

Nigerian Retail Finance Landscape Innovation Forum

Modupe Ladipo
Chief Executive Officer, EFInA

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EFInA Overview

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About EFInA

- Enhancing Financial Innovation & Access (EFInA) is an independent, professional and non-profit organisation funded by the UK's Department for International Development (DFID) and the Bill & Melinda Gates Foundation. EFInA's purpose is to promote pro-poor Financial Sector Development and Financial Inclusion in Nigeria

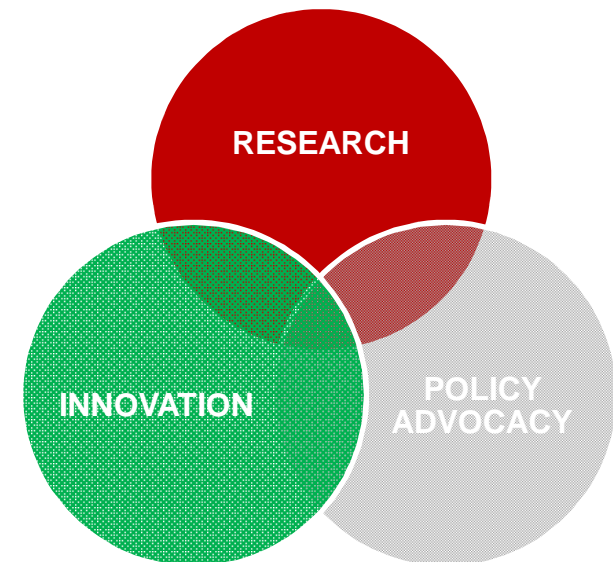
Our Approach

- EFInA's aim is to become an innovation centre targeting catalytic change across Nigeria's financial sector, to make markets work for those currently excluded from formal financial services

Key Objectives

EFInA focuses on three distinct but mutually reinforcing sets of activities:

- Providing credible market information on the Nigerian financial sector
- Supporting projects which will augment the development of Innovative Inclusive Financial Services for the unbanked and under-banked through our Innovation Fund
- Engaging in policy related advocacy to promote financial inclusion



The Innovation Fund

Objectives

- EFInA will share the risk of developing and implementing innovative products and services by providing a grant subsidy (up to 50%) for new commercial projects

Seed Grants

- Seed grants are given at an early stage to provide support for projects in design, development or pilot phase
- These projects are to be implemented within 6 months of the grant being awarded
- Seed Grants are awarded all year round

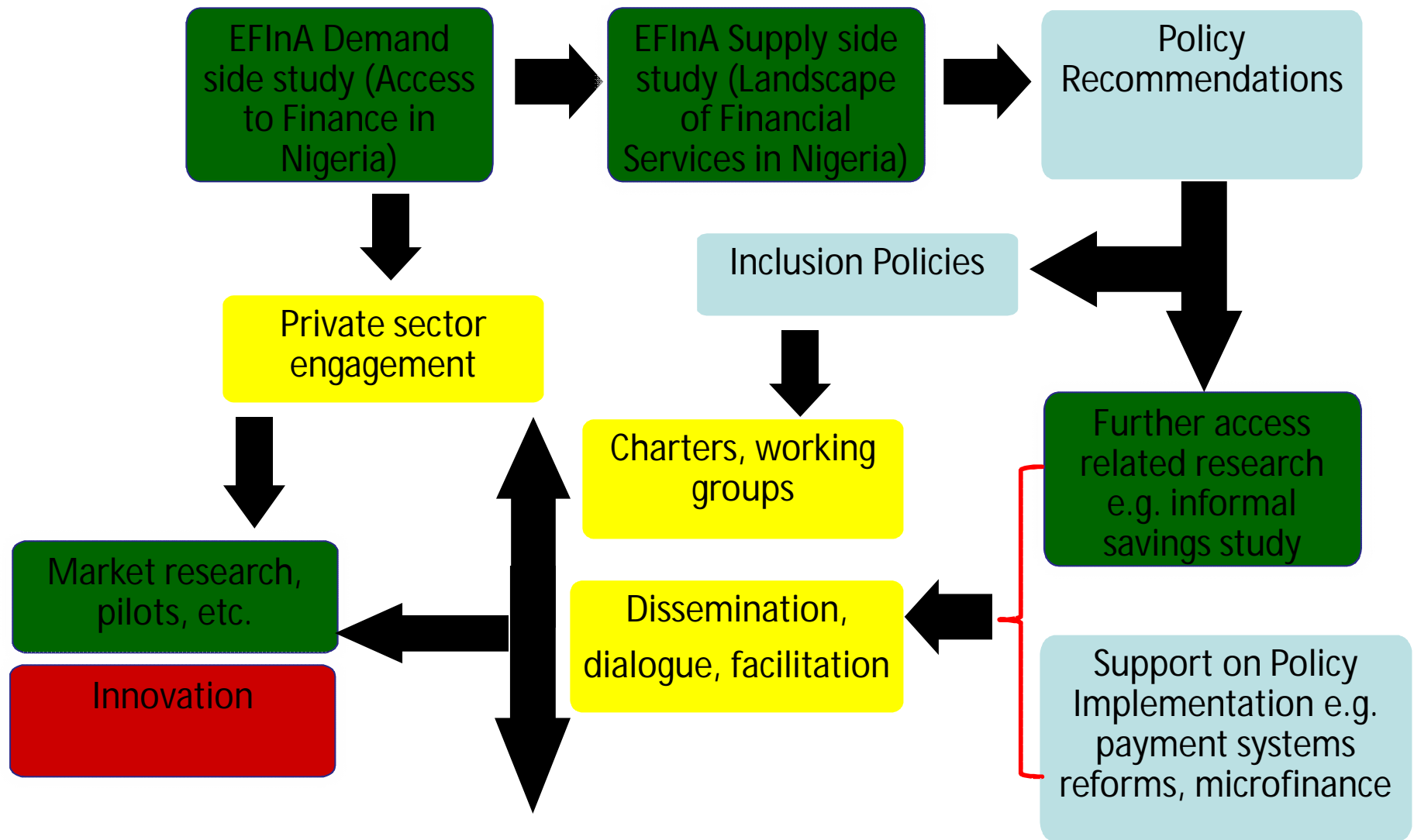
Innovation Grants

- Innovation grants provide larger funding for projects in the implementation phase for sectors defined by our Request for Proposals
- These projects are to be implemented within 24 months of the grant being awarded
- RFP 1 launched in May 2009; In December 2009, EFInA awarded Stanbic IBTC Bank an Innovation grant of \$1.5 million in support of their Alternative Banking Service Platform (E.susu) to extend financial services to the unbanked
- RFP 2 launched on 19 April 2010, decisions to be finalised by 3 September 2010
- RFP 3 to be launched in Q3 2010

Key Focus Sectors for 2010

- Branchless banking - often using non bank retail agents and relying on technologies such as mobile phones, POS & POC terminals
- Savings
- Payment Services
- Consumer Protection
- Financial Capability/Education

