria 2010 Survey**

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## **A. Background**

## Key Objectives

The broad objective of the EFInA Access to Financial Services survey is to generate relevant and reliable data on the demand for and usage of a range of financial products (both formal and informal) by the adult population in Nigeria. The survey aims to:

- ☐ Provide credible data that can support evidence based financial inclusion policies and highlight opportunities for policy reform
- ☐ Establish credible benchmarks and indicators of financial penetration in Nigeria
- ☐ Document usage of financial products across both formal and informal sectors
- ☐ Provide a comparison of access to financial services in Nigeria from 2008 to 2010
- ☐ Provide insights into regulatory and market obstacles to growth and innovation in the financial sector
- ☐ Identify the financial needs of the adult population and thereby give service providers the opportunity to develop innovative products to serve them
- ☐ Analyse the market potential of the low income segment

## Coverage and Methodology

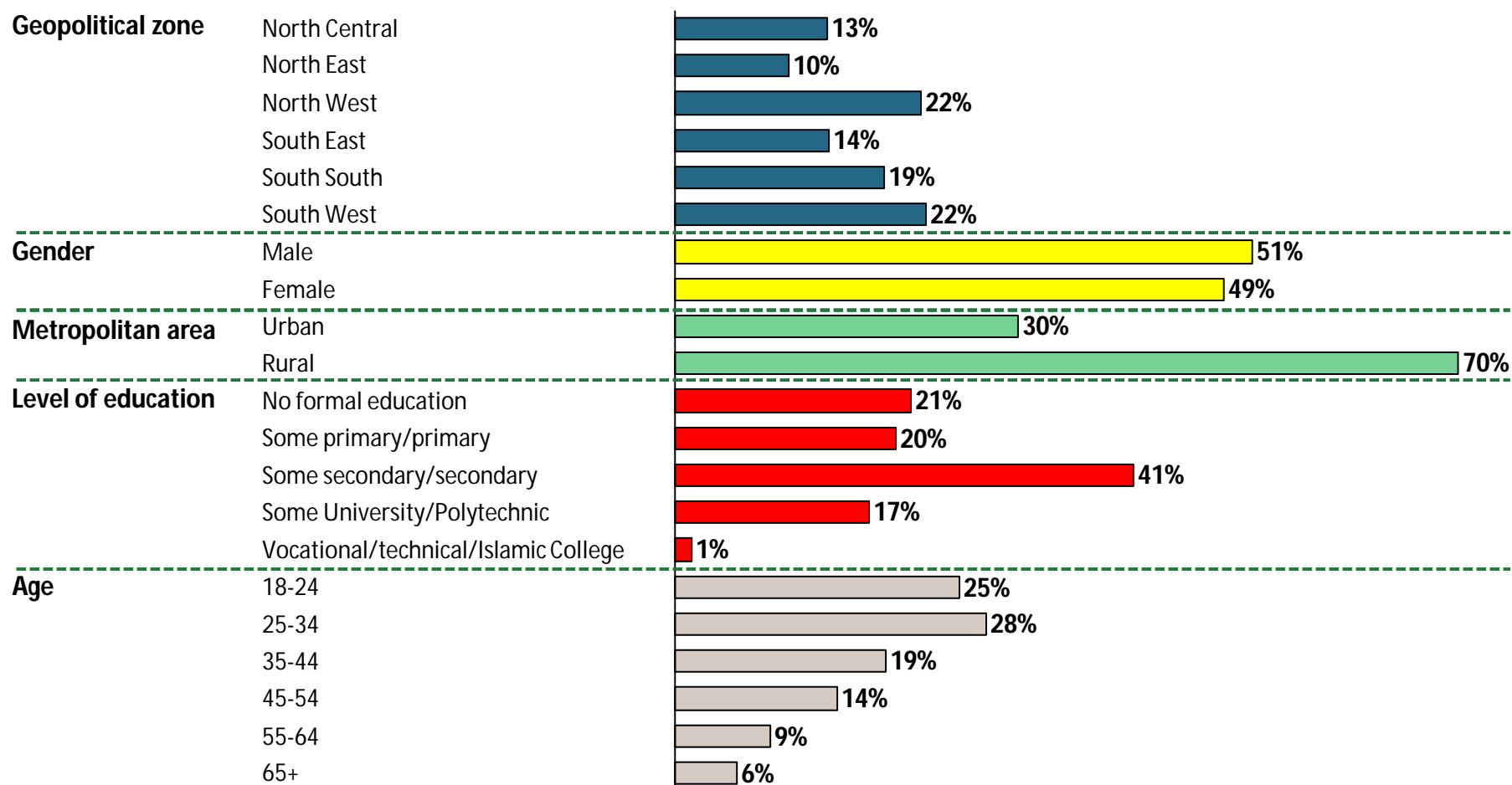
- ❑ Nationally representative sample of Nigerian adults (18+) across all 36 states plus FCT Abuja
- ❑ Target sample selection involved three stages. The first was at the Enumeration Area (EA) level with a sample of 1,200 EAs, the second was at Household (HH) level with a sample of 20 HHs in each EA and the third was at Individual level with 1 individual sampled in each HH
- ❑ Target sample size = 24,000; Total Achieved = 22,569 (Response rate = 94%)
- ❑ Results were weighted at the three levels to provide the total adult population. This was also benchmarked to National population estimates for verification
- ❑ Sample design, household listing and weighting conducted by the National Bureau of Statistics (NBS)
- ❑ Fieldwork was conducted from July to August 2010 by Research & Marketing Services
- ❑ The survey is based on the FinScope™ Methodology
- ❑ The questionnaire was translated into Hausa, Yoruba, Igbo and Pidgin English
- ❑ Sampling of questionnaires was based on proportional representation (i.e. population size) per State as follows:

No of questionnaires	Population per State
400	Population < 3 m
600	Population ≥ 3 m but < 4 m
800	Population ≥ 4 m but < 5 m
1,000	Population ≥ 5 m but < 7 m
1,200	Population ≥ 7 m

## **B. Overview of Sample Demographics**

# Demographic Profile of the Adult Population

- ❑ The total adult population (18 years and above) is 84.7 million
- ❑ 70% of the adult population live in rural areas while 30% live in urban areas
- ❑ 51% are male and 49% are female

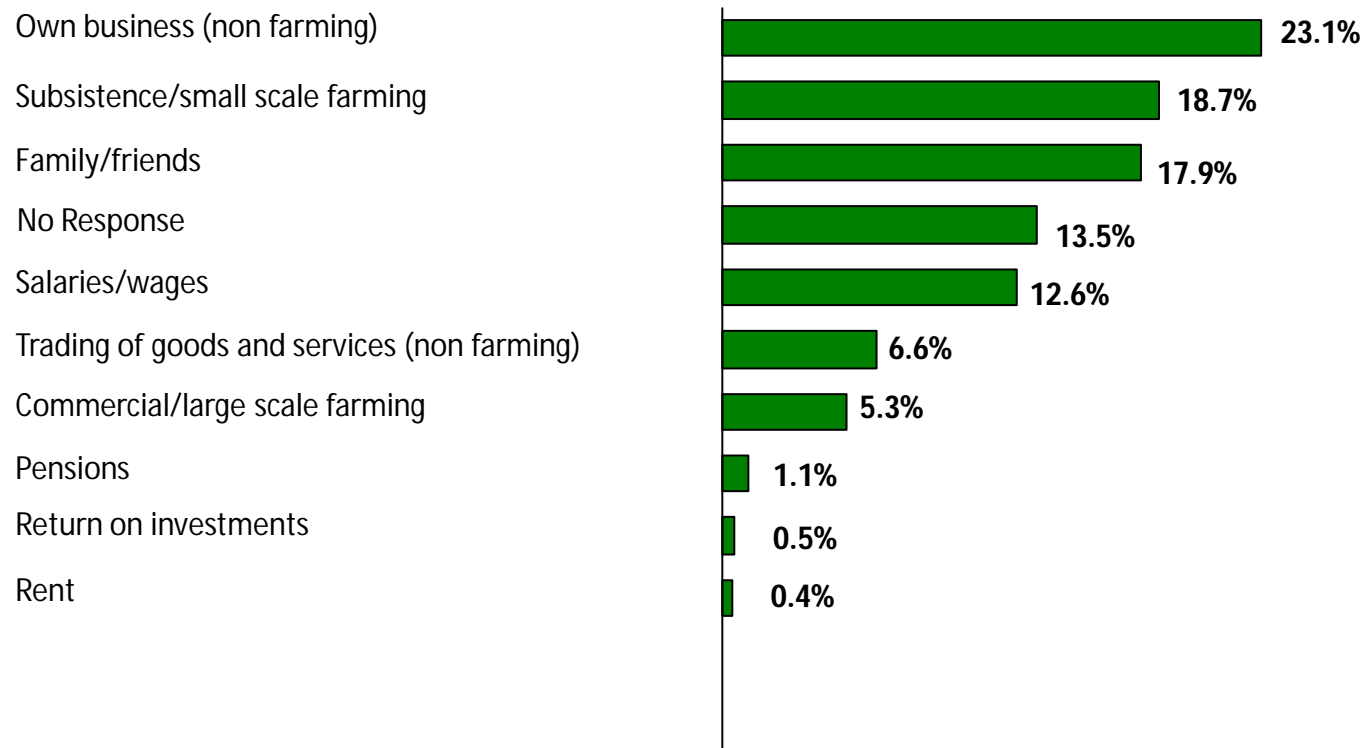


Source: EFInA Access to Financial Services in Nigeria 2010 survey



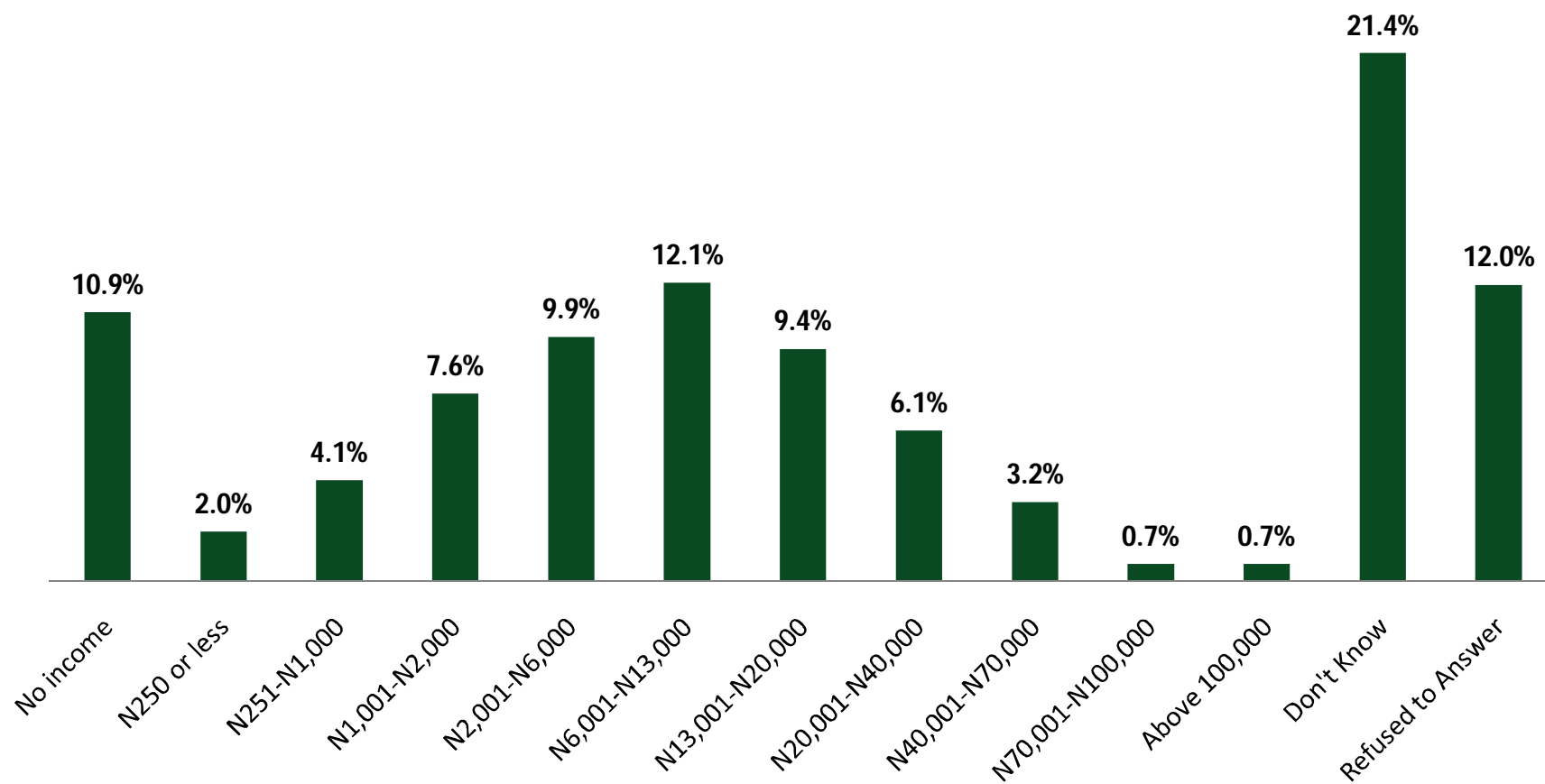
## Main Source of Income

- ❑ The main source of income for 19.5 million adults is from their own business
- ❑ 15.2 million adults get their income from family/friends
- ❑ 10.7 million adults are salaried



## Personal Monthly Income

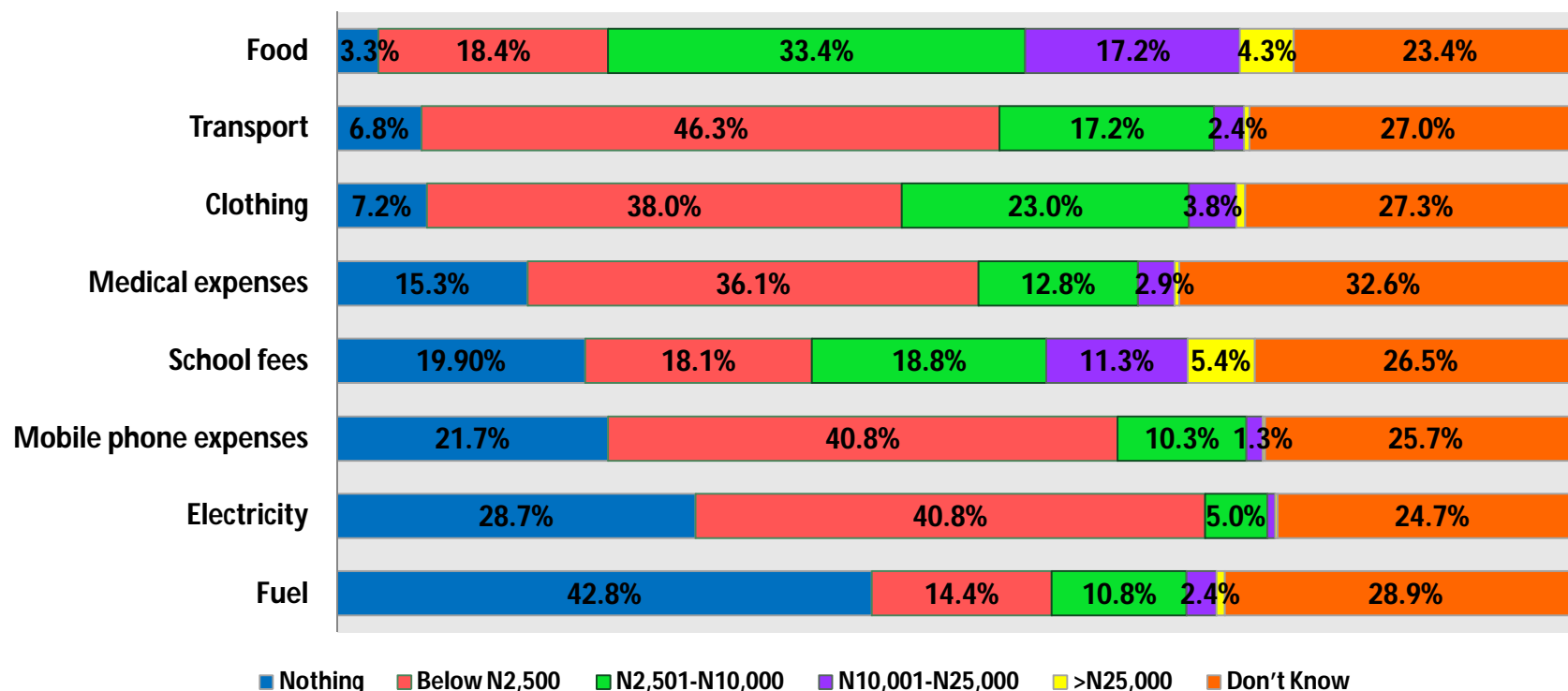
- 23.6% of the adult population earn N6,000 or less per month – this is the equivalent of approximately USD 2 per day<sup>1)</sup>, which is the international poverty line



1) Assumes 20 working days per month

## Household Monthly Expenditure

- ❑ 33.4% of households spend between N2,501-N10,000 per month on food
- ❑ 23.0% of households spend between N2,501-N10,000 per month on clothing
- ❑ 18.8% of households spend between N2,501-N10,000 per month on school fees

