

EFInA Retail Banking Strategy Breakfast Series

15 June 2011

**Modupe Ladipo
Chief Executive Officer, EFInA**

**“ A banking system is an act of faith: it survives only for
as long as people believe it will”**

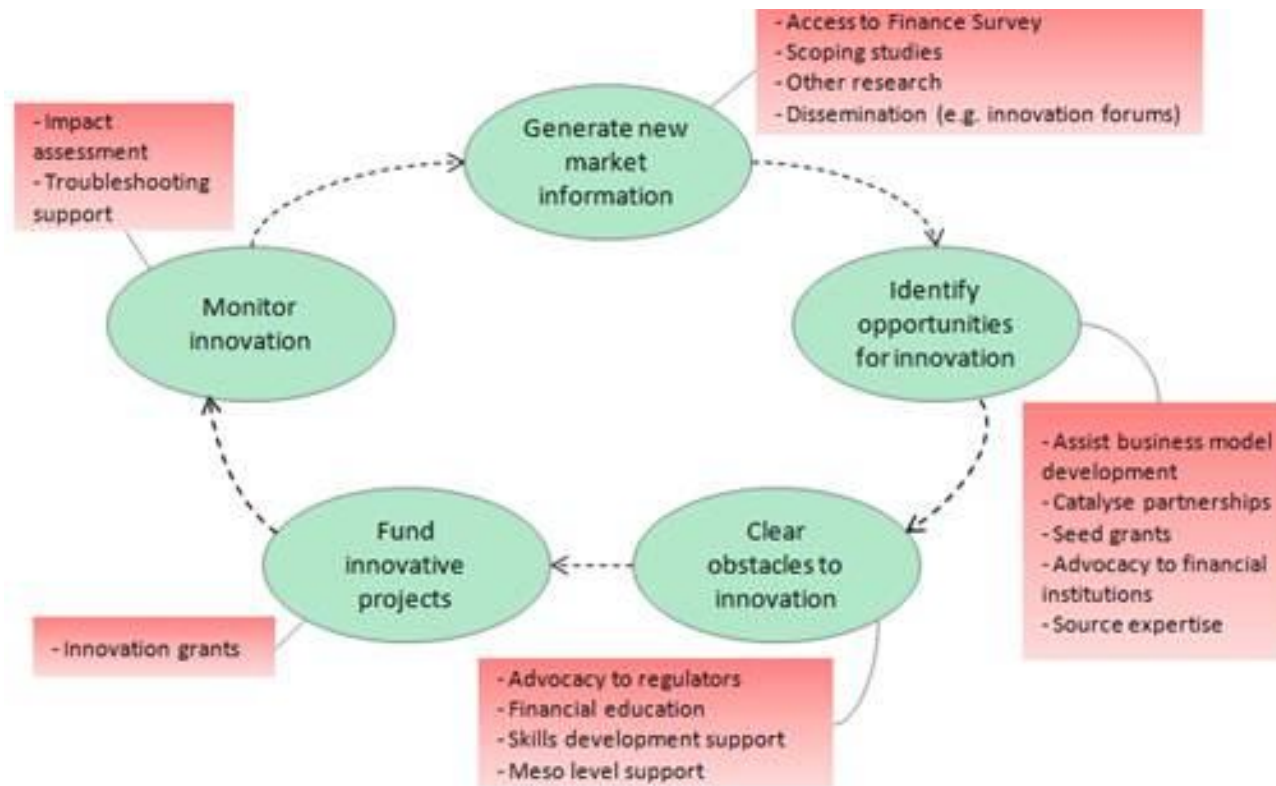
EFInA Overview

About EFInA

- Enhancing Financial Innovation & Access (EFInA), is a financial sector development organization that promotes financial inclusion in Nigeria
- Our vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system
- EFInA is funded by the UK's Department for International Development (DFID) and The Bill & Melinda Gates Foundation
- EFInA seeks to impact the financial market at three levels:
 - *micro* - the level of financial institutions
 - *macro* - the level of regulation
 - *meso* - the support level required for the functioning of financial institutions, such as technology platforms, payment systems and connectivity
- EFInA's holistic approach is based on three pillars:
 - **Research:** The provision of credible market information on the Nigerian financial sector
 - **Innovation:** Through our Innovation Fund, we catalyze the development of innovative inclusive financial services for the unbanked and under-banked population in Nigeria
 - **Advocacy:** We advocate for the development and implementation of policies that create an enabling environment for financial inclusion