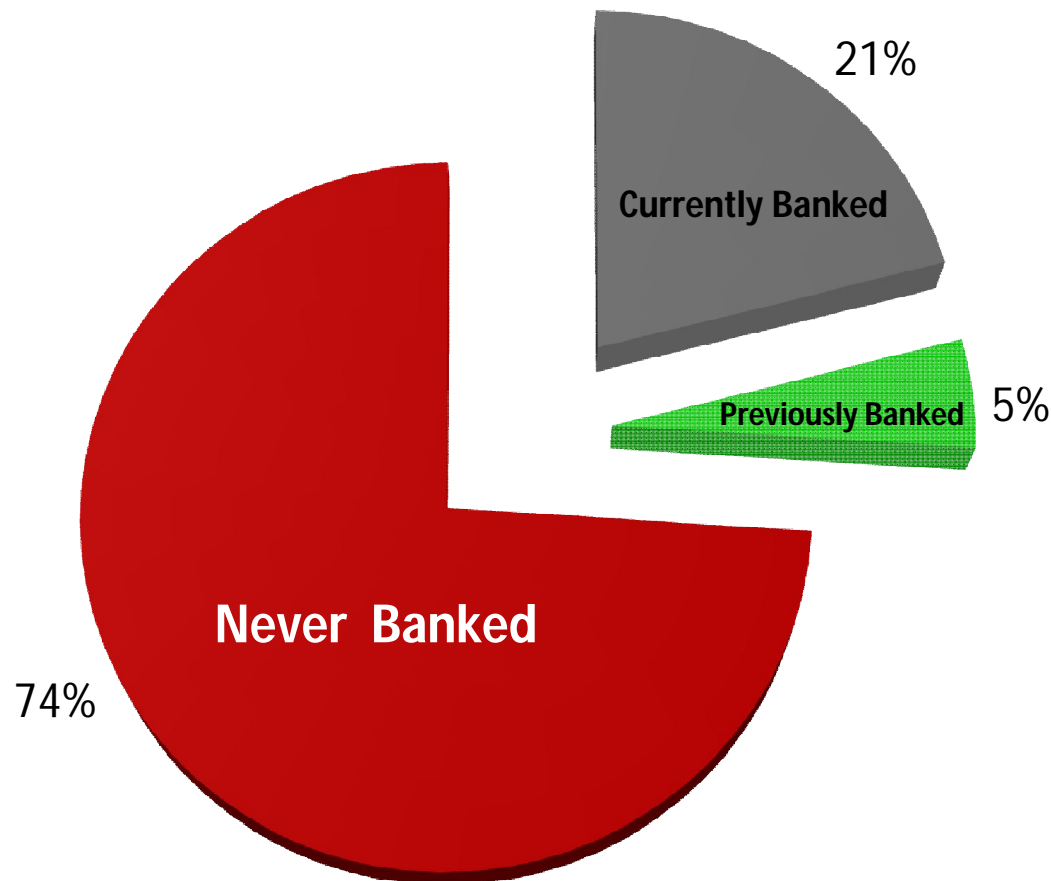
How to use research to formulate evidence based policies and stimulate innovation



Key Findings from the EFInA Access to Finance 2008 Survey

Banking Profile of the Adult Population

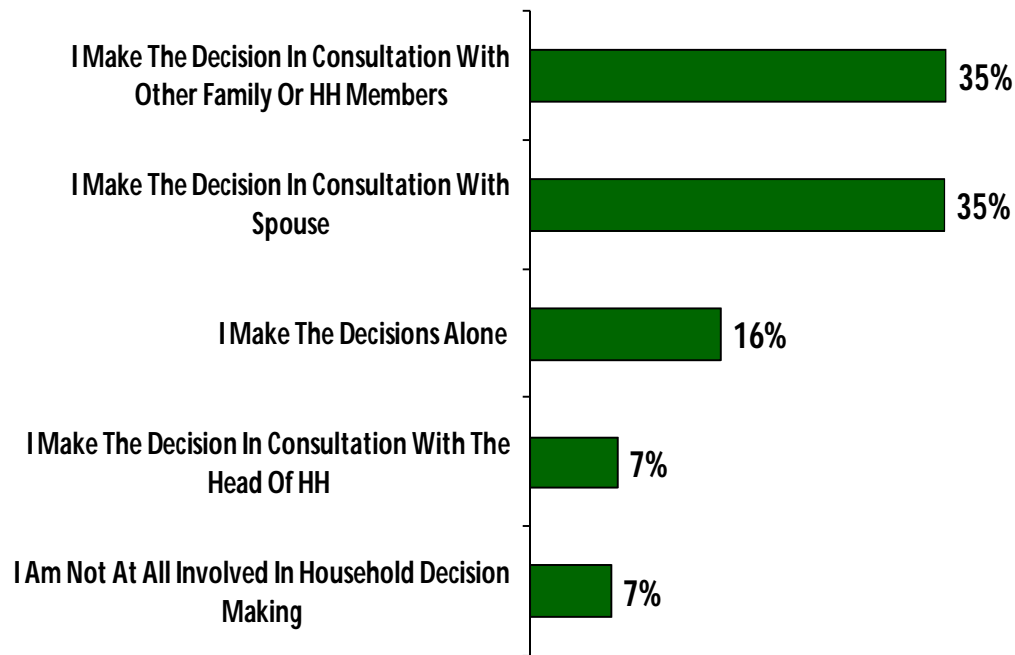
- Banking penetration is relatively low
- 85% of adult females are unbanked
- 86% of rural population are unbanked