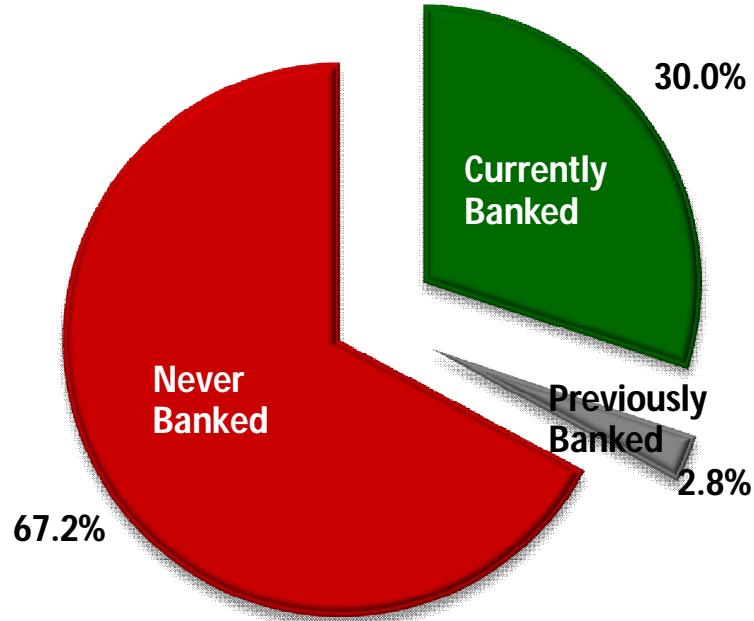


Source: EFInA Access to Financial Services in Nigeria 2010 survey

## **C. Banking**

## Banking Profile of the Adult Population

- ❑ 63.5% of adult males are unbanked
- ❑ 76.8% of adult females are unbanked
- ❑ 78.8% of the rural population is unbanked



- ❑ Only 30.0% of the adult population currently has a bank account, which is equivalent to 25.4 million people
- ❑ 67.2% of the adult population have never been banked, which is equivalent to 56.9 million people
- ❑ 2.8% of the adult population were previously banked, which is equivalent to 2.4 million people

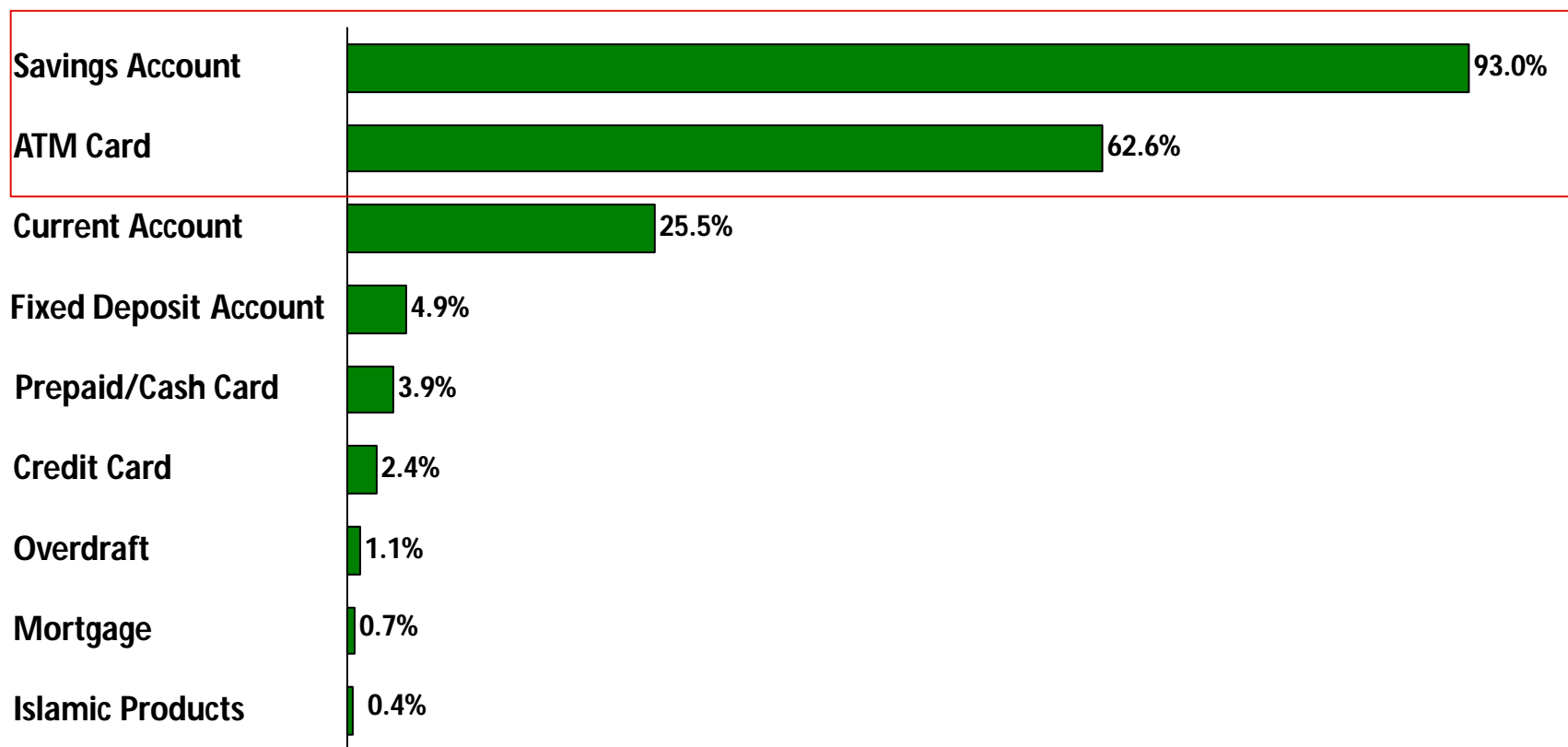
**Banked definition:**

Currently have access to or use a deposit money bank, in addition to having any of these products: ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan, or Islamic banking product

## Current Usage of Banking Products

- ❑ Of the 25.4 million adults who are banked – 23.6 million have a savings accounts, 15.9 million have ATM cards and 6.5 million adults have current accounts
- ❑ Of those that have a savings account, 2.2 million of them opened it because of a savings promotion

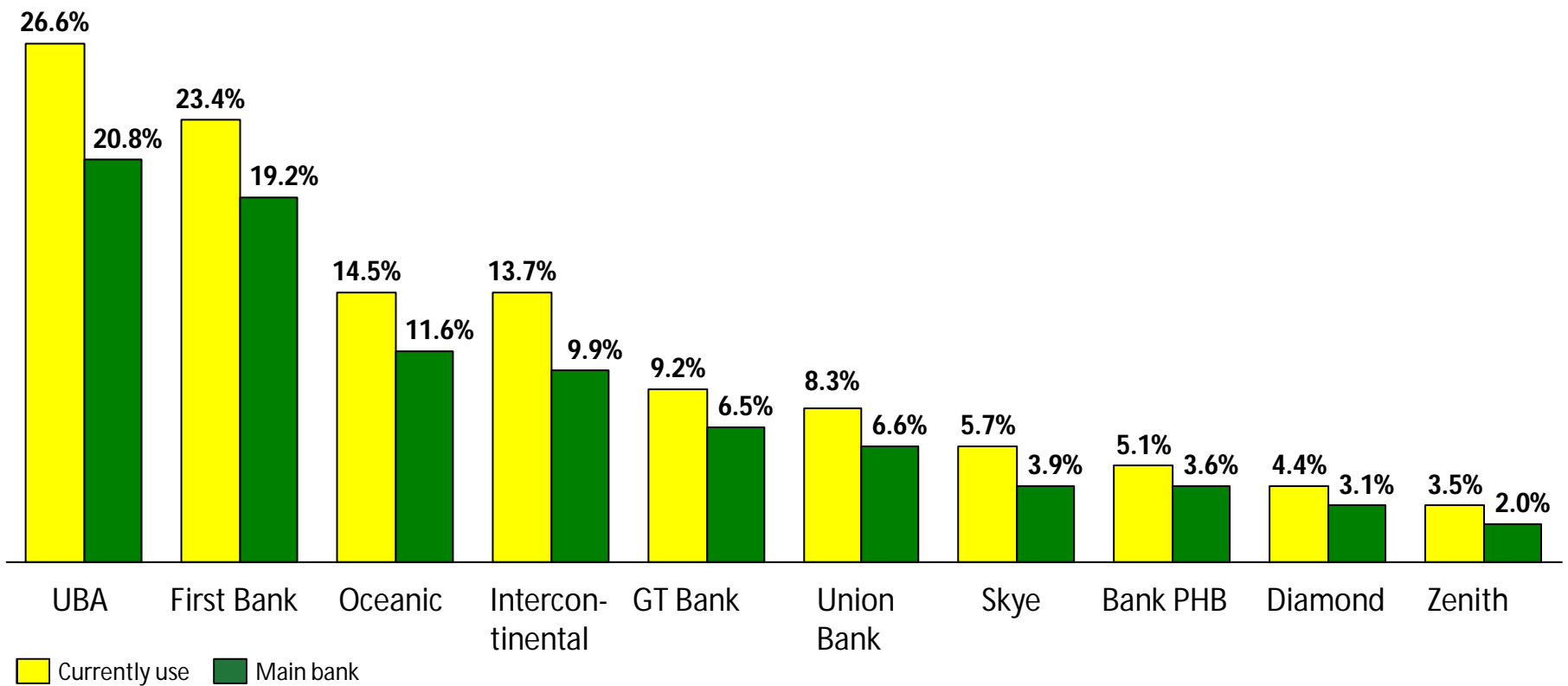
Of those who have it now and use it



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Deposit Money Banks Used Most Often

- ❑ UBA and First Bank are the top two currently used and main banks
- ❑ 12.7 million adults currently use UBA and First Bank



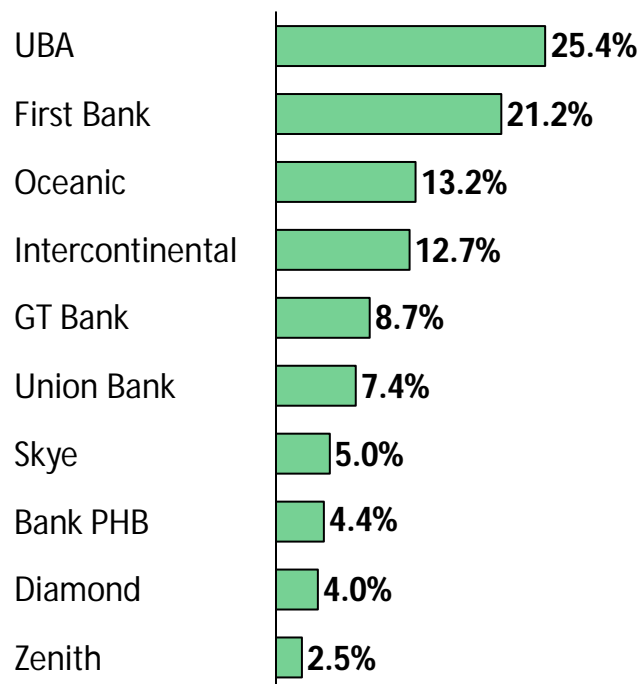
Source: EFInA Access to Financial Services in Nigeria 2010 survey

# Penetration of Banking Products

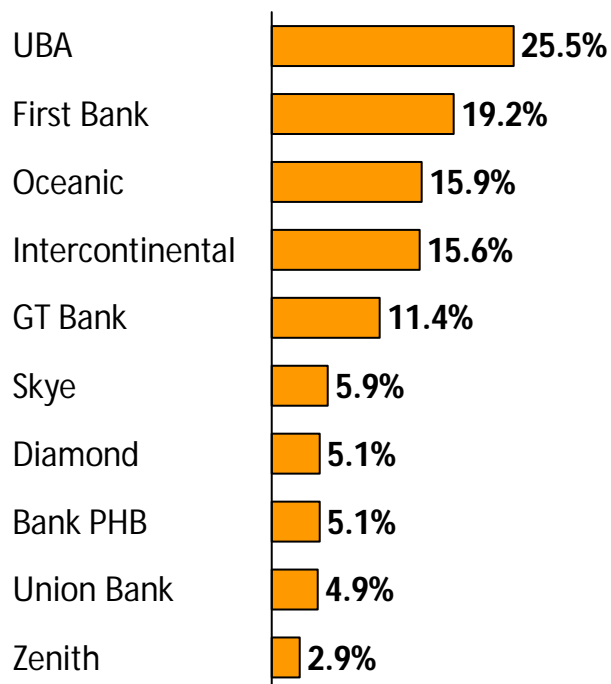
- ❑ UBA is the top bank for customers with Savings accounts and ATM cards
- ❑ First Bank is the top bank for customers with Current accounts

Of those who have it now and use it

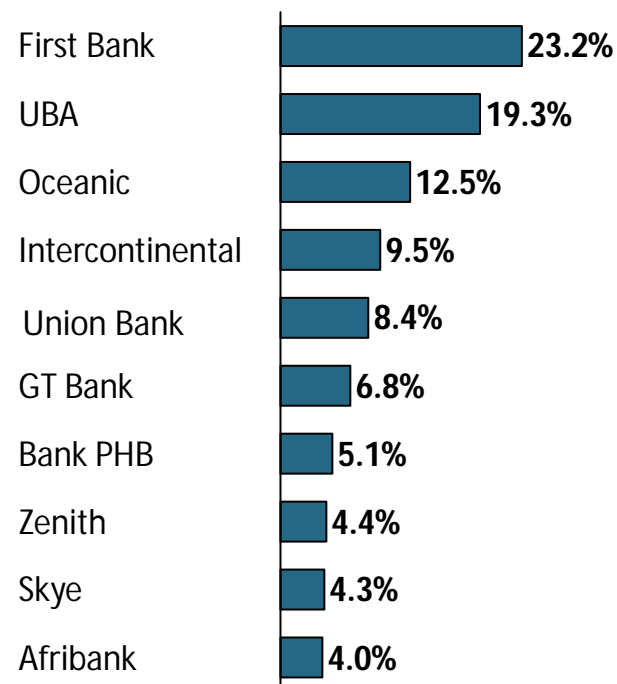
## SAVINGS ACCOUNTS



## ATM CARDS



## CURRENT ACCOUNTS



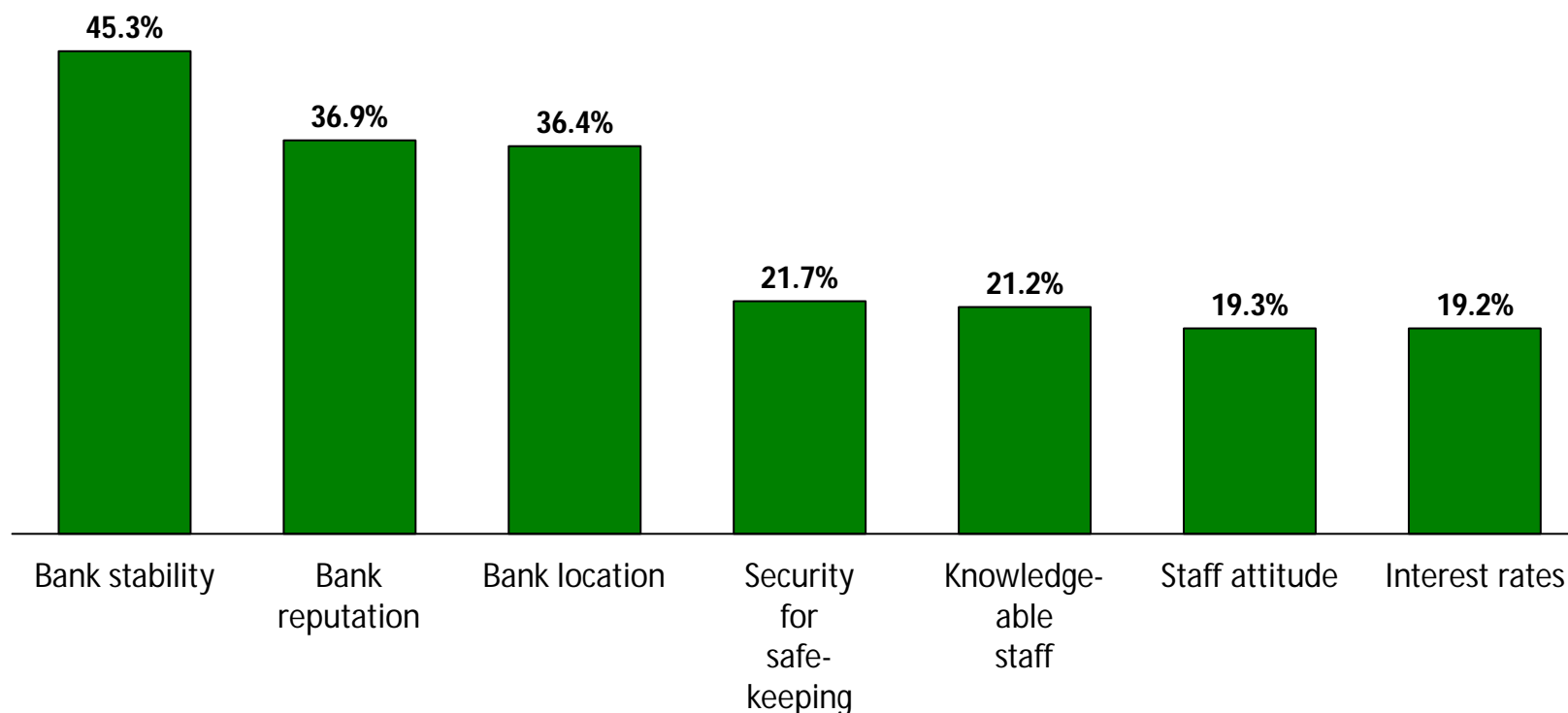
Source: EFInA Access to Financial Services in Nigeria 2010 survey



## Reasons for Choice of Main Bank

Of those that are currently banked:

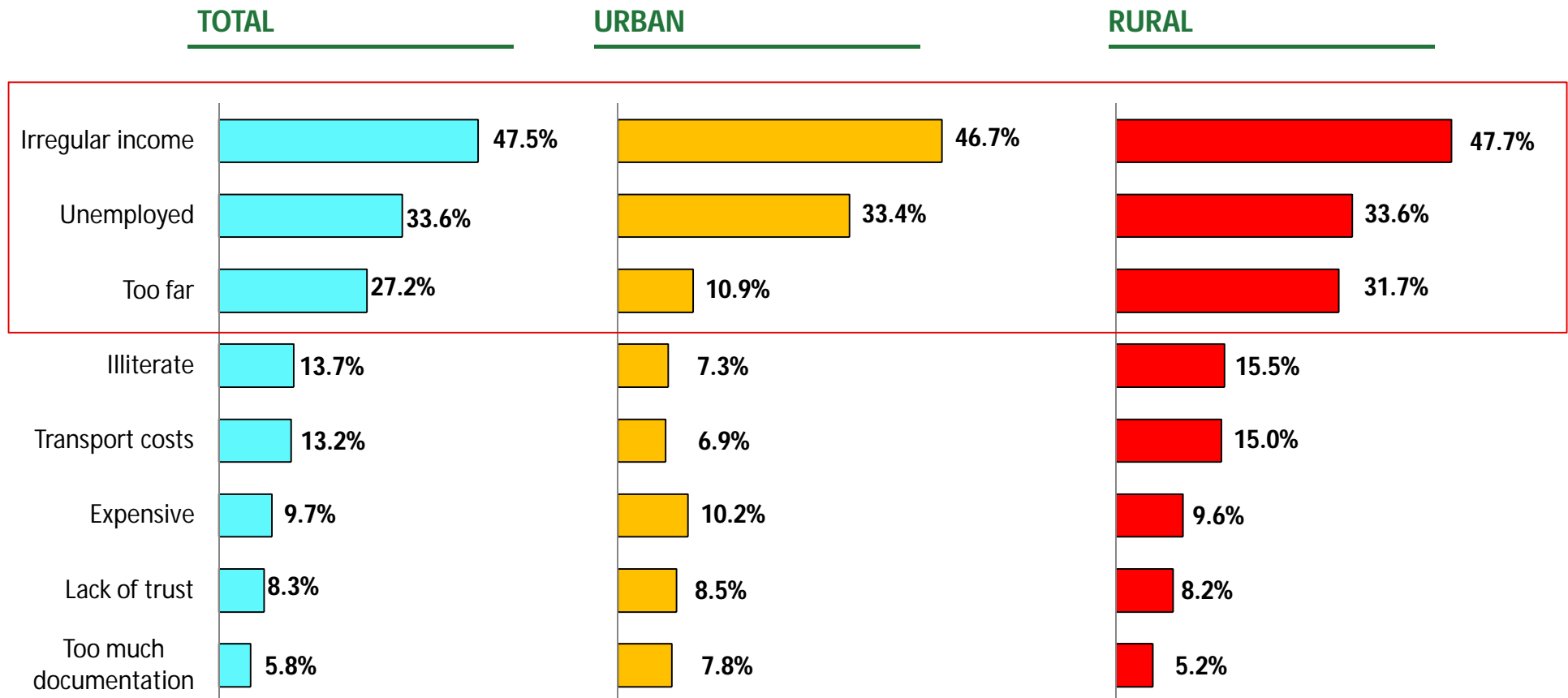
- ☐ The most important criteria for the selection of a main bank is **stability**
- ☐ 36.9% of the adult population chose their main bank because of its reputation and 36.4% because of its location



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Reasons for not Having a Bank Account

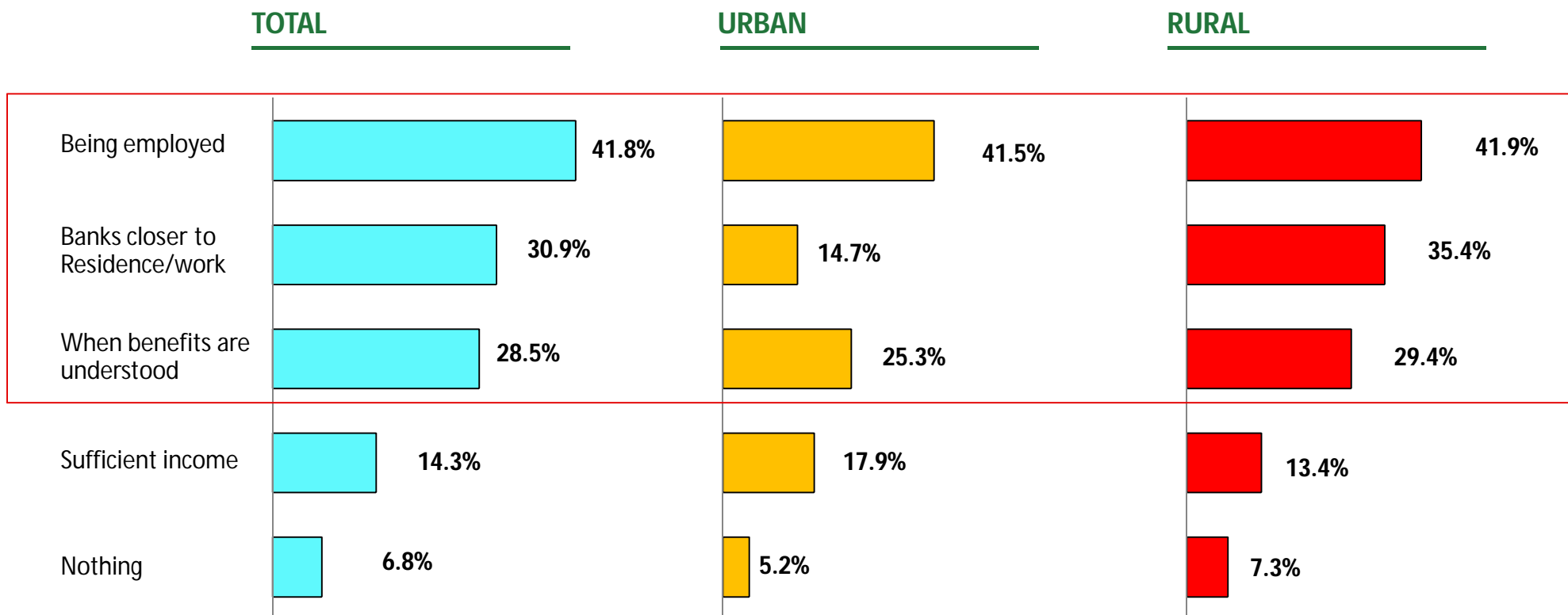
- ❑ The main barriers to having a bank account are irregular income, unemployment and distance to the bank branch
- ❑ Bank proximity is of greater concern to the rural population



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## What Would Encourage the Unbanked to Open a Bank Account

- ❑ 42.4 million adults which represents 74.0% of the unbanked population would like a bank account
- ❑ The factors which would most likely encourage the unbanked to open a bank account are being employed, having a bank closer to residence/work and understanding the benefits of being banked
- ❑ Bank proximity is of greater concern to the rural population



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## What Documentation do People Have?

- ❑ CBN Know Your Customer (KYC) documentary evidence for account opening is based on proof of address and personal identity (ID), as listed below
- ❑ The most common form of ID amongst the banked and unbanked is a birth certificate – held by 83.5% of the banked vs. 46.6% of the unbanked

### CBN KYC REQUIREMENTS

#### Documentary Evidence of Address

Bank Statement

Utility Bill

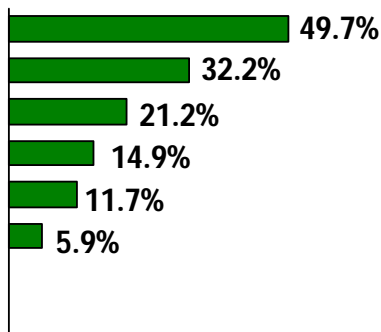
Land Ownership Documents

Home Ownership Documents

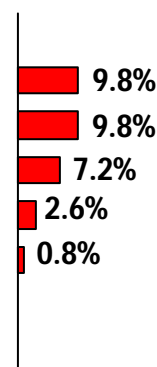
Local Govt. Rates & Taxes Invoice

Tenancy Agreement

### OF THOSE CURRENTLY BANKED



### OF THOSE CURRENTLY UNBANKED



#### Personal Identity Documents

Birth Certificate

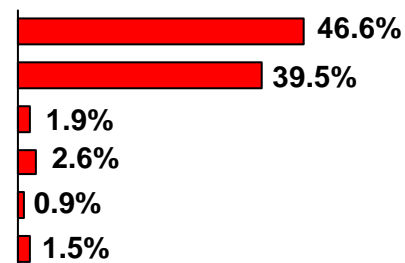
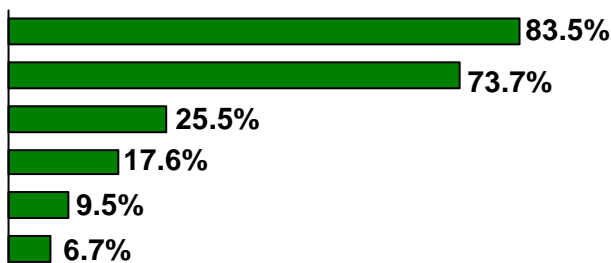
National ID Card

Employment ID

Driving License

International Passport

Tax Return



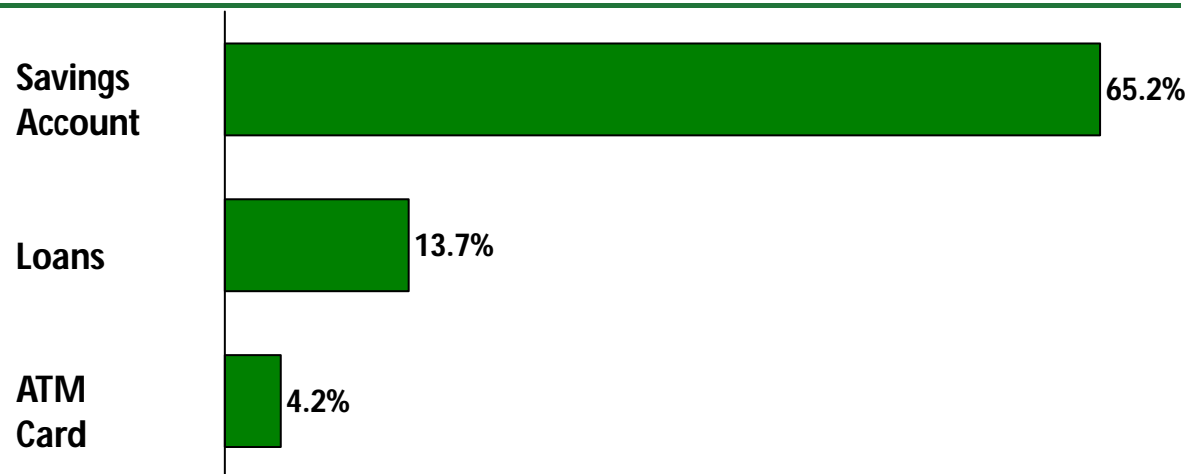
CBN - Acceptable documentation highlighted in green

Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Microfinance Banks (MFBs)

- ❑ 3.2 million people (3.8% of the adult population) have a Microfinance bank account, of which 57.9% are male and 42.1% are female
- ❑ 1.8 million people (2.1% of the adult population) use their MFB account as their main bank account
- ❑ The most commonly used MFB product is a savings account

### USAGE OF MFB PRODUCTS

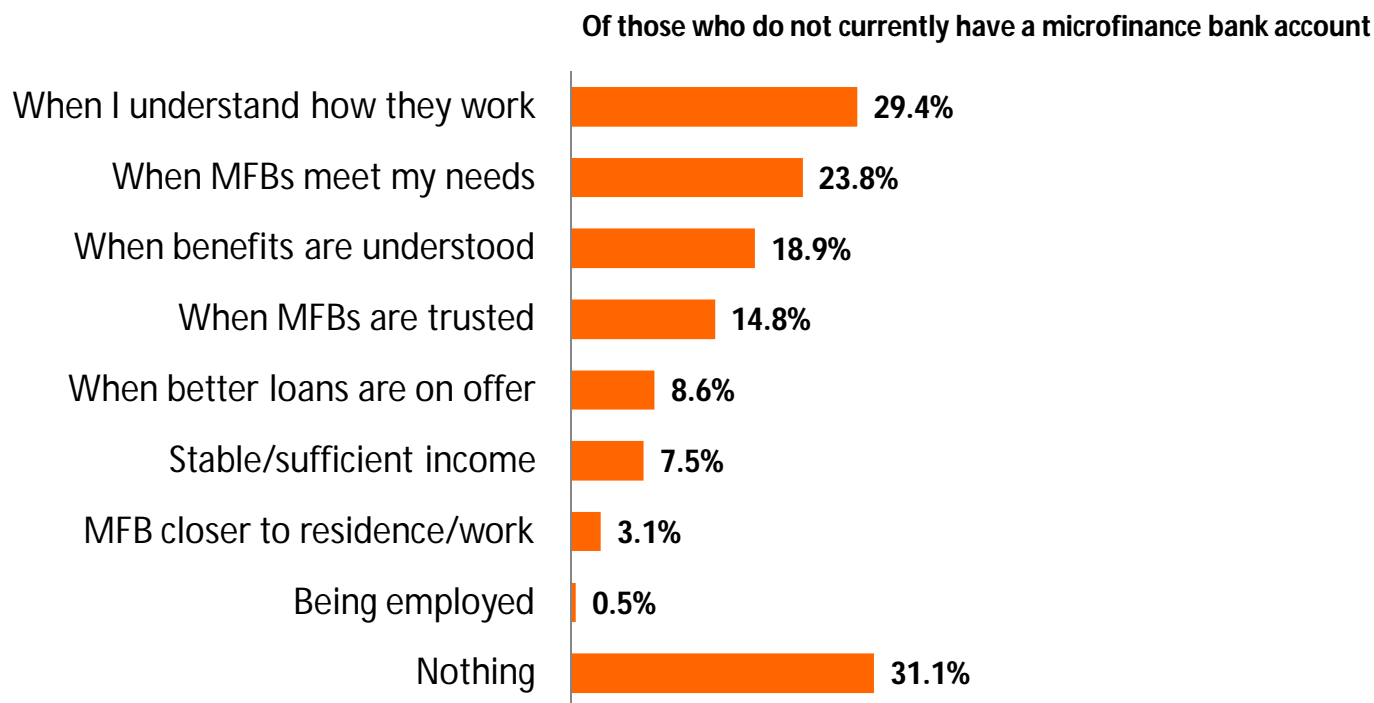


Source: EFInA Access to Financial Services in Nigeria 2010 survey

## What Would Encourage People to Open a Microfinance Bank Account

Of the 81.5 million adults (96.2% of the adult population) do not currently have a microfinance bank account

- ❑ 33.9 million adults (representing 41.6% of them) would like to open a microfinance bank account
- ❑ The main factors that would encourage them to open a microfinance bank account are understanding how microfinance banks work and how they would meet their needs

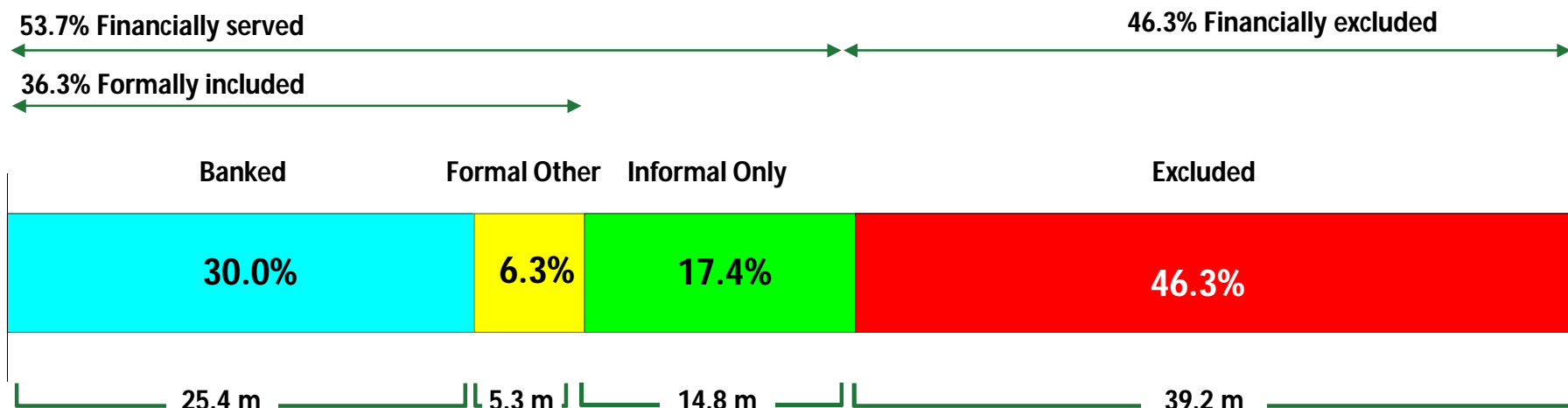


- ❑ 25.3 million adults (31.1% of those who do not currently have a microfinance bank account) said nothing will encourage them to open a microfinance bank account

## **D. Financial Access**

# Financial Access Strand

- ❑ 30.7 million adults are formally included
- ❑ 39.2 million adults are financially excluded