EFInA's Activities

- EFInA's activities are designed to form a mutually reinforcing "virtuous circle", where one activity feeds into another to change the way that the market operates



EFInA's Activities

RESEARCH

- One of the biggest hurdles to improving access to retail financial services is the absence of relevant and reliable data about how individuals and households manage their finances
- Our flagship research tool is the EFInA Access to Financial Services in Nigeria survey. The survey provides relevant and reliable data on the demand for and use of financial services by the adult population in Nigeria
- We have also conducted a number of quantitative and qualitative studies from both the demand (client/ consumer) and supply side (providers):
 - Savings mobilization in Nigeria: a scoping study on informal savings in Lagos
 - Scoping study on the market for payment services in Nigeria: demand & supply side
 - Overview of housing finance in Nigeria
 - Financial services landscape in Nigeria: supply side survey on the Nigerian financial sector
 - Understanding the low income population in Nigeria

INNOVATION FORA

- Our innovation Fora serve as a capacity building tool for market operators and regulators in the financial services sector. They feature leading speakers from around the world, who share their experiences. and have covered topics including:
 - Transforming access to finance through branchless banking
 - Increasing access to finance through non-interest (Islamic) banking
 - Card and ATM fraud: trends, prevention and legislation
 - The Nigerian retail finance landscape
 - Increasing access to finance through agent banking
 - Global perspectives on financial inclusion
 - Promoting financial inclusion through effective savings mobilization

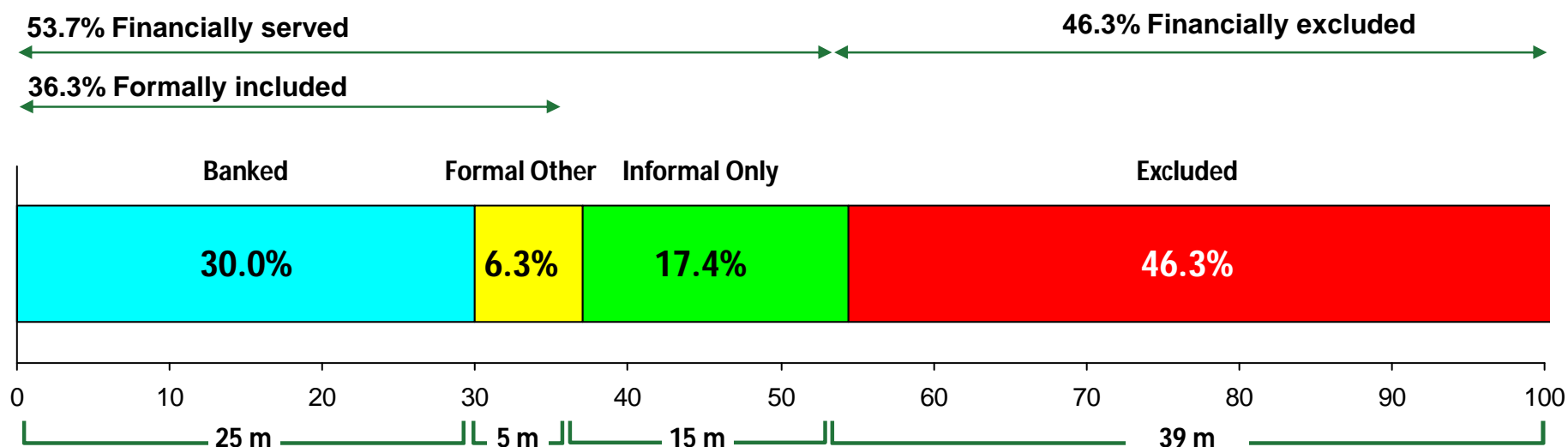
EFInA Access to Finance in Nigeria 2010 Survey