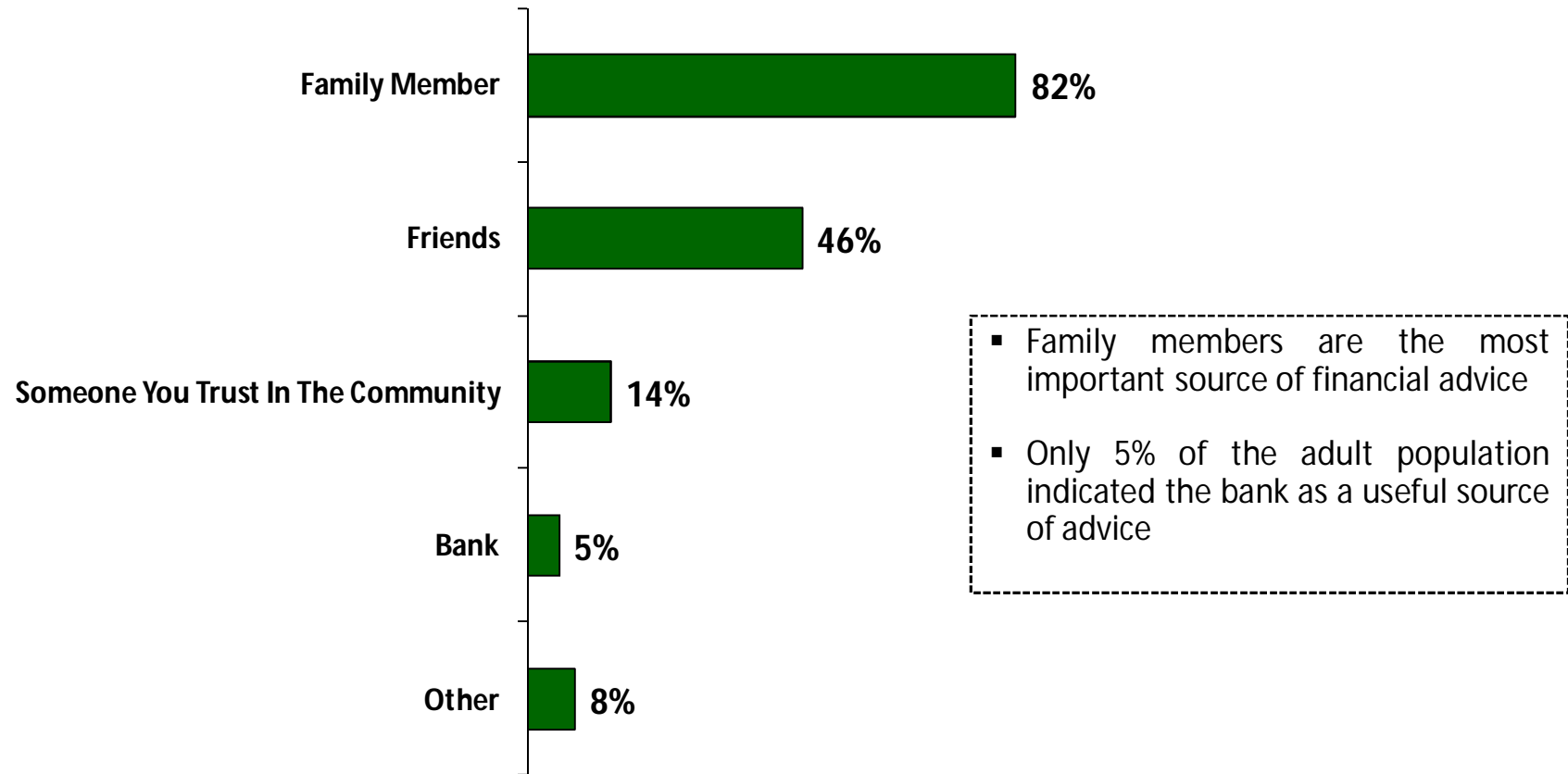
- Only 21% of the adult population has a bank account, which is equivalent to 18 million people
- 74% of the adult population have never been banked, which is equivalent to approximately 64 million people
- About 4 million other adults are previously banked, in other words, have left the banking system

Who makes the financial decisions in the household?

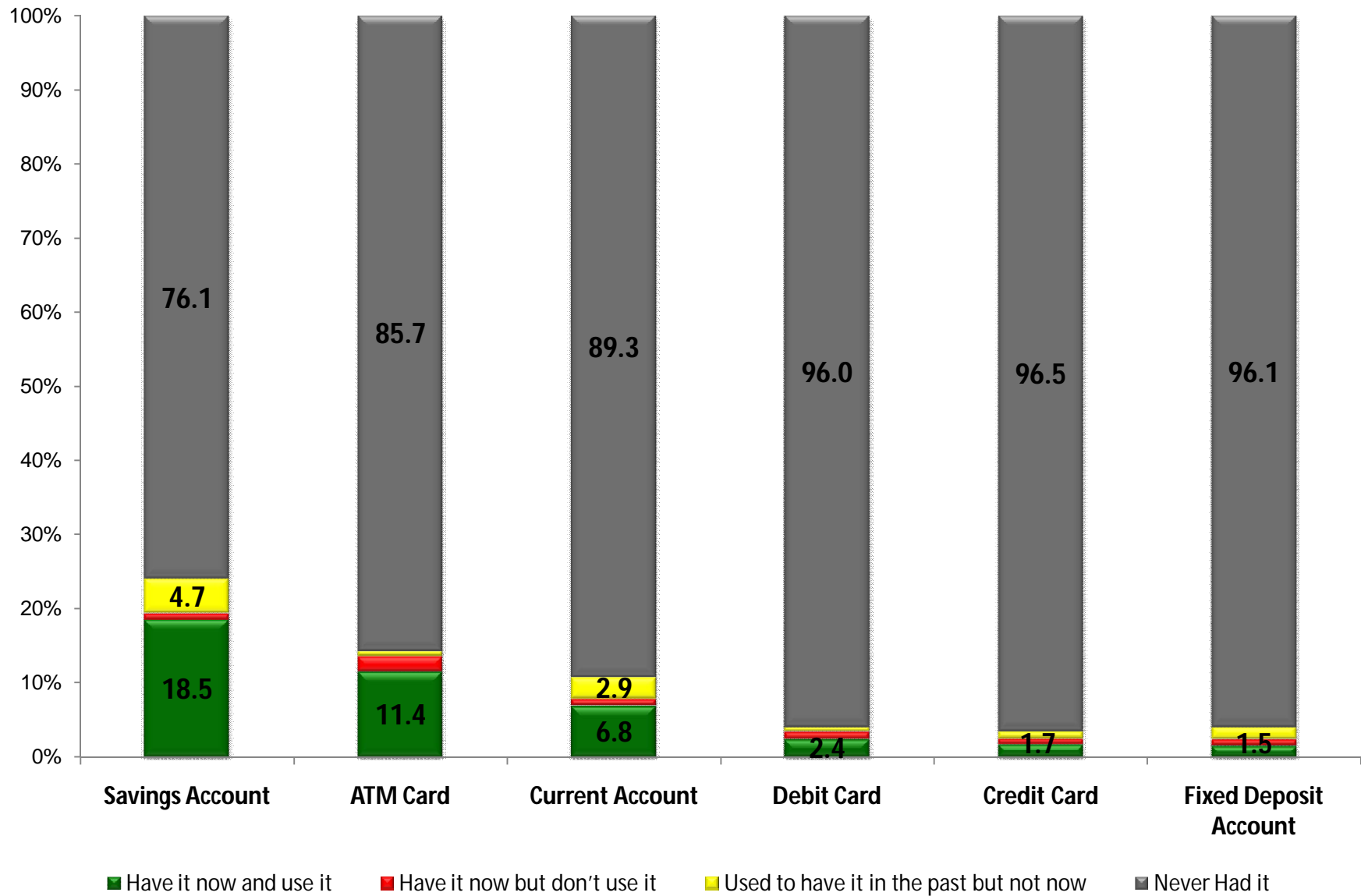
- 51% of the population indicated that they make financial decisions on their own or in consultation with a spouse