## DEFINITION OF FINANCIAL ACCESS

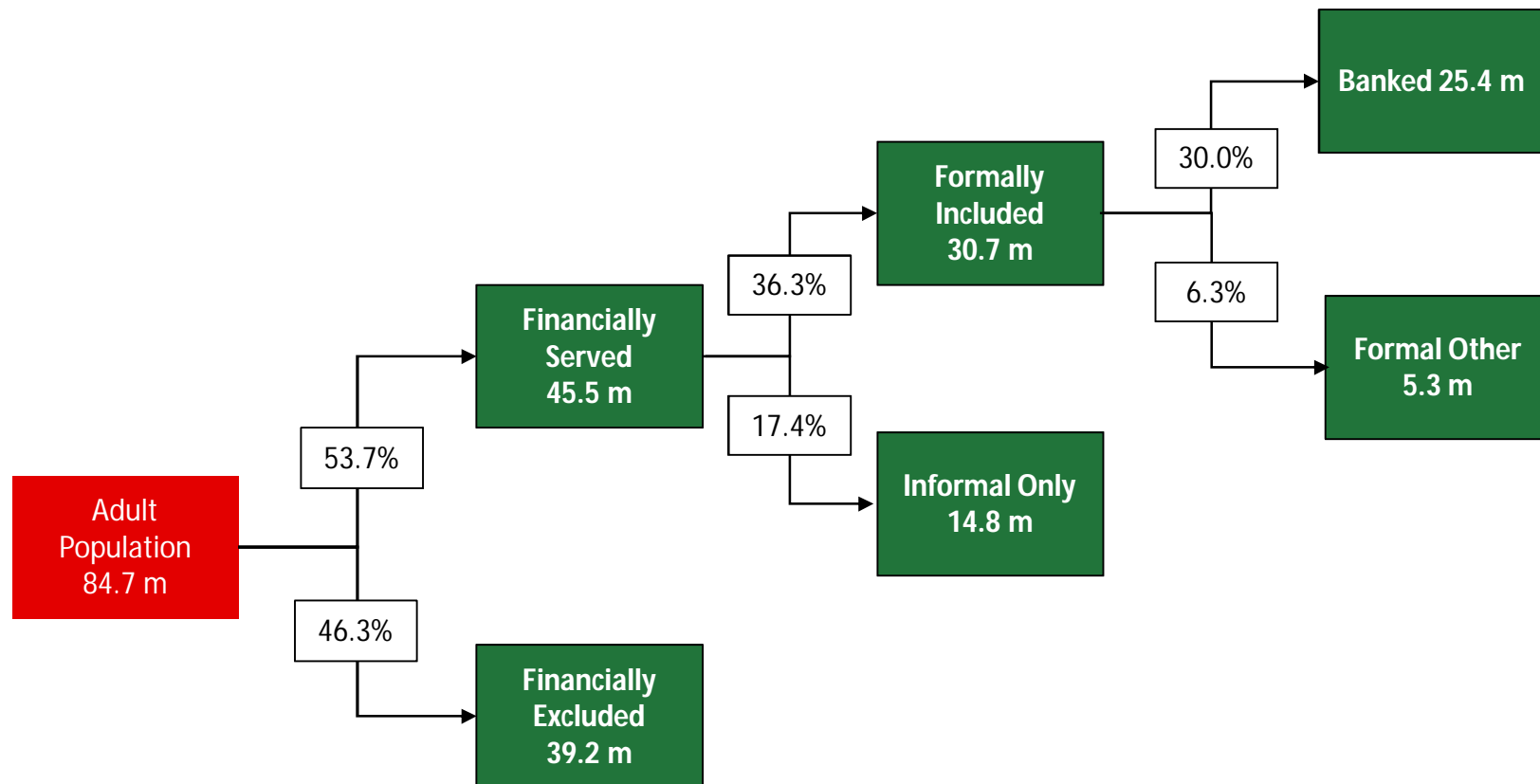
- ❑ **Banked:** all adults who have access to or use a deposit money bank, in addition to having/using a traditional banking product, including ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, or Islamic banking product
- ❑ **Formal Other:** all adults who have access to or use other formal institutions and financial products not supplied by deposit money banks, including Insurance companies, microfinance banks, pension schemes or shares. It also includes remittances (through formal channels)
- ❑ **Informal Only:** all adults who do not have any banked or formal other products, but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo, or moneylenders; as well as remittances (through informal channels such as via a transport service or recharge card)
- ❑ **Financially Excluded:** adults not in the banked, formal other or informal only categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers, as well as remittances via a friend/family member

**These four strands are mutually exclusive**



## Financial Access Strand

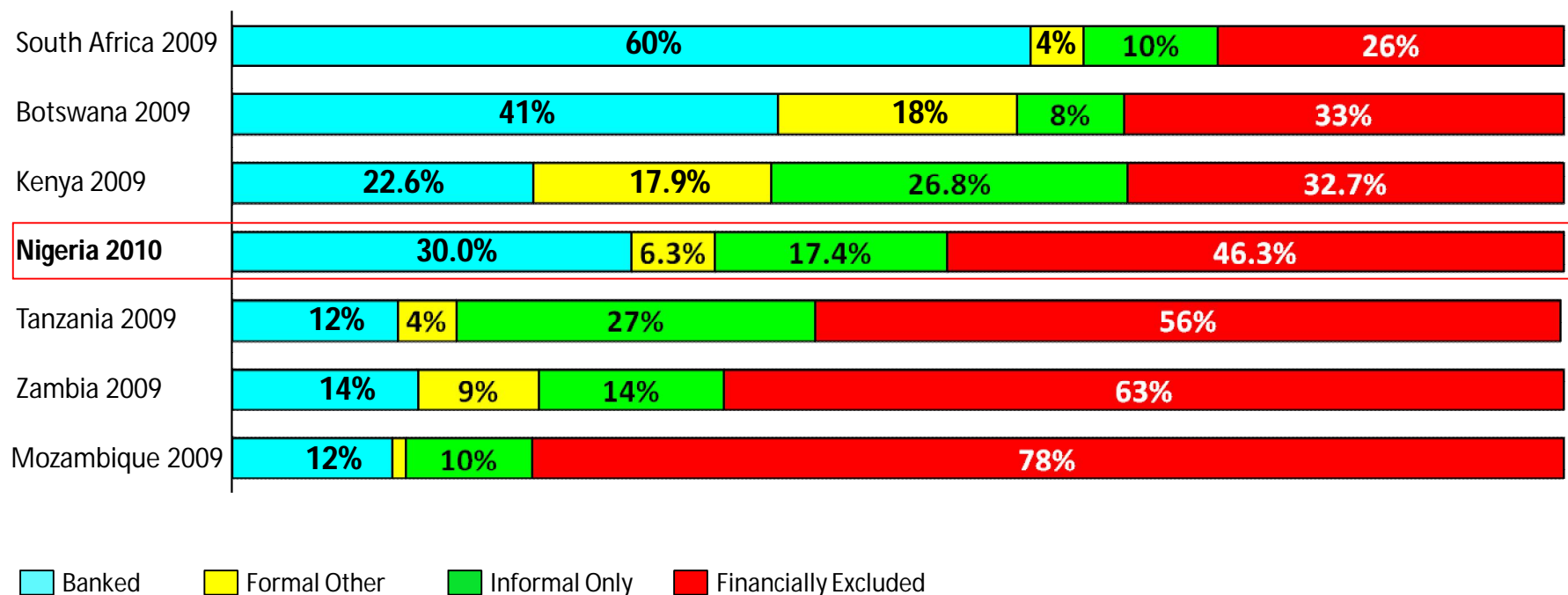
- 45.5 million adults are financially served, with access to formal or informal financial services
- 39.2 million adults are financially excluded with **no** access to either formal or informal financial services



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Financial Access - Cross Country Comparisons

- ❑ Nigeria lags behind South Africa, Botswana and Kenya in terms of the percentage of the population who are financially served
- ❑ The growth in the financially served population in Kenya is mainly attributable to their mobile payments offering (M-PESA - which is classified in the Formal Other sector)



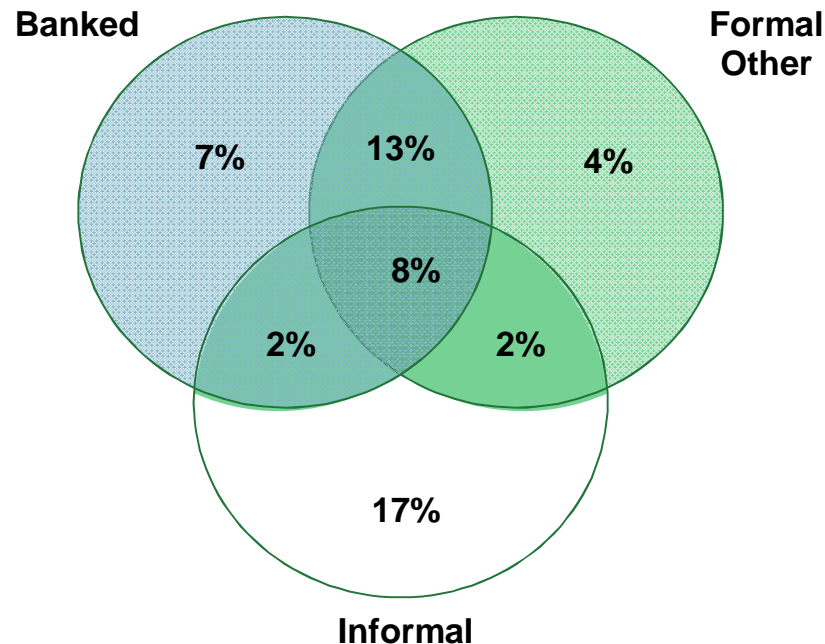
Note: There are some differences in the classification of products/services in the categories of the access strand between the countries

Source: FinScope; FinAccess National Survey, Kenya; EFInA Access to Financial Services in Nigeria 2010 survey

## Financial Access in Nigeria

This diagram provides information on overlapping usage of financial products/services:

- ❑ 11.0 million people (13% of the adult population) use products/services from both deposit money banks and "formal other" institutions
- ❑ 6.8 million people (8% of the adult population) use products/services from deposit money banks, "formal other" institutions and informal providers
- ❑ 1.7 million people (2% of the adult population) use products/services from both deposit money banks and informal providers



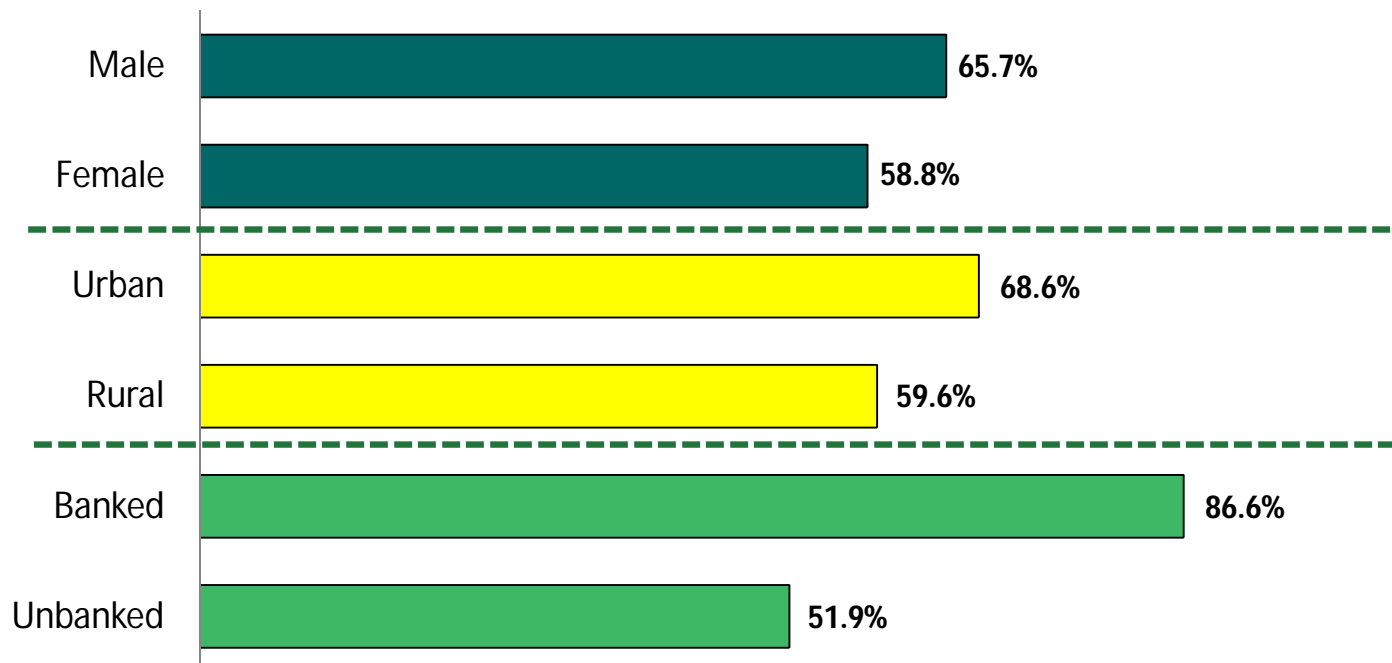
Source: EFInA Access to Financial Services in Nigeria 2010 survey

## **E. Savings**

## Population Who are Currently Saving Money

**52.8 million adults (62.3%) are currently saving of which:**

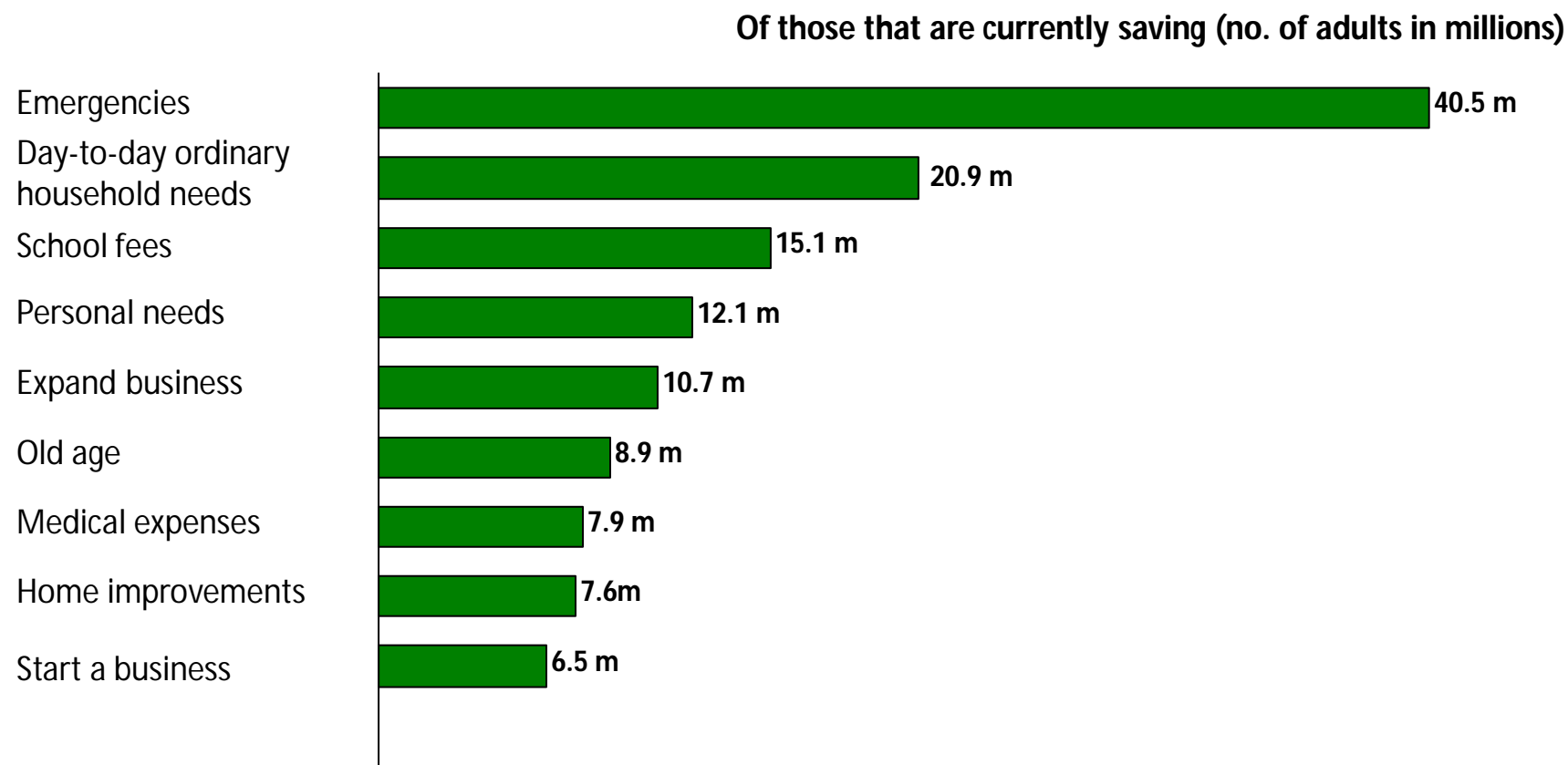
- ❑ 28.5 million men (65.7% of the adult male population) and 24.3 million women (58.8% of the adult female population) are currently saving
- ❑ 17.7 million adults (68.6% of the urban population) and 35.1 million adults (59.6% of the rural population) are currently saving
- ❑ 22.0 million adults (86.6% of the banked population) and 30.8 million adults (51.9% of the unbanked population) are currently saving