Key Findings

- Many Nigerian, for numerous reasons are unbanked and lack access to formal financial services
- Billions of Naira circulates through the informal sector and this has a negative impact on the country's economic growth and development
- Financial inclusion is the provision of a broad range of high quality financial products (such as savings, credit, insurance, payments and pensions) which are **relevant, appropriate and affordable**, to serve the needs of the entire adult population and especially the low income segment
- Access to a range of affordable, safe and reliable financial services provide the necessary lubricant for economic growth and contribute to reducing poverty
- Financial Inclusion is therefore key to tackling the 'poverty trap' in Nigeria

Financial Access Strand

- 39.2 million adults are financially excluded



DEFINITION OF FINANCIAL ACCESS

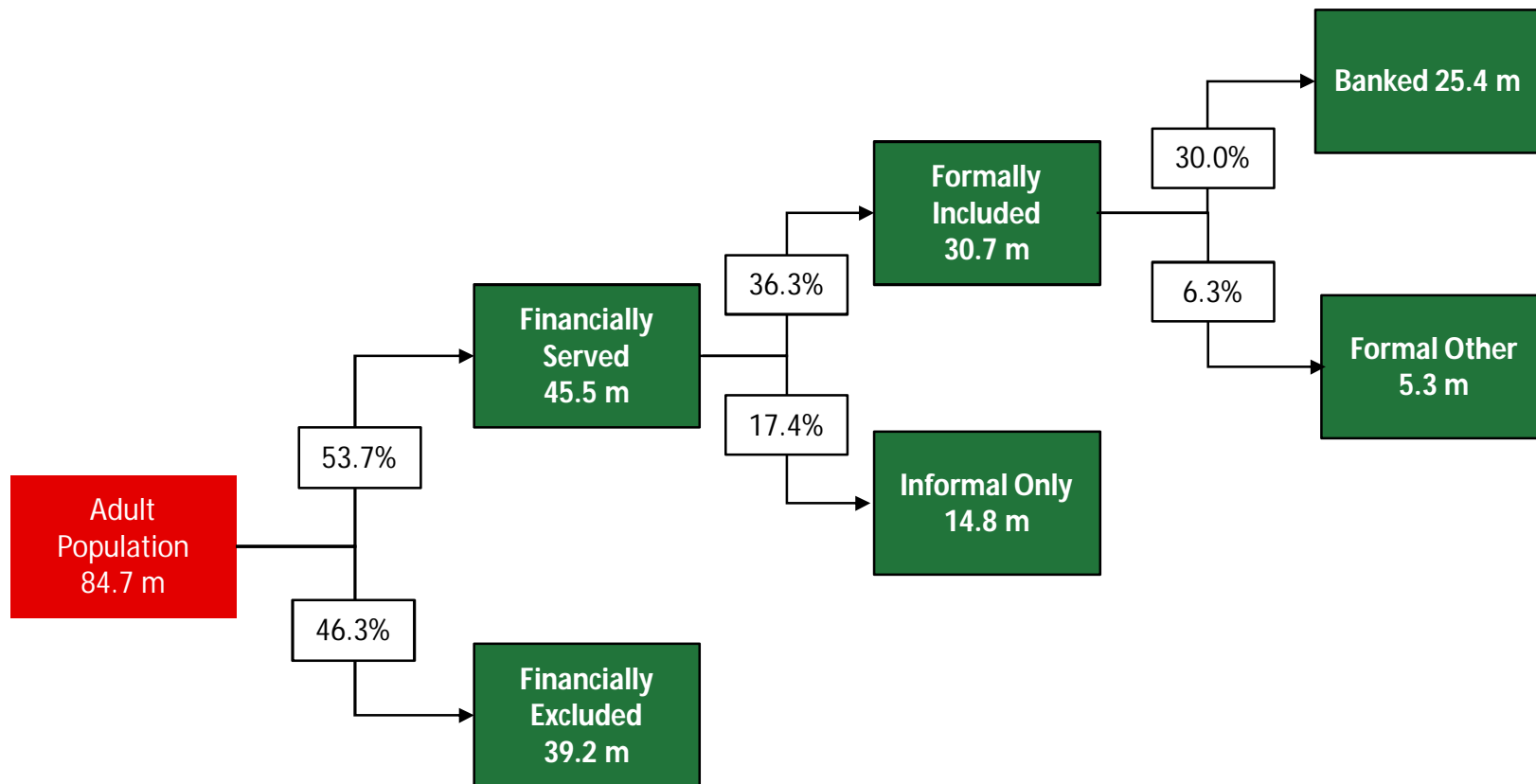
- Banked:** all adults who have access to or use a deposit money bank, in addition to having and/or have/use a traditional banking product, including ATM card, Credit card, Savings account, Current account, Fixed deposit account, Mortgage, Overdraft, Loan from a bank, Islamic banking product, etc.
- Formal Other:** all adults who have access to or use other formal institutions and financial products not supplied by deposit money bank, including Insurance companies, microfinance banks, including pension schemes, shares on the stock exchange. It also includes remittances
- 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, Moneylenders, etc, as well as informal remittances (via a transport service or recharge card)
- Financially Excluded:** adults not in the formal (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