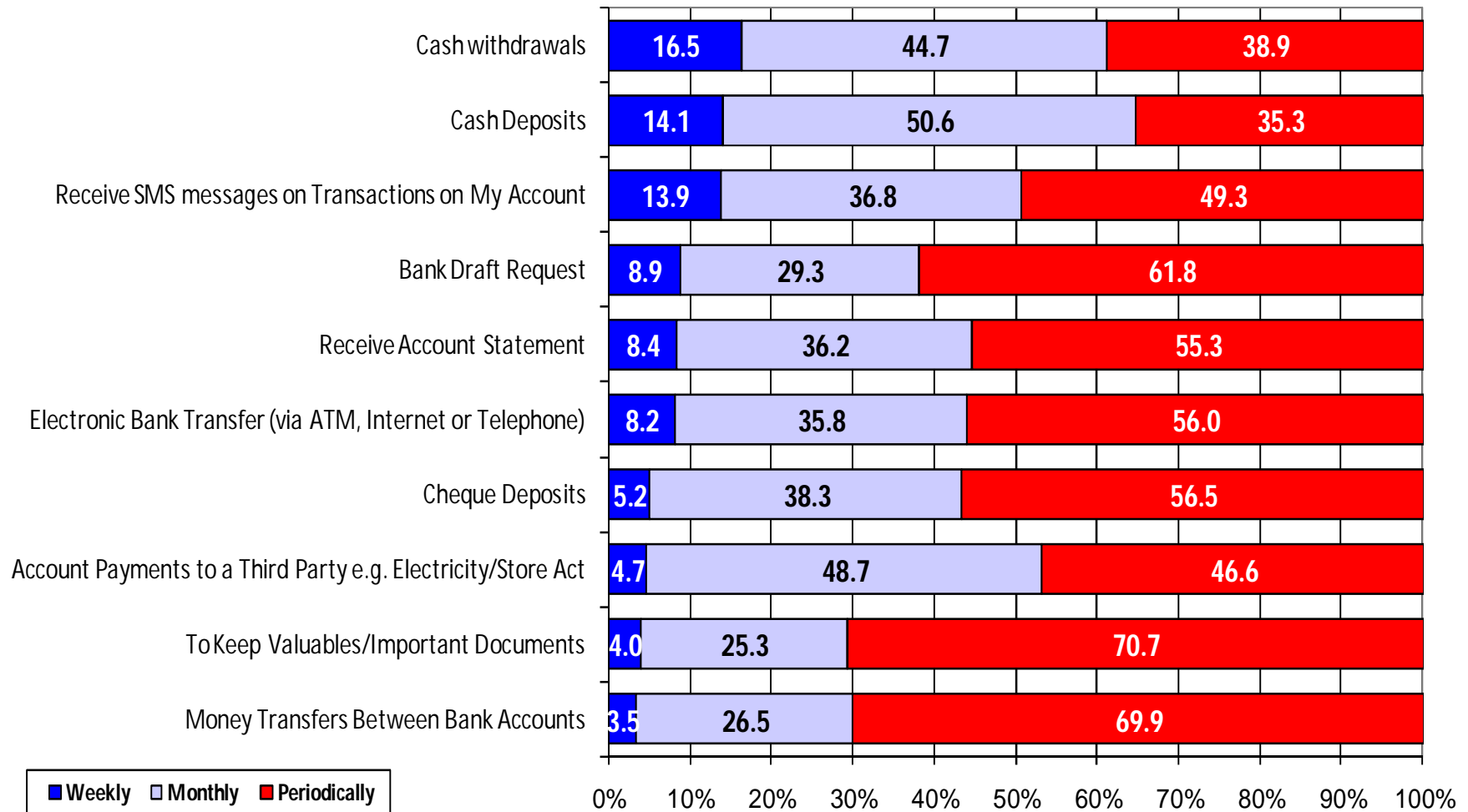
Sources of Financial Advice



Usage of Banking Products

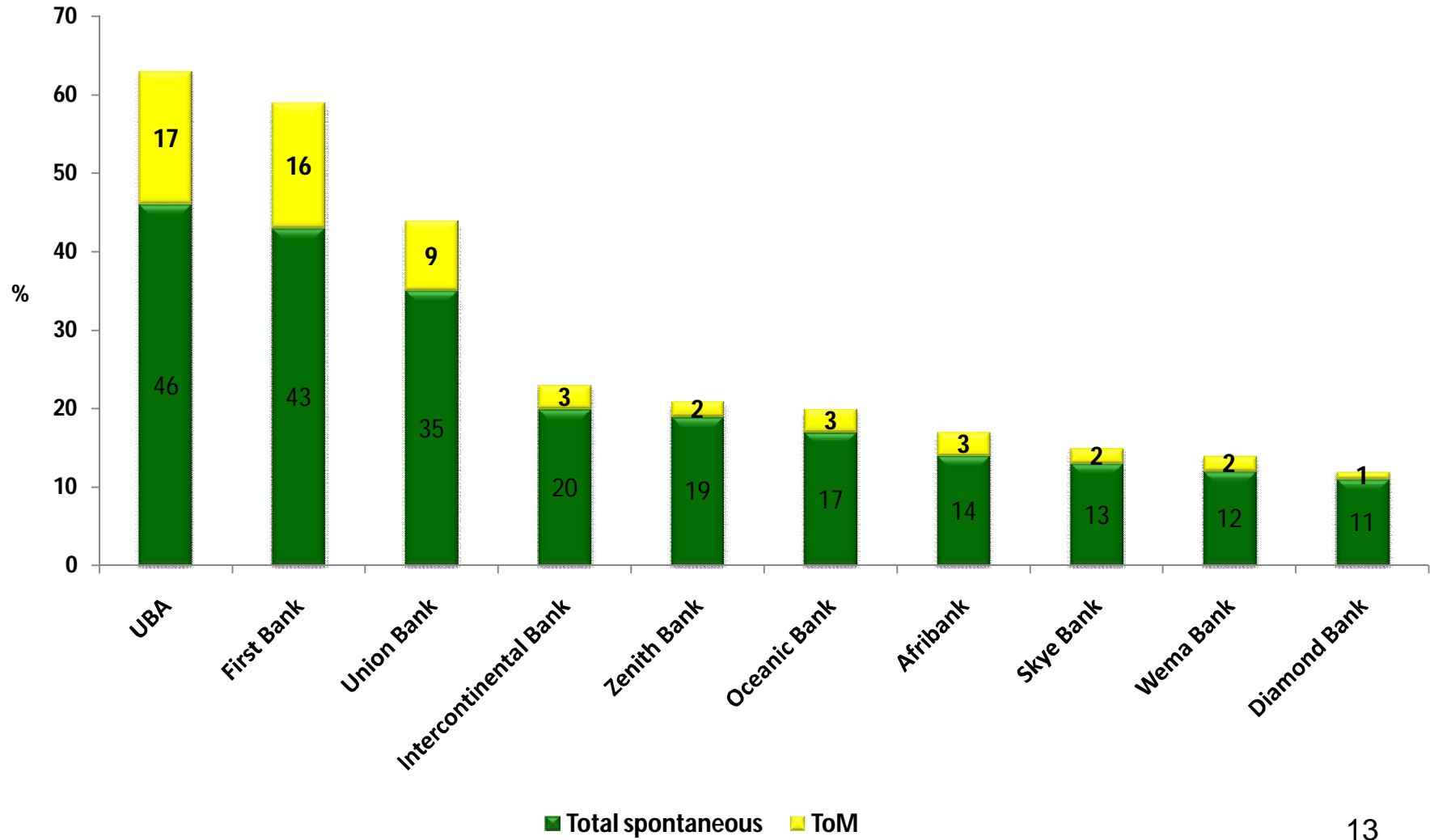


Frequency of conducting banking transactions



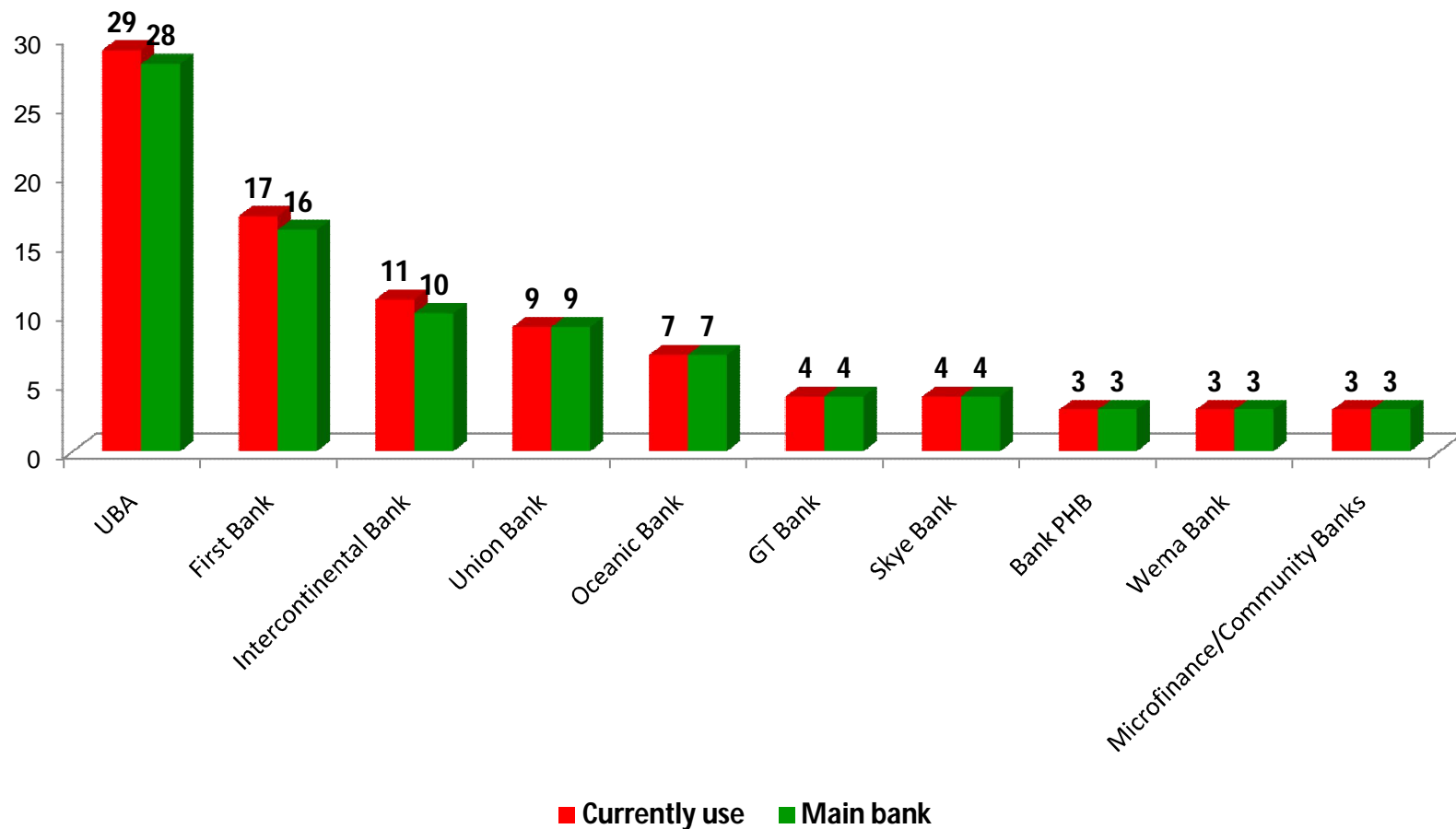
Spontaneous Awareness of Banks