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Reasons for Saving

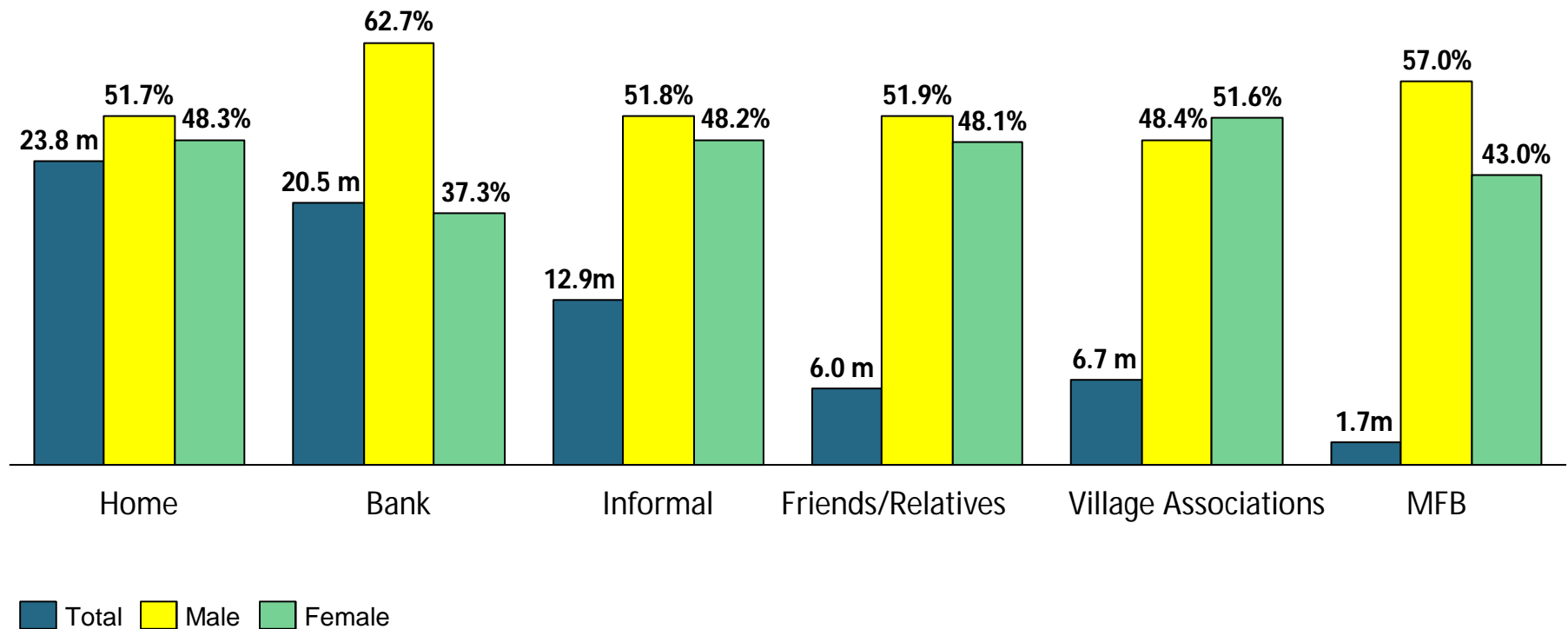
- ❑ The top two reasons for saving are:
  - For emergencies and for day-to-day household needs



## Where People Currently Save

Of the 52.8 million savers:

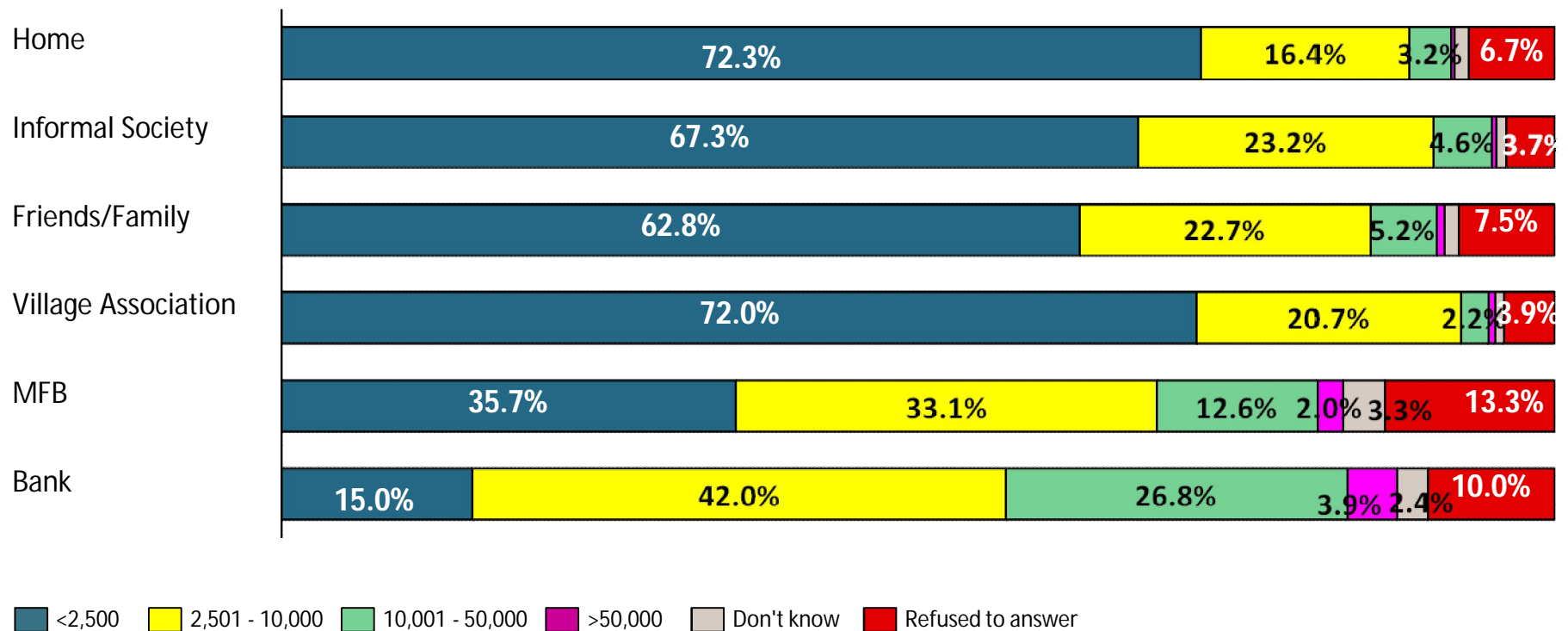
- 23.8 million adults are currently saving at home
- 20.5 million adults are currently saving in a bank



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## How Much Money is Saved Each Time Respondents Save

- Majority of those who save at home, with a friend/family, or informally (through an informal society or village association), save less than N2,500 each time they save
- 42% of those that save in a bank, save between N2,501-N10,000 each time



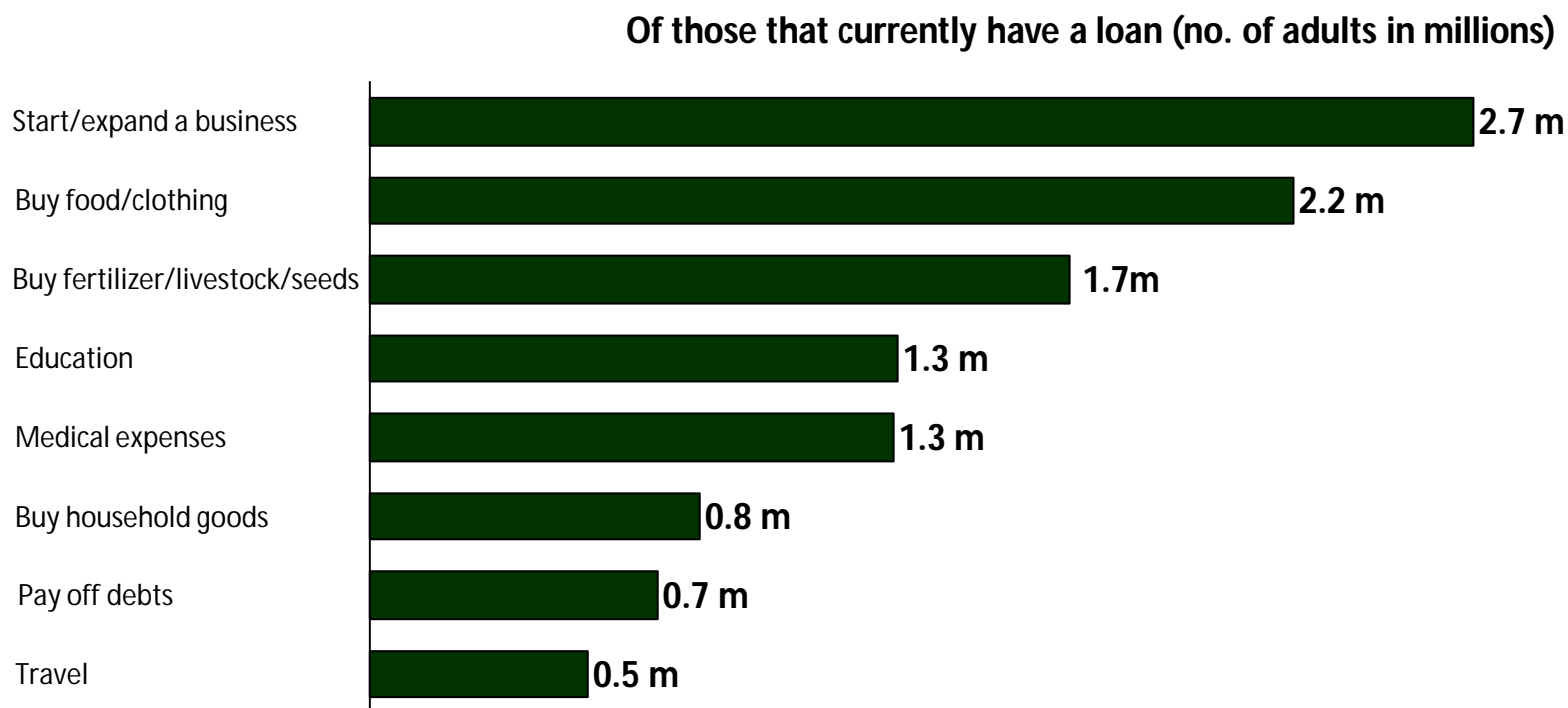
Source: EFInA Access to Financial Services in Nigeria 2010 survey



## **F. Loans & Credit**

## Reasons for Taking a Loan

- ❑ 8.2 million people (9.7% of the adult population) currently has a loan
- ❑ The top two reasons for taking a loan are to start/expand a business and to buy food/clothing

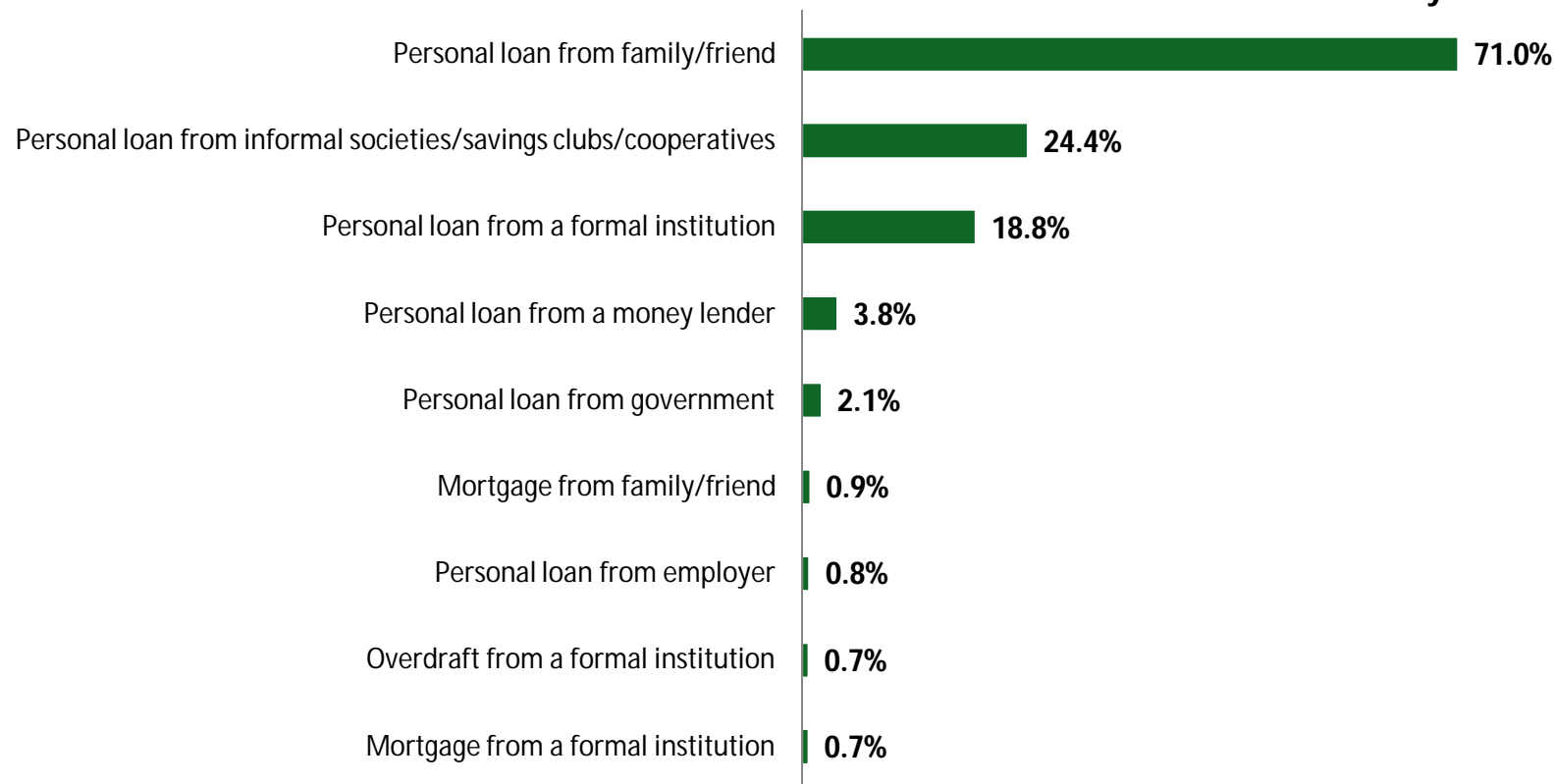


## Sources of Loans

Of the 8.2 million adults that currently have a loan:

- ❑ 5.8 million adults (71.0%) have a personal loan from a family/friend
- ❑ 2.0 million adults (24.4%) have a personal loan from informal societies/savings clubs/cooperatives
- ❑ 1.5 million adults (18.8%) have a loan from a formal institution

### Of those that currently have a loan

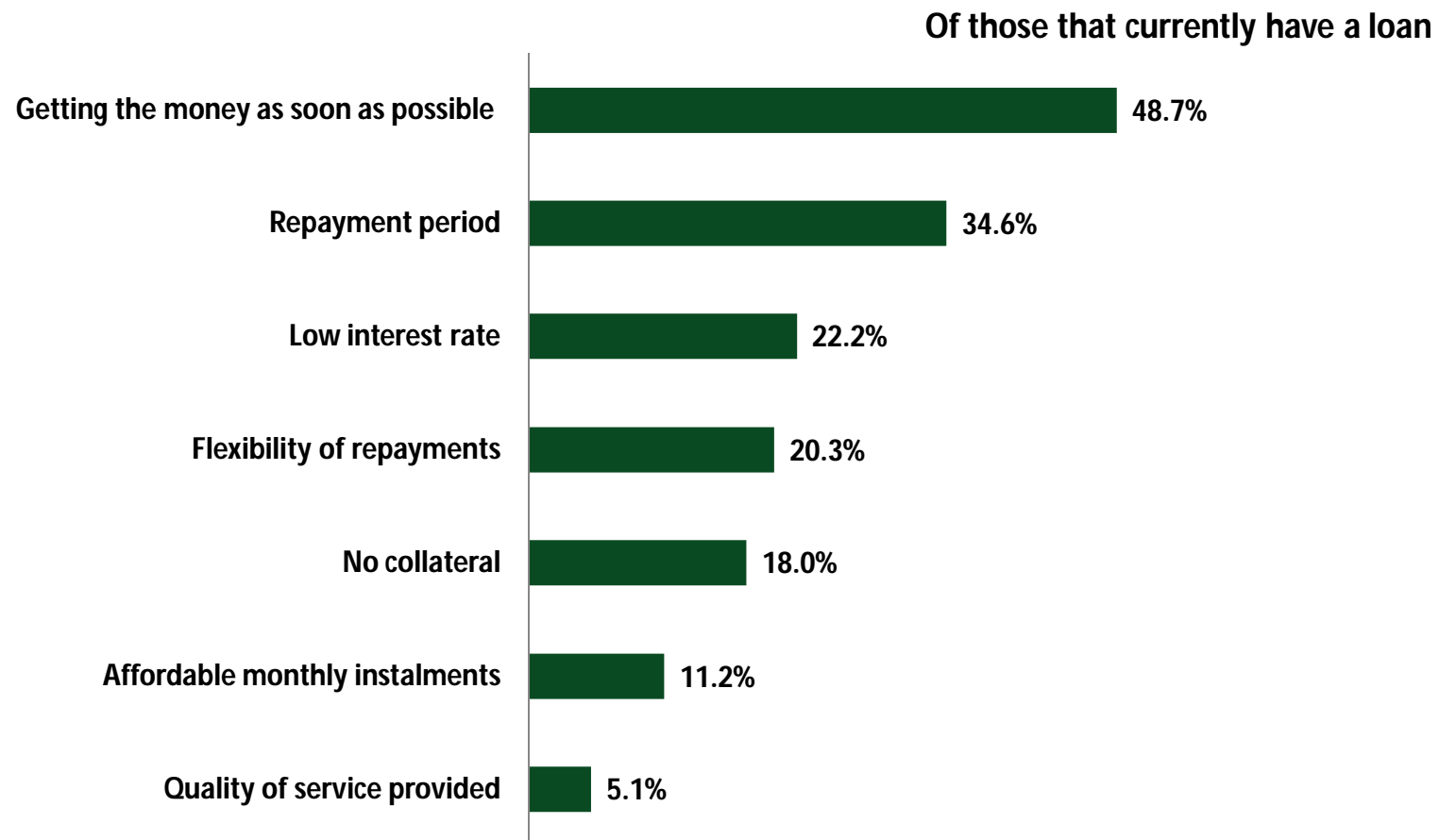


Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Factors Considered When Deciding to Apply for a Loan

Of the 8.2 million adults that currently have a loan:

- ❑ 4.0 million (48.7%) of them said "getting the money as soon as possible" was the most important factor when deciding to apply for a loan
- ❑ Other important factors include repayment period (34.6%) and low interest rates (22.2%)