Source: EFInA Access to Financial Services in Nigeria 2010 survey

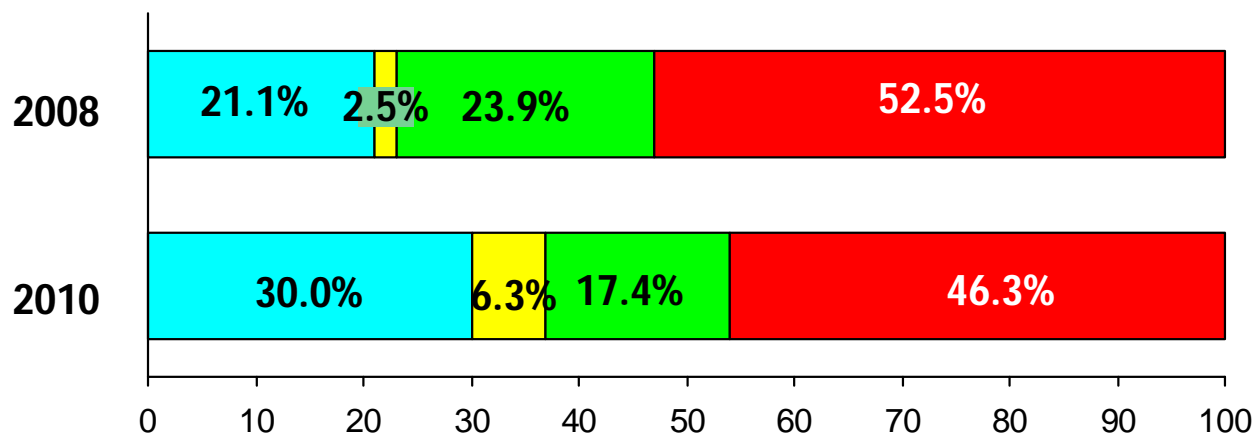
Financial Access Strand

- 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

Change in the Access Strand from 2008 to 2010



The four categories are mutually exclusive

■ Banked
 ■ Formal Other
 ■ Informal Only
 ■ Financially Excluded

KEY COMMENTS

From 2008 to 2010:

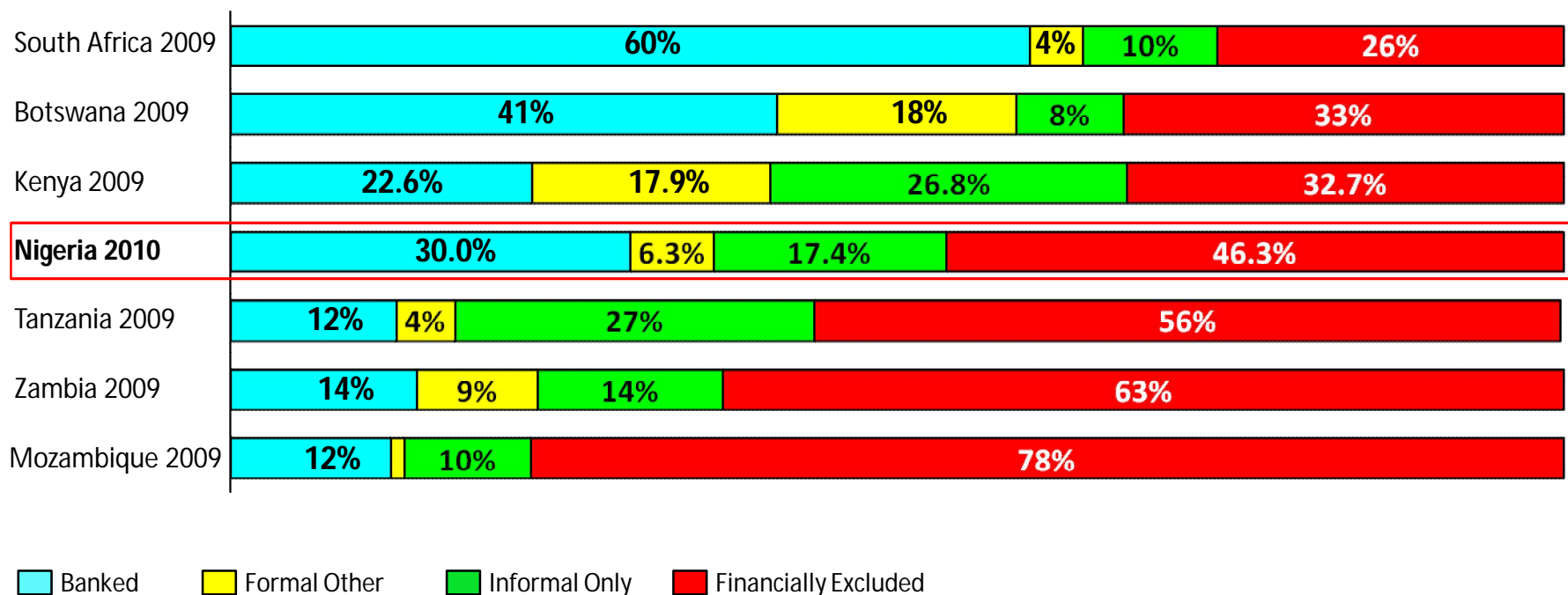
- The number of adults that are formally included increased from 23.6% to 36.3%, an increase of **11.0 million**
- The number of adults that are financially served increased from 47.5% to 53.7%, an increase of **5.4 million**
- The number of adults that are financially excluded decreased by **5.4 million**

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

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)

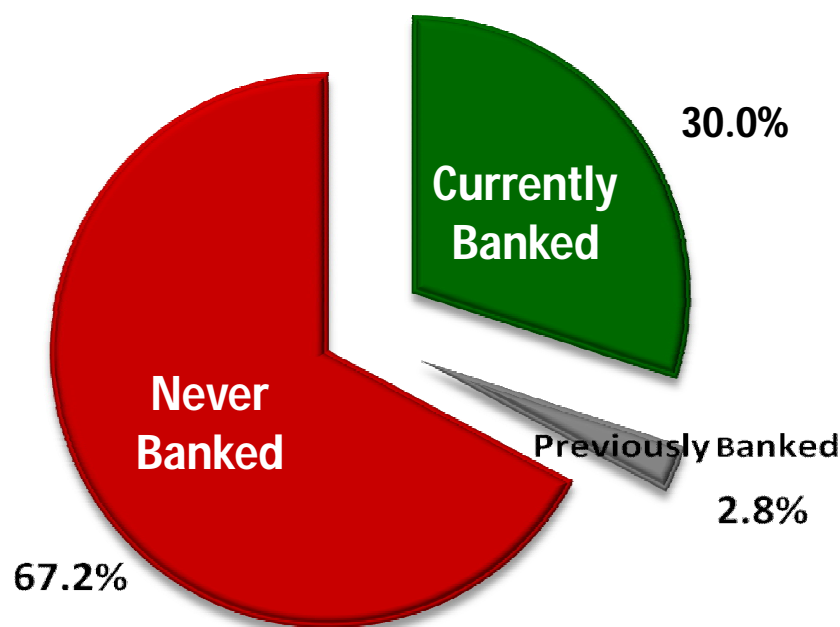


Note: There are some differences in the classification of products/services in the categories of the access strand between the countries