- UBA and First Bank has the highest level of awareness



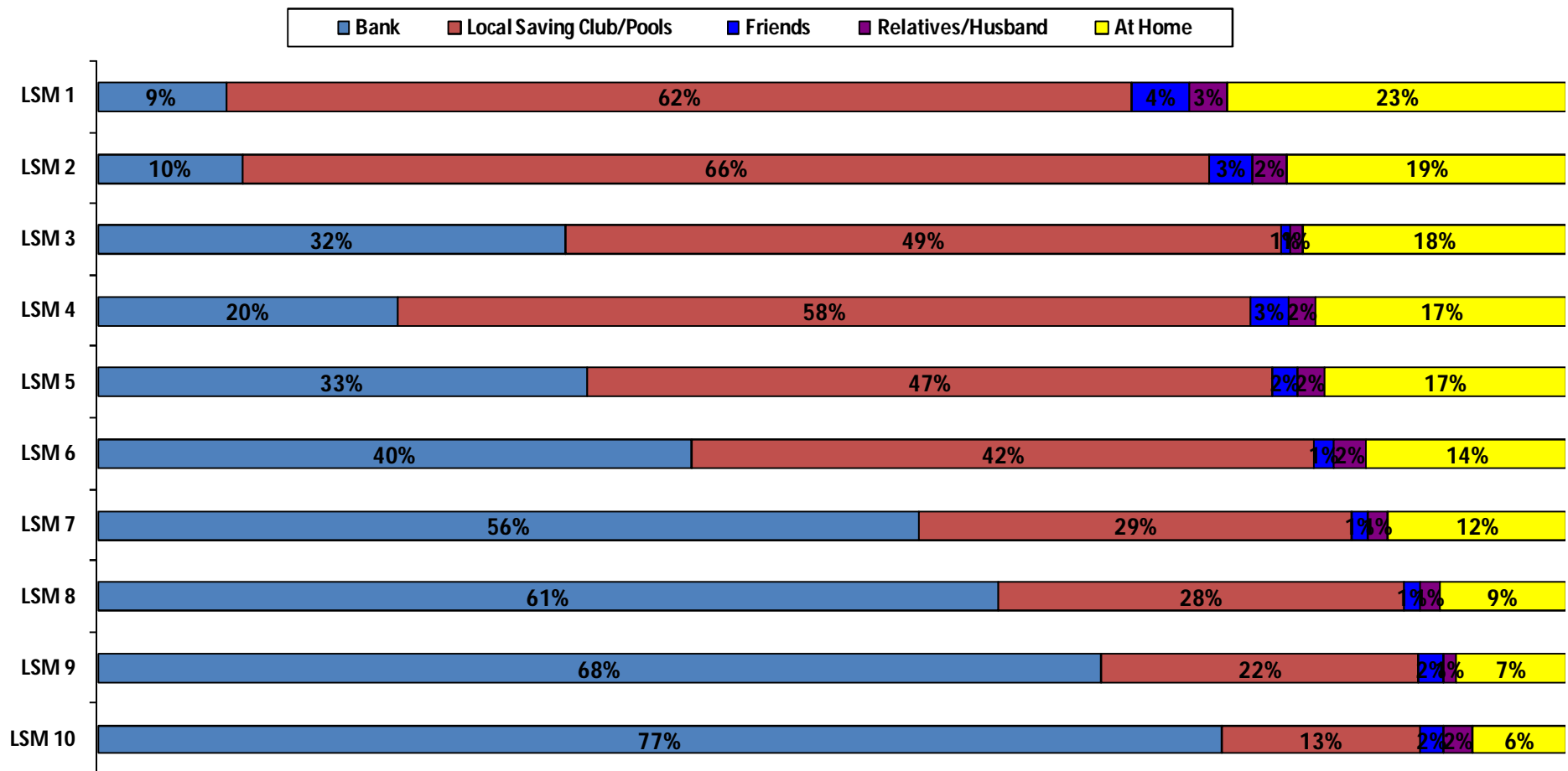
Financial Institutions Used Most Often

- UBA and First Bank are the top two main banks
- Only 3% of the adult population use microfinance banks as their main bank