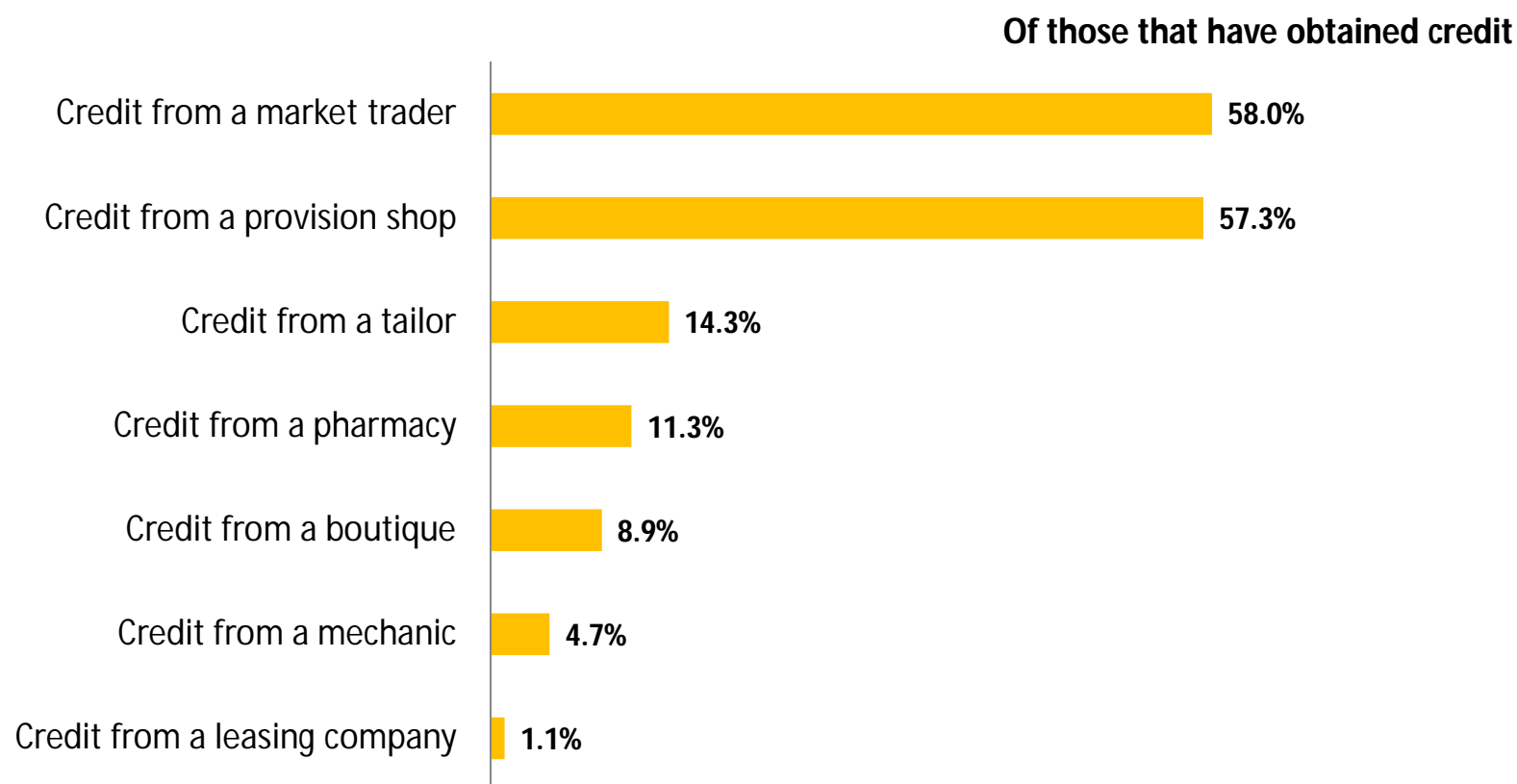


Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Sources of Credit

In the past 12 months, 20.4 million adults have bought goods & services on credit, of which:

- ❑ 11.8 million adults (58.0%) obtained credit from a market trader
- ❑ 11.7 million adults (57.3%) obtained credit from a provision shop

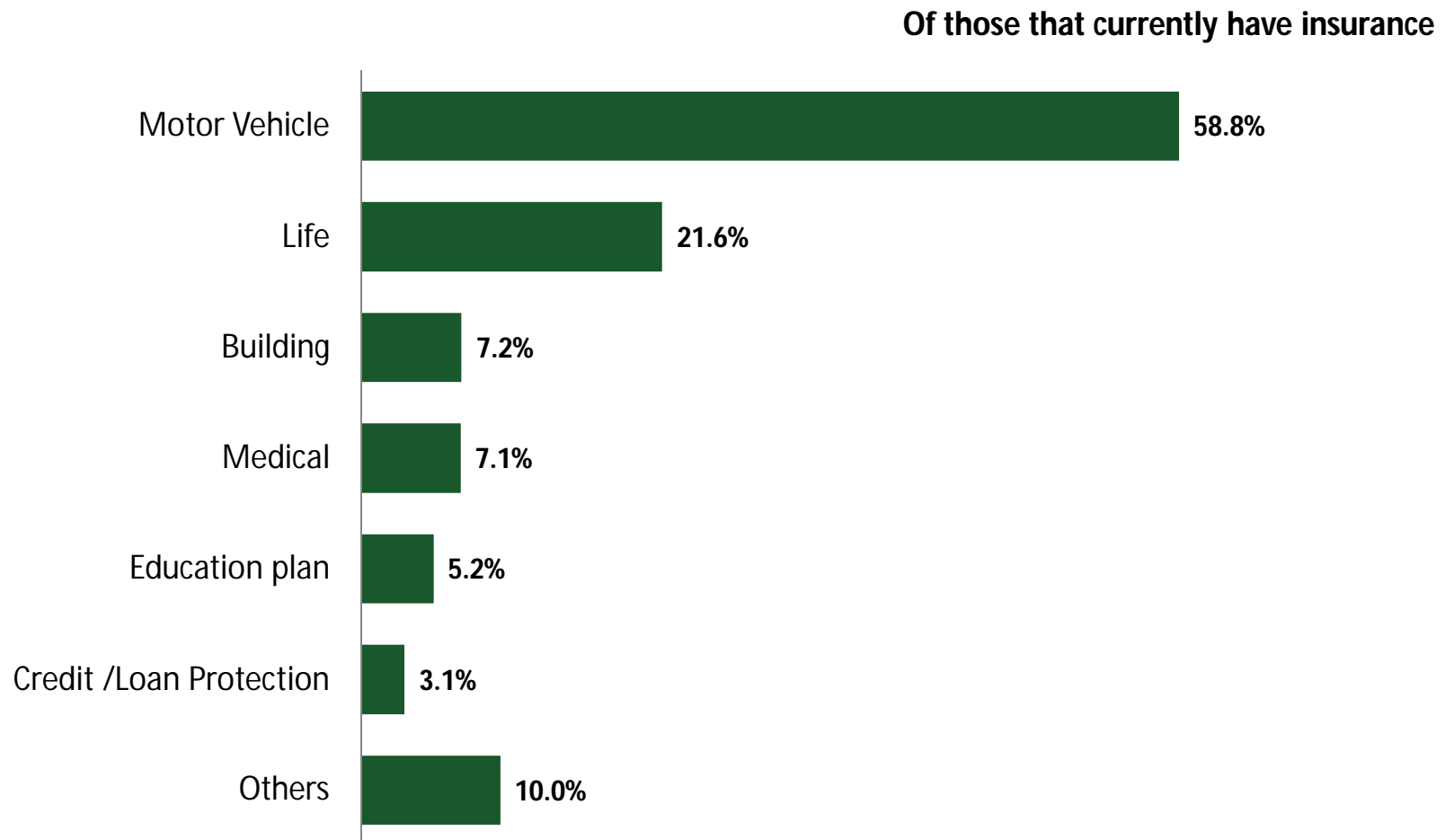


Source: EFInA Access to Financial Services in Nigeria 2010 survey

## **G. Insurance**

## Penetration of Insurance Products

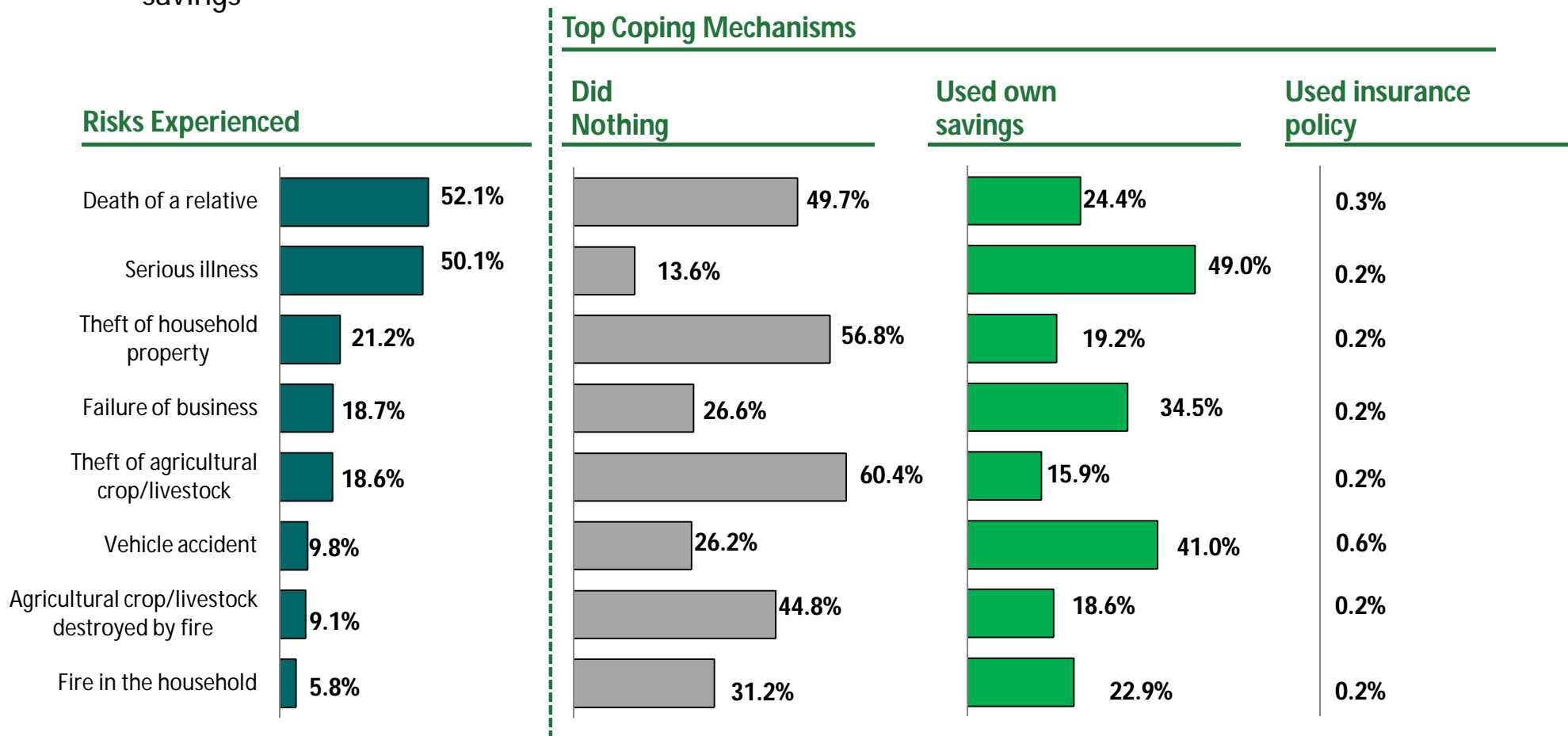
- ❑ Only 1.0% (0.8 million) of the adult population has insurance
- ❑ 0.5 million adults (58.8%) have motor vehicle insurance (which is compulsory)



Source: EFInA Access to Financial Services in Nigeria 2010 survey

# Experience of Household Risks and Coping Mechanisms

- ❑ The top mechanisms for dealing with adverse experiences - are doing nothing and using one's savings



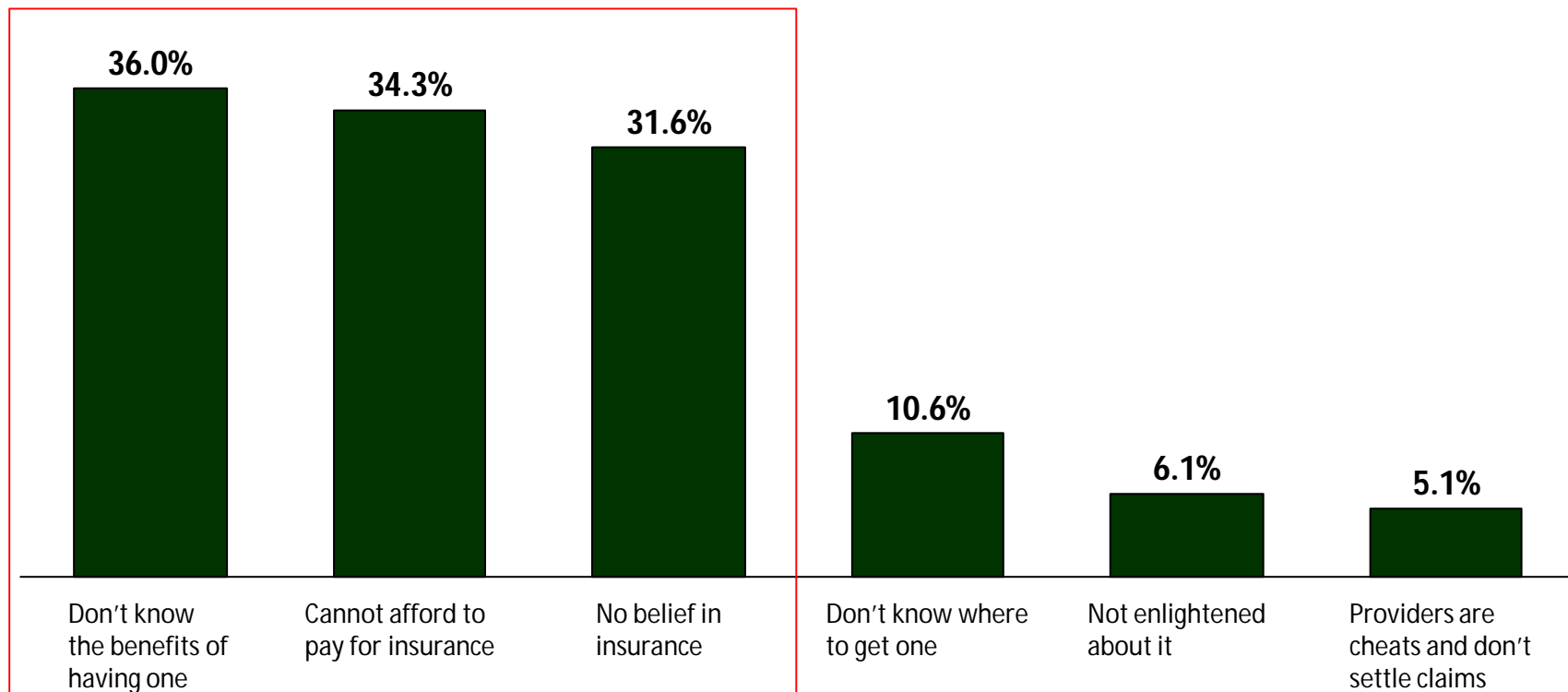
Source: EFInA Access to Financial Services in Nigeria 2010 survey



## Reasons for Not Having Insurance

Of those who do not have insurance, the reasons cited were:

- ☐ Do not know the benefits of having insurance – **30.2 million**
- ☐ Cannot afford it – **28.8 million**
- ☐ Do not believe in insurance – **26.5 million**



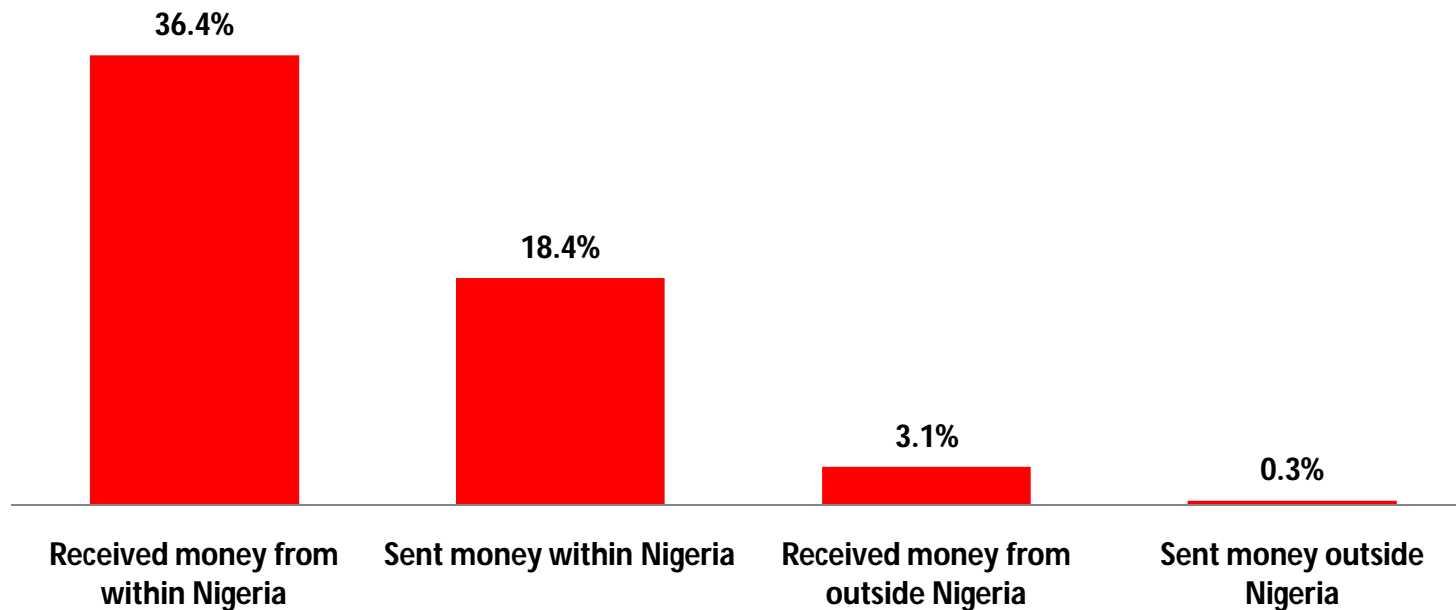
Source: EFInA Access to Financial Services in Nigeria 2010 survey