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

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



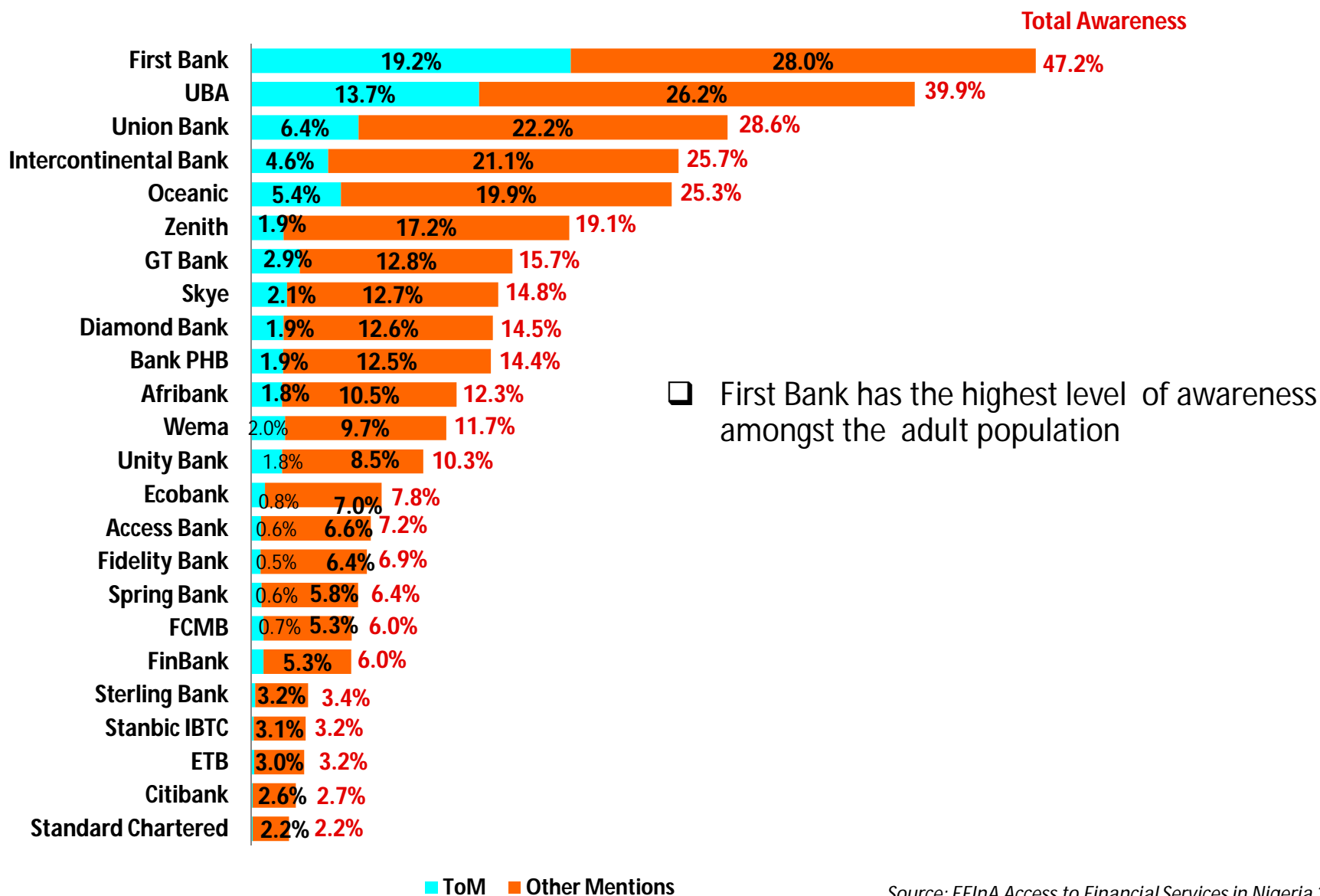
■ Never Banked
 ■ Currently Banked
 ■ Previously Banked