Usage of Savings by LSM

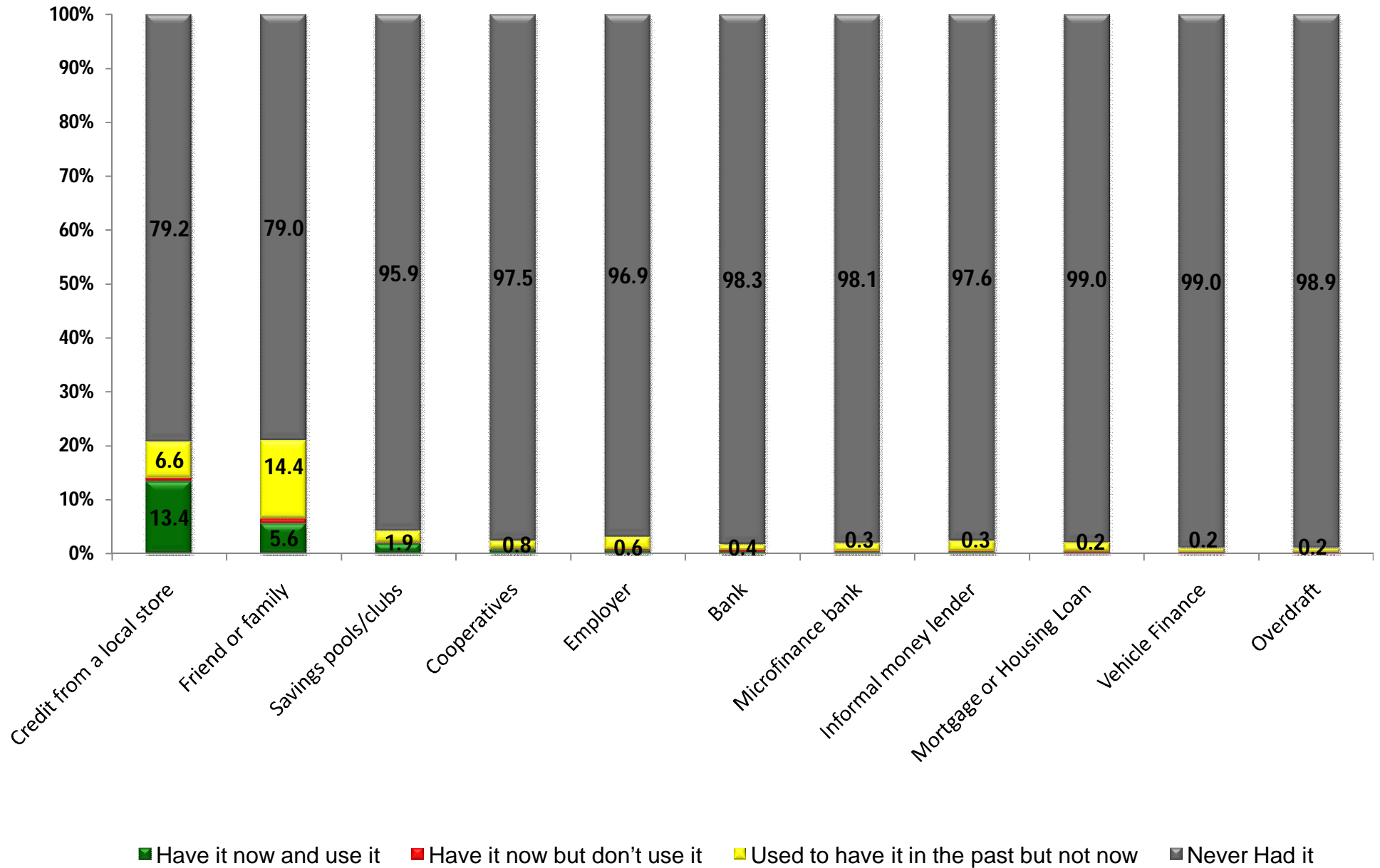
- The Living Standard Measure (LSM) is a wealth proxy, calculated mainly on ownership of household goods, which runs from 1 (very poor & rural) to LSM 10 (wealthy & urban)
- Of those currently saving, informal methods of saving are predominant among LSM 1 to 6



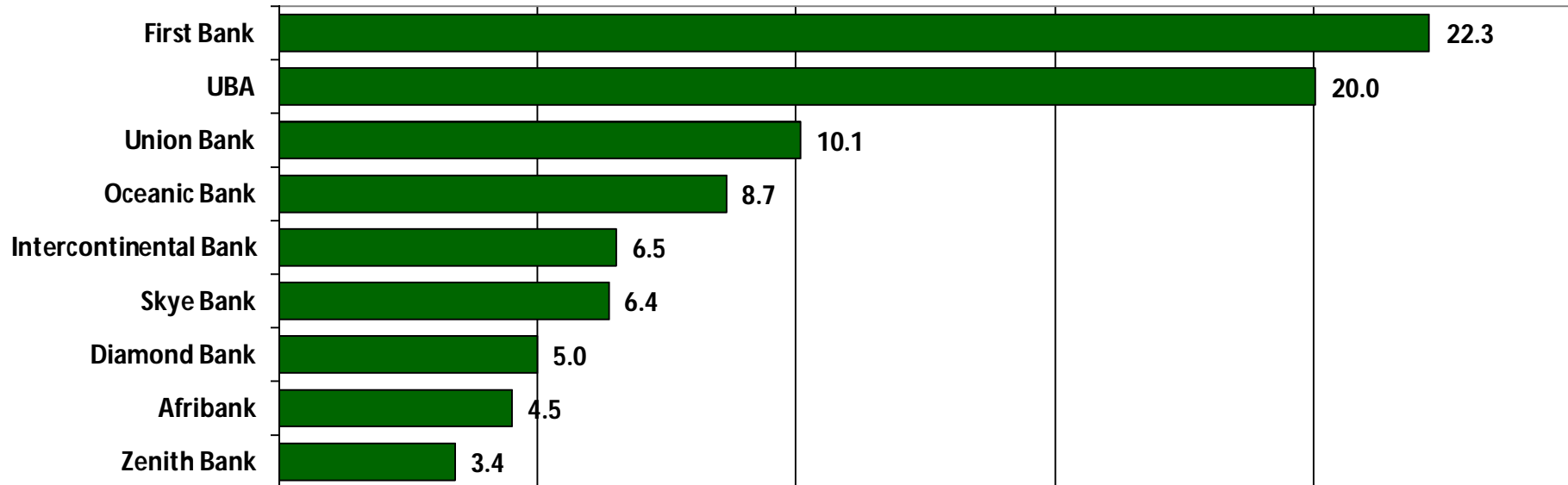
Why are informal savings so attractive?