## **H. Remittances**

## Remittances

In the six months prior to being interviewed:

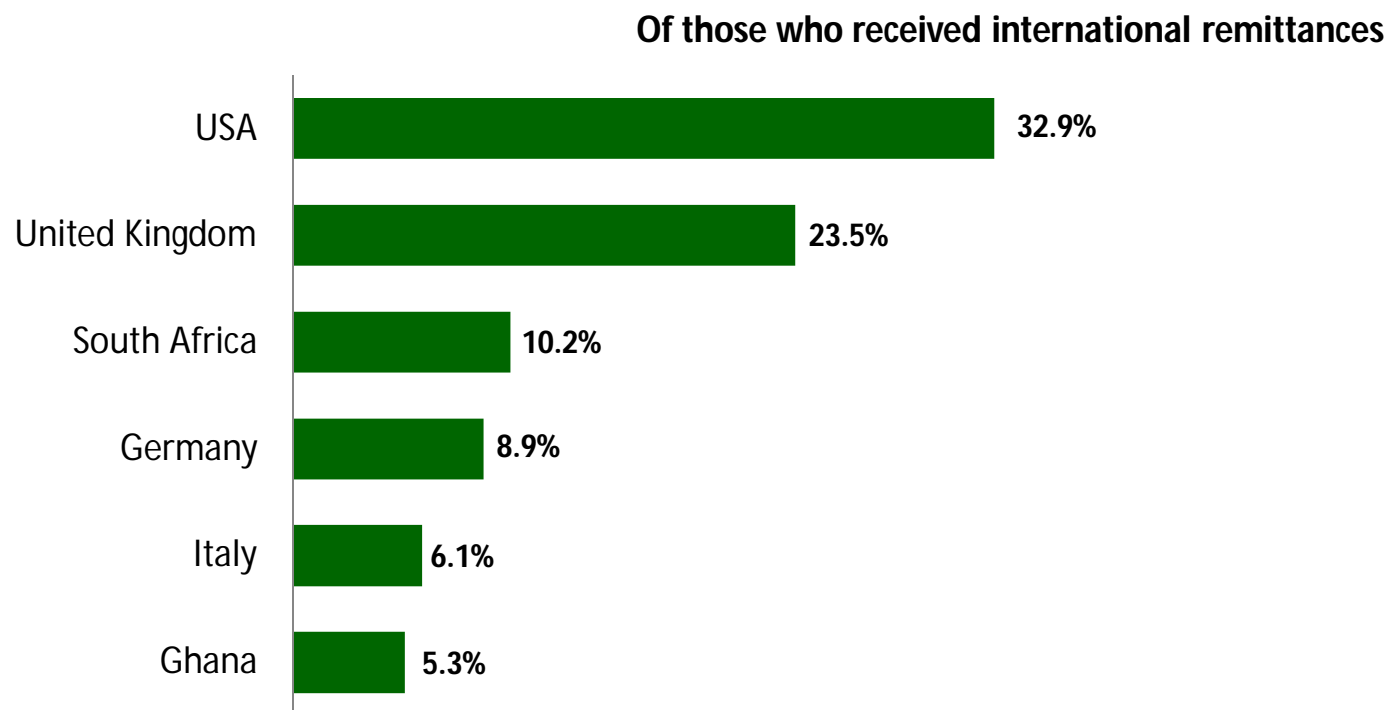
- ☐ 30.8 million adults (36.4%) received remittances from within Nigeria
- ☐ 15.6 million adults (18.4%) sent remittances within Nigeria
- ☐ 2.6 million adults (3.1%) received remittances from outside Nigeria
- ☐ 0.3 million adults (0.3%) sent remittances to outside Nigeria



Source: EFInA Access to Financial Services in Nigeria 2010 survey

In the six months prior to being interviewed:

- ❑ 2.6 million Nigerians received money from friends or family members from outside Nigeria
- ❑ The top 3 countries for inbound international remittances were USA, UK and South Africa



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Amounts Received for Domestic and International Remittances

- ❑ 30.5% (9.4 million adults) of those who received domestic remittances in the six months prior to being interviewed received, between N5,001 and N10,000
- ❑ 39.9% (1.0 million adults) of those who received international remittances in the six months prior to being interviewed, received between N10,001 and N50,000

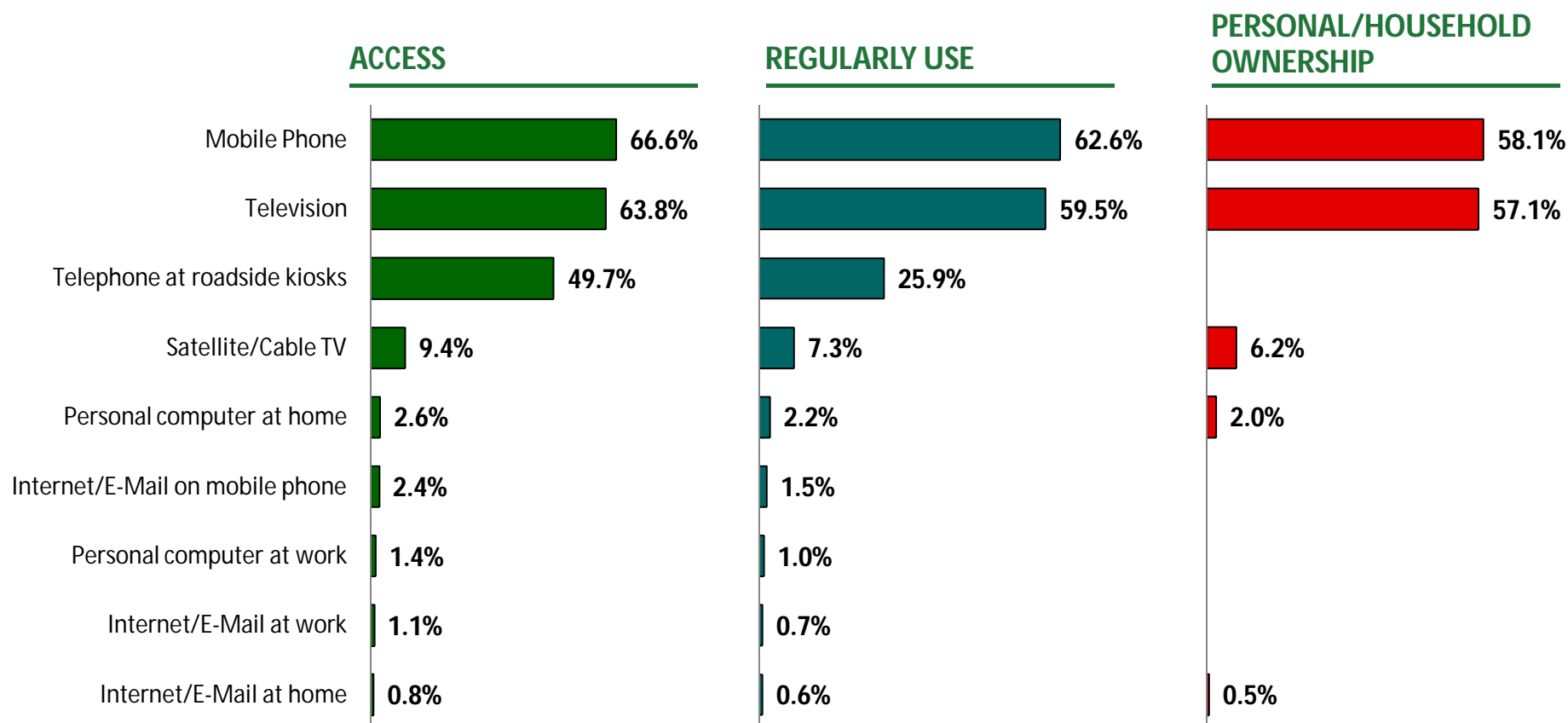
Amount received the last time	Domestic (%)	International (%)
Below N2,500	11.4	-
N2,501 – N5,000	27.7	1.9
N5,001 – N10,000	30.5	11.6
N10,001 – N50,000	19.8	39.9
Above N50,000	4.1	30.0
Refused to Answer/Can't Say	6.5	16.6

Source: EFInA Access to Financial Services in Nigeria 2010 survey

# **I. Technology and Mobile Phone Usage**

## Access/Usage/Ownership of Technology

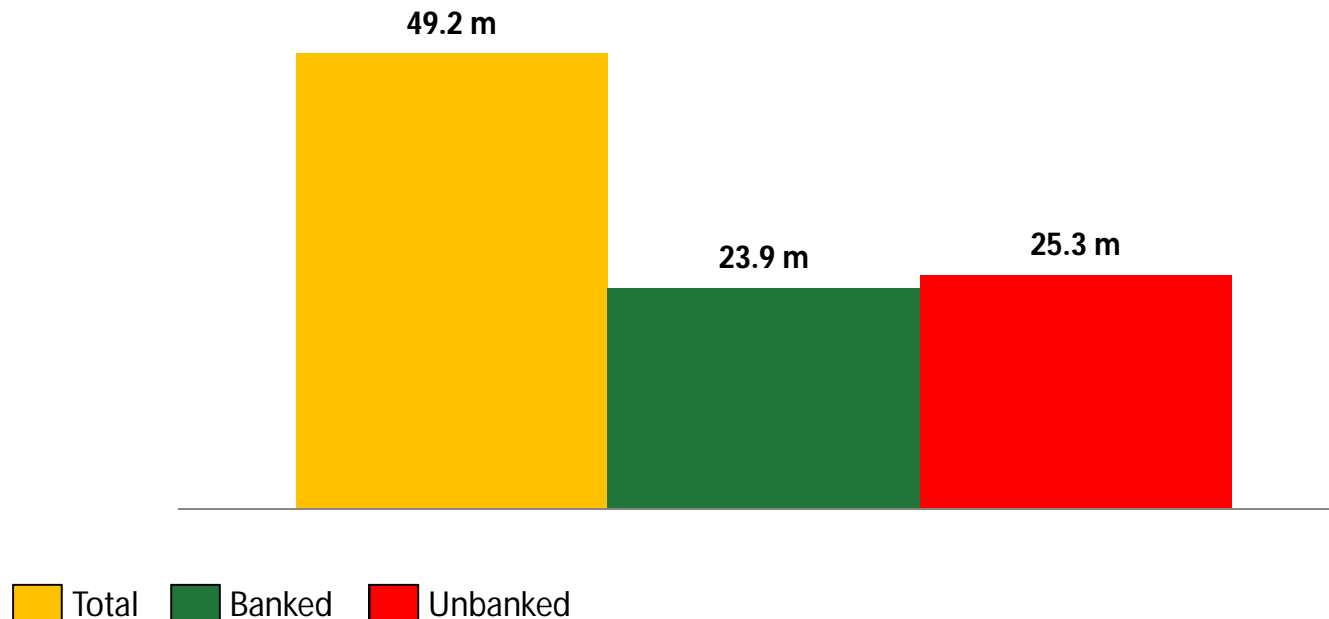
- ❑ 56.4 million adults (66.6% of the adult population) have access to a mobile phone
- ❑ 53.1 million adults (62.6% of the adult population) regularly use a mobile phone
- ❑ 49.2 million adults (58.1% of the adult population) own a mobile phone



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## Mobile Phone Ownership vs. Banking Status

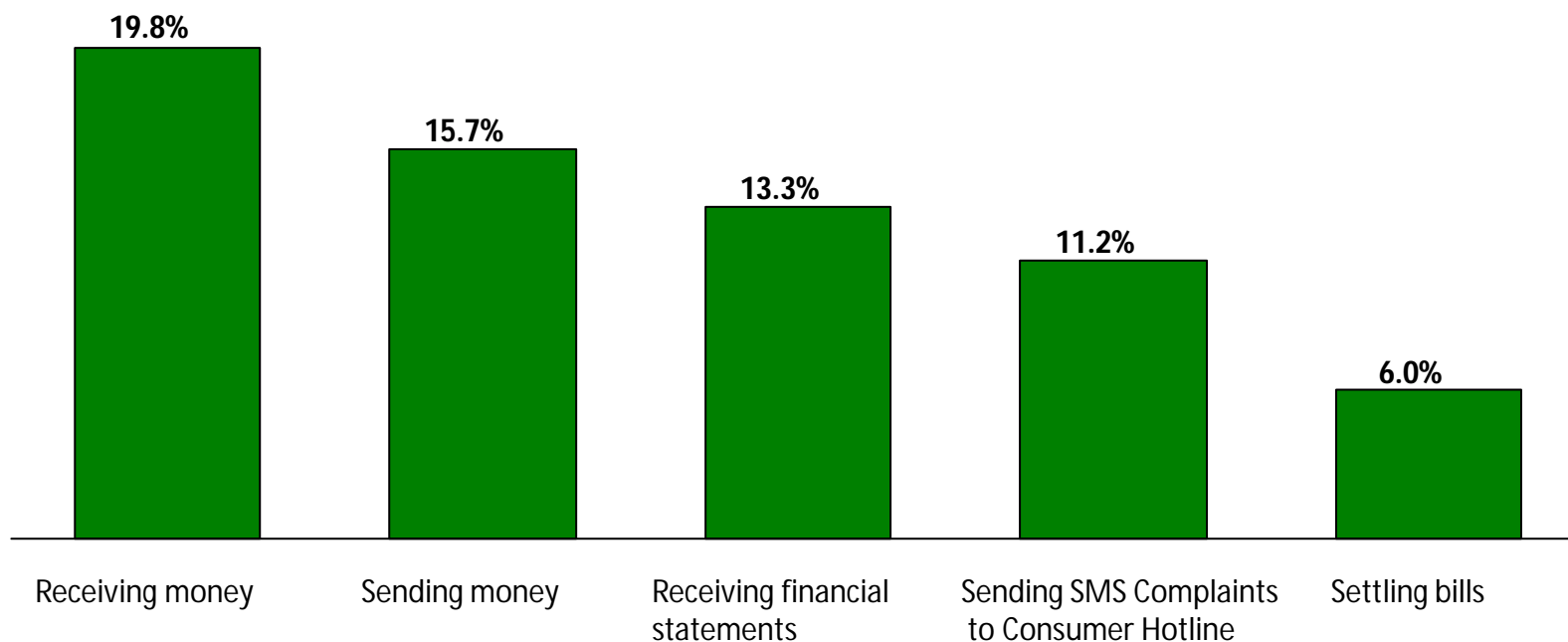
- ❑ 49.2 million adults own a mobile phone, of which:
  - **23.9 million** are banked (which represents 93.7% of the banked population)
  - **25.3 million** are unbanked (which represents 42.7% of the unbanked population)
- ❑ This clearly demonstrates the potential for using mobile phones as a distribution channel for providing financial services to the unbanked





## Financial Transactions that People Would Consider Conducting Using their Mobile Phone

- ❑ 16.8 million adults (19.8%) would consider using their mobile phone to receive money
- ❑ 13.3 million adults (15.7%) would consider using their mobile phone to send money
- ❑ 5.1 million adults (6.0%) would consider using their mobile phone to pay bills



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## **J. Financial Literacy**

## Knowledge of Key Financial Terms

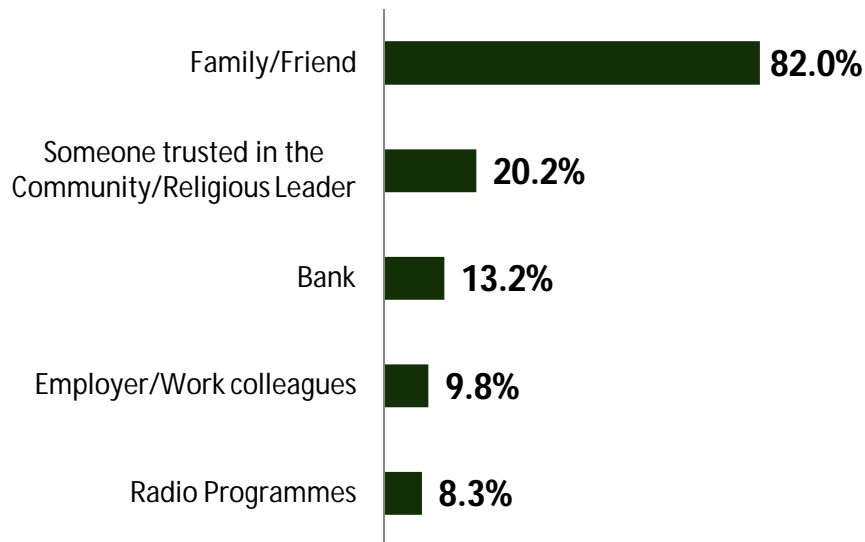
	Heard and know what it means	Heard but don't know what it means	Never Heard
Bank	84.6%	7.5%	7.9%
Interest	71.5%	10.5%	18.0%
Loans	69.9%	13.1%	17.0%
Savings Account	59.5%	12.9%	27.6%
Pension	55.1%	17.8%	27.1%
Cheque	54.5%	15.7%	29.8%
ATM Card	45.7%	16.2%	38.1%
Current Account	44.1%	18.5%	37.4%
Insurance	35.9%	21.3%	42.8%
Microfinance	35.5%	19.8%	44.7%
Shares	27.5%	18.0%	54.5%
Mortgage	17.6%	17.1%	65.3%
Credit Card	15.6%	15.8%	68.6%
Non-Interest (Islamic) Banking	6.4%	9.8%	83.8%

- ❑ **69.9%** of the adult population have heard and understand what Loans mean; **59.5%** have heard and understand what savings accounts means
- ❑ **65.3%** of the adult population have never heard of a mortgage; **44.7%** have never heard of microfinance; **42.8%** have never heard of Insurance; **38.1%** have never heard of ATM cards