Products	Average amount contributed	Key Likes	Key Dislikes
Saving at home	<ul style="list-style-type: none"> No fixed amount 	<ul style="list-style-type: none"> Can access the money when needed Can save any amount however small No language barrier for the Hausa respondents – they speak Hausa with the person 	<ul style="list-style-type: none"> No major dislike
Ajo Ojumo	<ul style="list-style-type: none"> Respondents save between N50 – N100 in rural areas and N100-N200 in the urban areas Money handled by operators varies between N220,000 – N250,000 monthly 	<ul style="list-style-type: none"> Ability to access their money when needed Personal relationship with operator Access to loans Convenience – operator comes to respondent Ability to save as little money as N100 	<ul style="list-style-type: none"> Perceived as not secure – risk of operator absconding with funds is high.
Ajo Adako (group contribution)	<ul style="list-style-type: none"> Average weekly contribution is N15,000 N100,000 as average monthly contribution 	<ul style="list-style-type: none"> Access to short term significant amounts of money for immediate use Ability to swap position in order to access fund when needed – female respondents 	<ul style="list-style-type: none"> Puts me under pressure Perceived inability to access fund before one's turn Inability to access fund due to other default by other members
Ajo Mosalasi (saving in a Mosque)	<ul style="list-style-type: none"> No fixed amount – accumulated saving per member varies between N50,000 – N100,000 	<ul style="list-style-type: none"> Convenience – can save any little amount of money Perceived as secure due to Imam's involvement No charges on money saved 	<ul style="list-style-type: none"> No provision of loans
Ajo Egbe (associations – yearly savings)	<ul style="list-style-type: none"> Amount of money handled by the association varies between N350,000 & N500,000 at year end 	<ul style="list-style-type: none"> Access to flexible loans with low interest rate – N50 on N1,000 	<ul style="list-style-type: none"> Occasional controversy over saving records between members & coordinators Time consuming – 'must attend meetings'
Alajeseku (Cooperatives)	<ul style="list-style-type: none"> Average amount handled at year end pegged between N500,000 & N1 million 	<ul style="list-style-type: none"> Access to loans with low interest rate – N50 on N1,000 Access to loans without interest – cooperatives amongst Muslim / Christian members 	<ul style="list-style-type: none"> Delay in loan repayment by members resulting in other members inability to access loans Risk of collapse – most respondents claimed to have lost money due to collapse of the cooperative