# Sources of Financial Advice/Desired Financial Knowledge

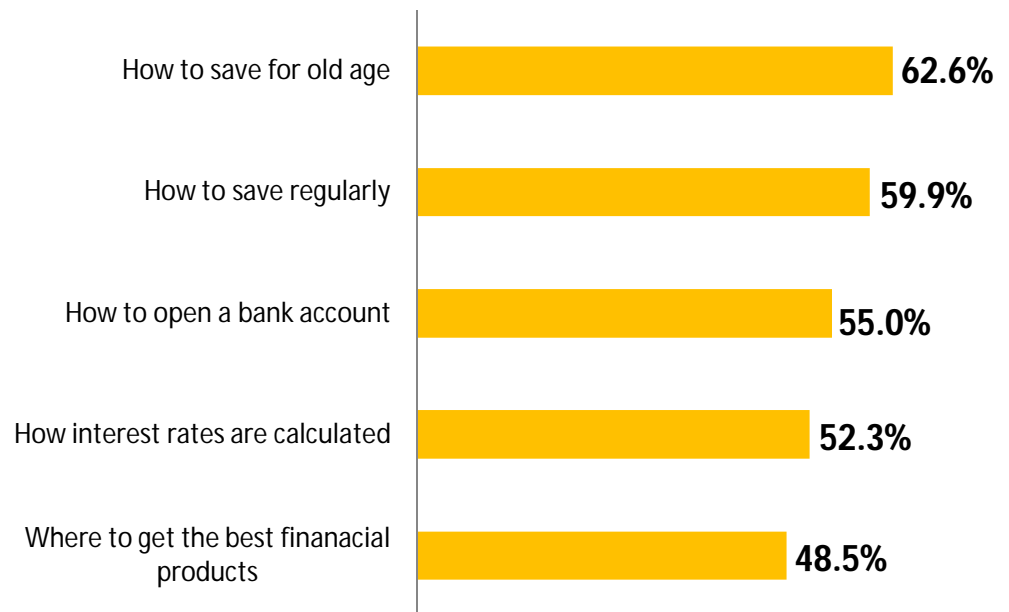
## SOURCES OF FINANCIAL ADVICE

- 69.5 million adults (82.0%) get financial advice from family members or friends



## DESIRED FINANCIAL KNOWLEDGE

- 53.1 million adults (62.6%) would like to know how to save for their old age
- 50.7 million adults (59.9%) would like to know how to save regularly



Source: EFInA Access to Financial Services in Nigeria 2010 survey

## **K. Trend Analysis: 2010 vs. 2008**

# Coverage, Methodology and Analysis

## Coverage and Methodology

- Same as 2008 with the following exceptions:

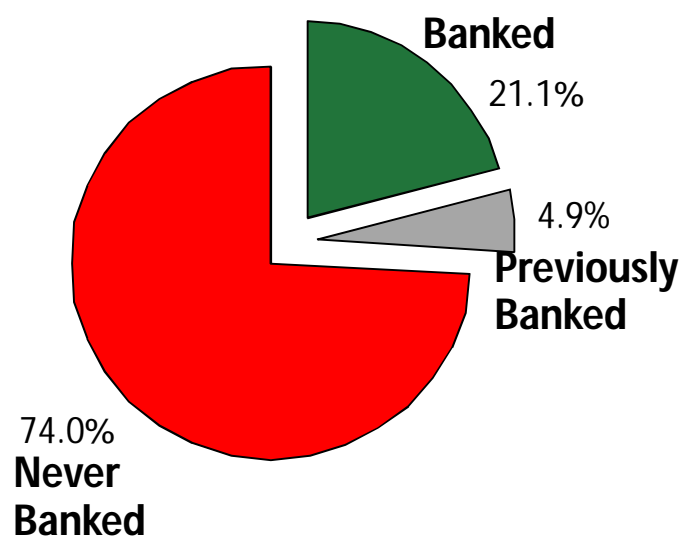
	2010	2008
Target Sample	24,000	22,200
Enumeration Areas (EAs)	1,200	1,110
Sampling Methodology	Proportionate sampling based on the population per State. Minimum - 400 questionnaires per State; Maximum - 1,200 questionnaires per State	Equal sampling – 600 questionnaires per State
Fieldwork Duration	July to August	May to August

## Analysis

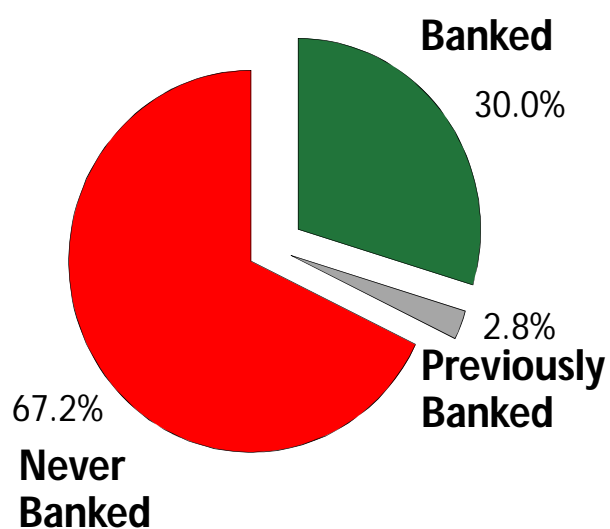
- 2010 comparisons are based on the adult population of 2008 which was 86.6 million

## Change in Banking Status from 2008 to 2010

2008



2010

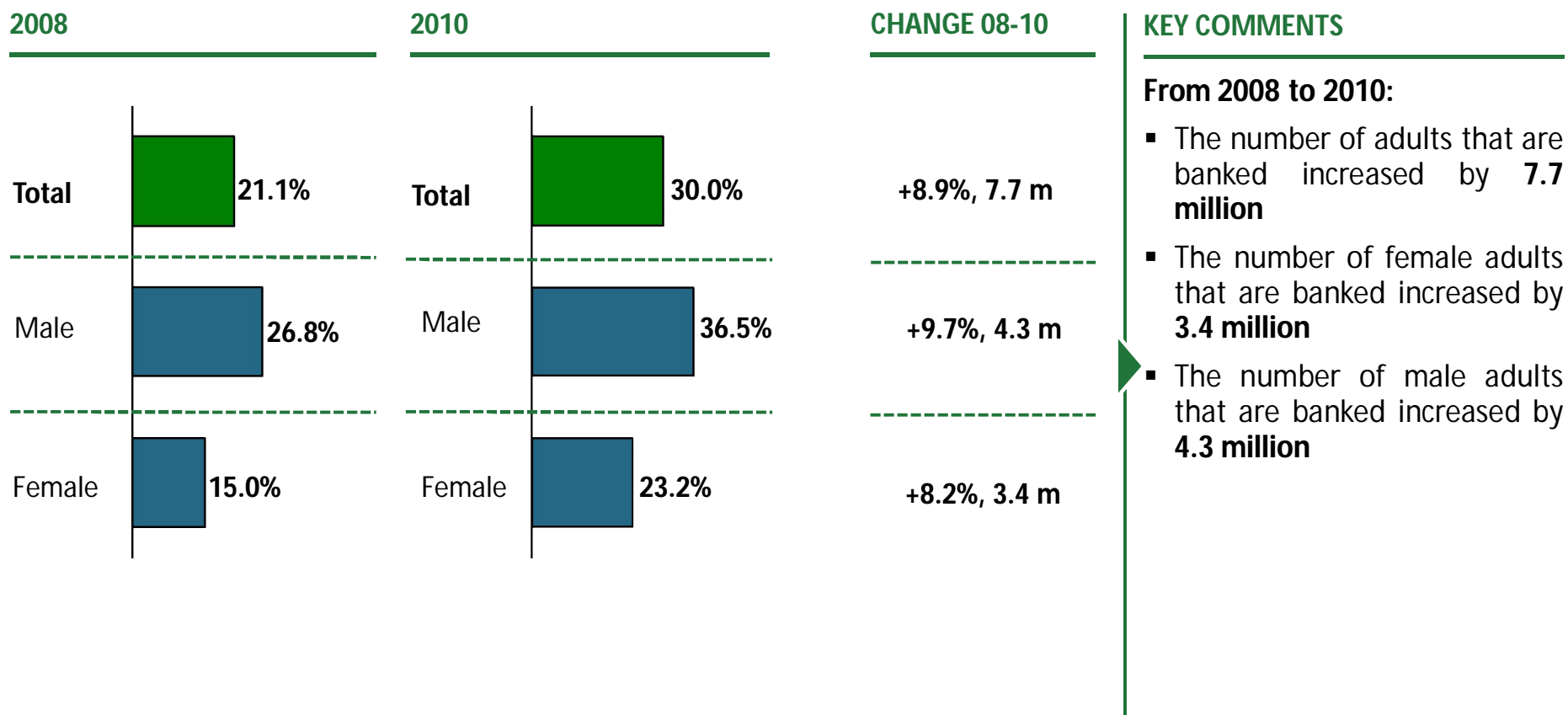


### KEY COMMENTS

**From 2008 to 2010:**

- The percentage of the adult population who are banked increased by 8.9%, an increase of **7.7 million**
- The percentage of the adult population that were previously banked declined by 2.1%, a decrease of **1.8 million**

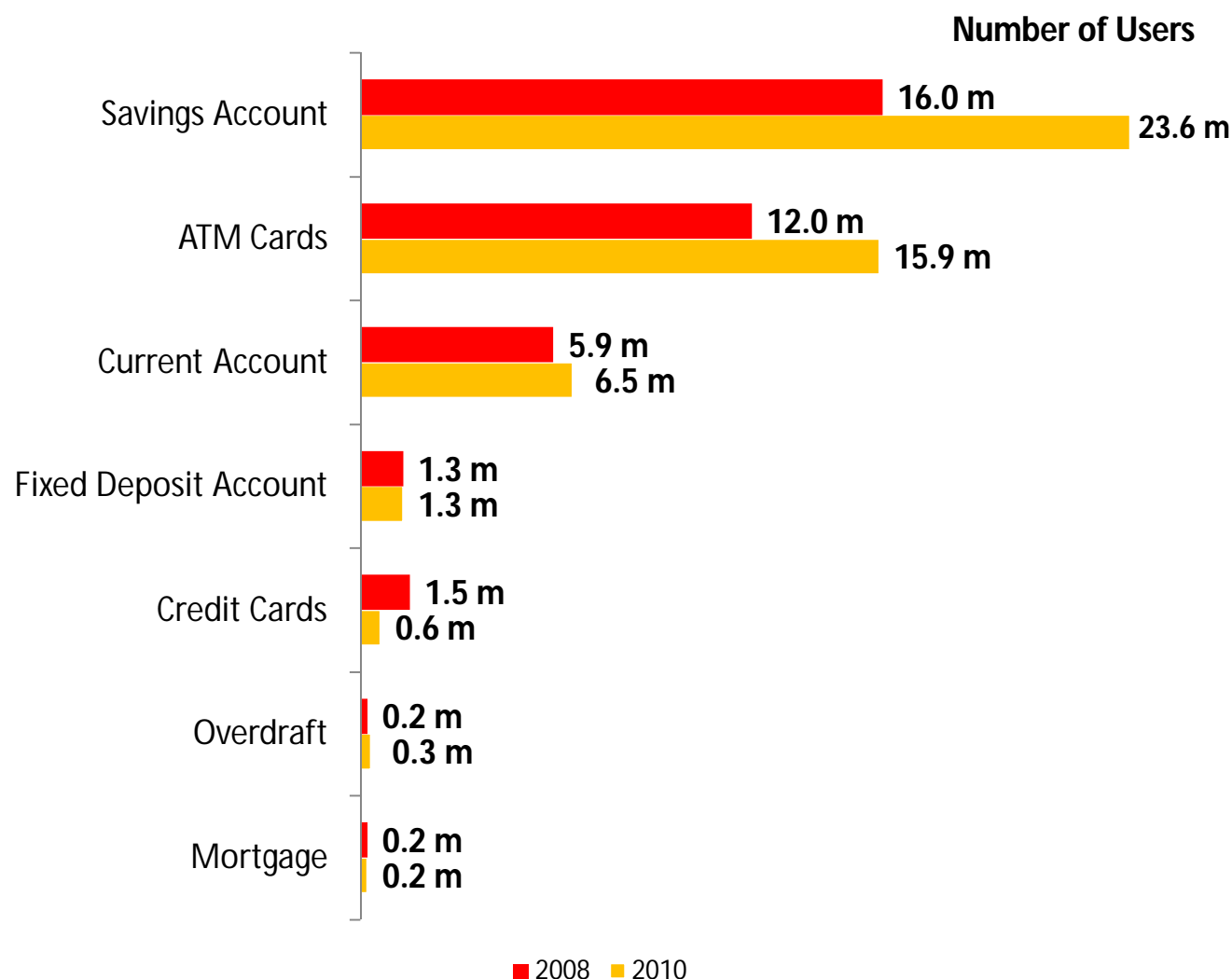
## Change in the Banked Population from 2008 to 2010



Source: EFInA Access to Financial Services in Nigeria 2010 survey



# Change in the Usage of Banking Products from 2008 to 2010

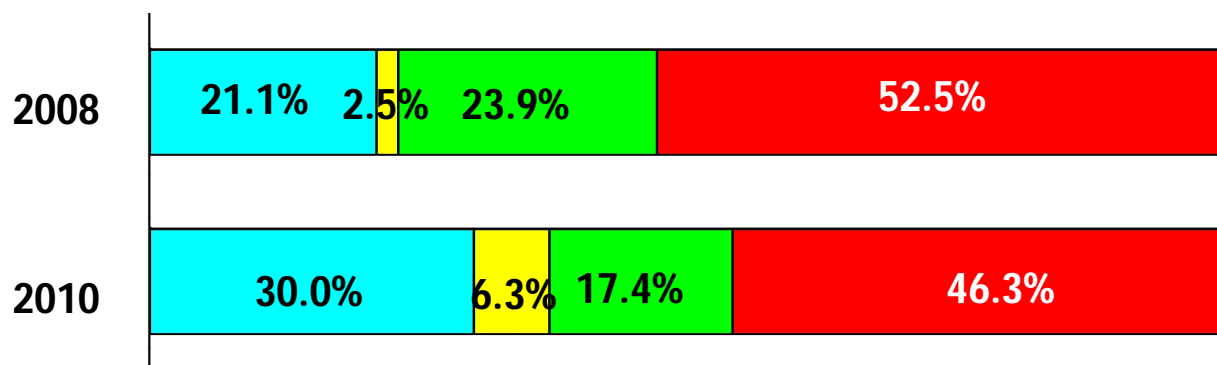


## KEY COMMENTS

### From 2008 to 2010:

- The number of Savings Accounts increased by **47.5%**, an increase of **7.6 million**
- The number of ATM Cards increased by **32.5%**, an increase of **3.9 million**
- The number of Current Accounts increased by **10.2%**, an increase of **0.6 million**

## Change in the Access Strand from 2008 to 2010



The four categories are mutually exclusive

■ Banked 
 ■ Formal Other 
 ■ Informal Only 
 ■ Financially Excluded

Note: 2010 figures include remittances (Formal Other and Informal Only), whereas 2008 does not

### KEY COMMENTS

#### From 2008 to 2010:

- The number of adults that are formally included increased from 23.6% to 36.3%, an increase of **11.0 million**
- The number of adults that are financially served increased from 47.5% to 53.7%, an increase of **5.4 million**
- The number of adults that are financially excluded decreased by **5.4 million**

## **L. Conclusions**

## Key Issues

- ❑ With over 59 million unbanked adults, finding new ways of reaching out to this market is a major challenge for service providers. New ways of thinking and innovation in bank product and service offerings are needed to capture this market
- ❑ The key issues that need to be addressed are:
  - How can we serve the unbanked market economically and profitably?
  - How can we leverage technology and non-bank channels (such as retail stores) to increase access to a range of financial products for the unbanked, especially those in remote rural areas?
  - Which technology should be deployed and how can they be adapted to reach the rural areas?
  - How do we encourage services providers (both financial and non-financial) to develop a range of financial products which are appropriate and affordable and meet the needs of the unbanked and low income population?
  - How do we ensure that the unbanked and low income population fully understand the benefits of being financially included?



**All of these challenges translate into opportunities for banking the unbanked in Nigeria**

# How do we Successfully Promote Financial Inclusion in Nigeria?

## **BANKING INDUSTRY**

- ☐ Extend banking beyond branches by the use of technology such as mobile phones and POS devices
- ☐ Take banking services closer to the customer – e.g. through agent banking
- ☐ Ensure that the benefits of having a bank account is widely communicated to the unbanked and low income population through several different channels
- ☐ Develop innovative savings products to encourage the 23.8 million adults currently saving at home to save in a bank
- ☐ Develop remittances products which can be linked to bank accounts
- ☐ Formal financial providers should identify innovative ways of extending micro and retail loans to the low income segment

## **POLICY MAKERS**

- ☐ Maintain policy reforms that foster stability in the banking industry, especially as this is the top criterion for deciding where to open a bank account
- ☐ Ensure robust consumer protection policies that address transparency, fair treatment and effective redress mechanisms, that are tailored to the realities of inexperienced, low literacy consumers
- ☐ Implement a tiered KYC regime that supports the lack of relevant documentation of the unbanked and low income segment
- ☐ Promote basic savings accounts with no/limited fees with defined features such as maximum balance, limited number of transactions, etc
- ☐ In conjunction with service providers, ensure that the economically active population has good access to high quality financial education to enable them make the best choice for their needs when selecting financial products
- ☐ Fast track the implementation of innovative policies that support branchless banking models (e.g. mobile payment licenses, agent banking) and increase access to finance

## **M. Data Dissemination Options**

## EFInA Access to Financial Services in Nigeria, 2008/2010 survey

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

## Data Options

- Purchase full dataset
- Request customised presentations
- Purchase a limited number of variables
- Data request form can be downloaded from the EFInA website

## Contact

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