Usage of with Loan Products

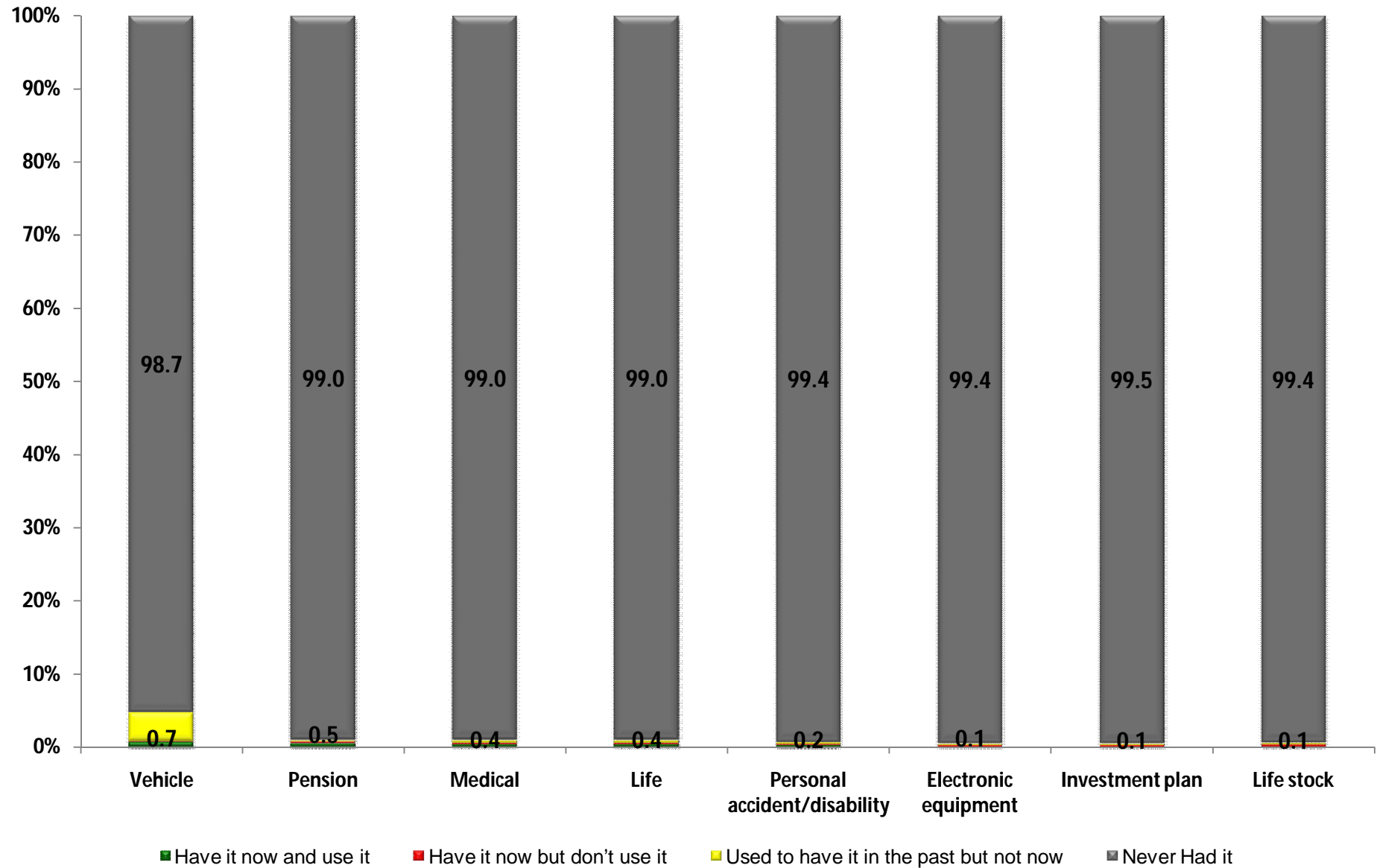


Banks where Loans have been taken

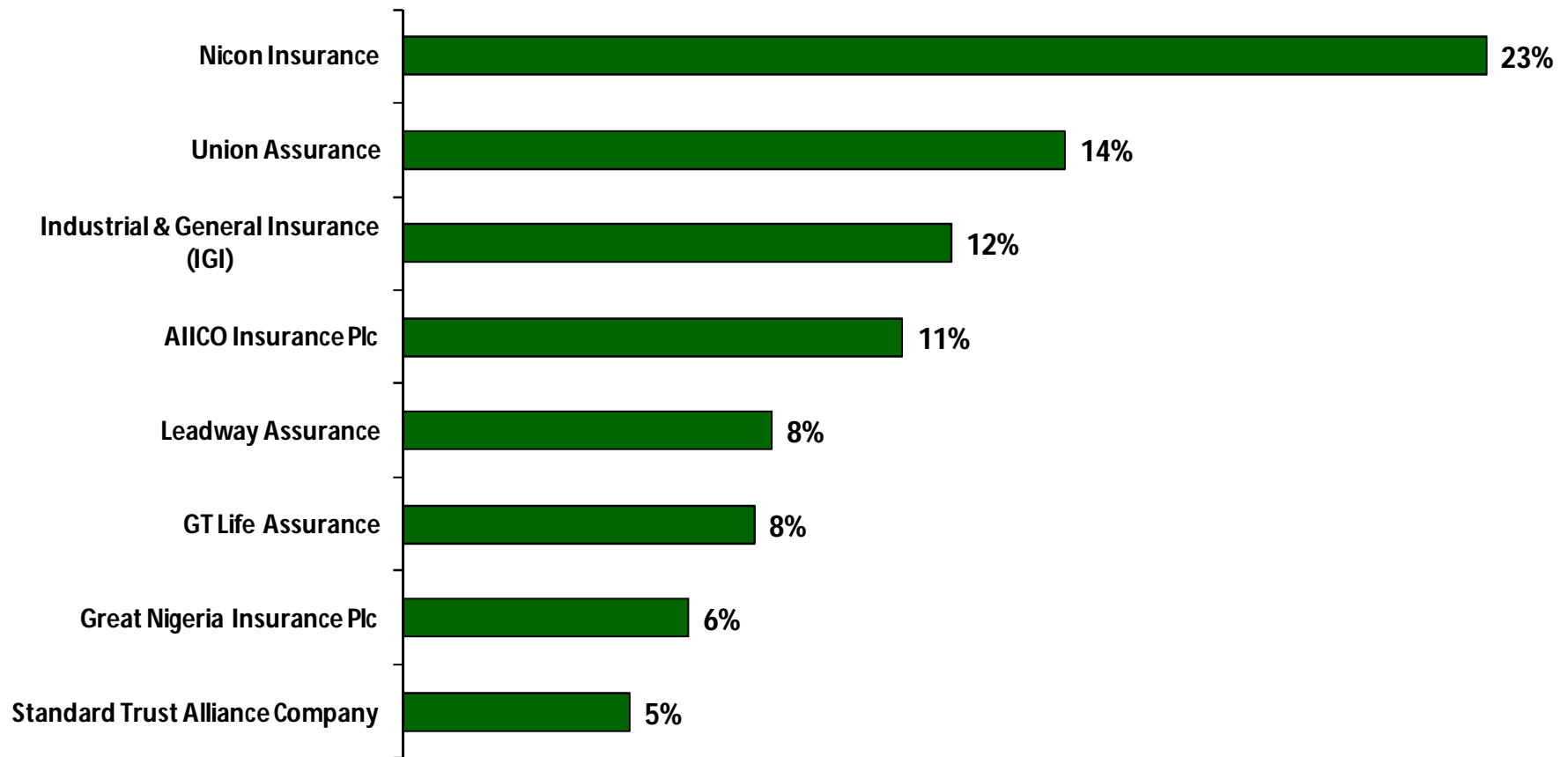


% of those with bank loans

Usage of Insurance Products

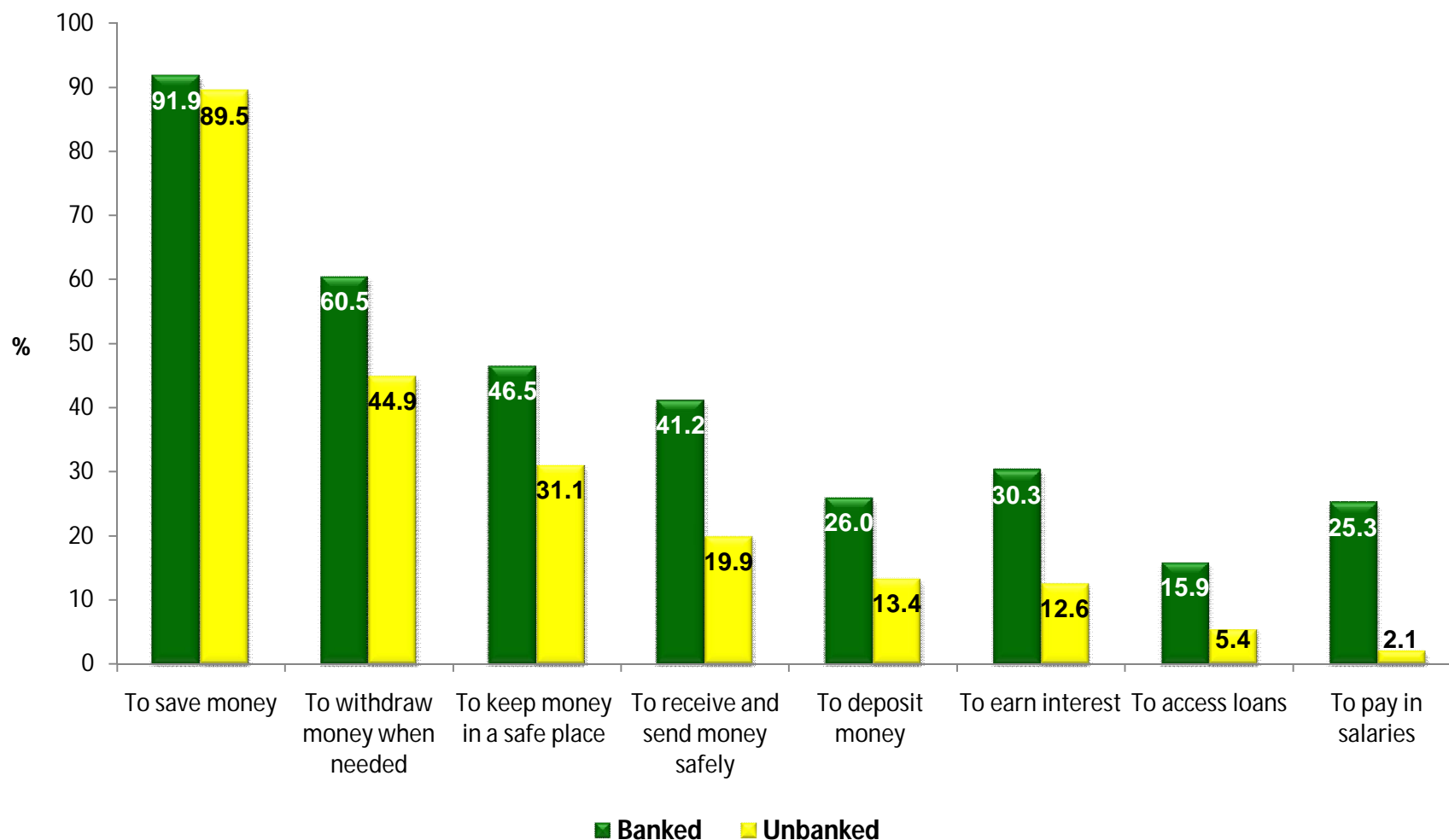


Companies where Insurance Policies are held



Of those that have insurance products

Reasons for having/wanting to have a bank account (banked vs. unbanked)



Thank You

www.efina.org.ng
innovation@efina.org.ng