- Only 30% 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
- 2.4 million adults were previously banked

Banked definition:

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

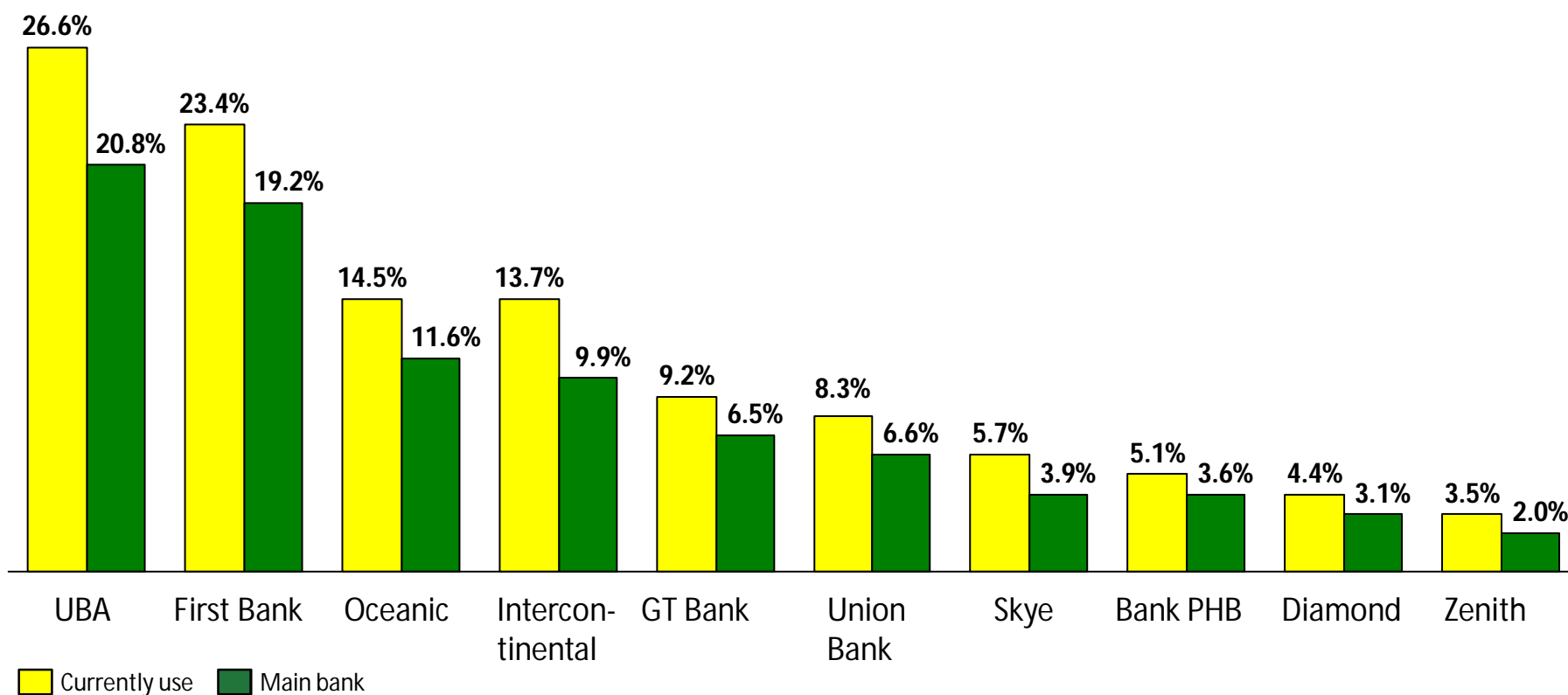
Spontaneous Awareness of Banks



Source: EFInA Access to Financial Services in Nigeria 2010 survey

Deposit Money Banks Used Most Often

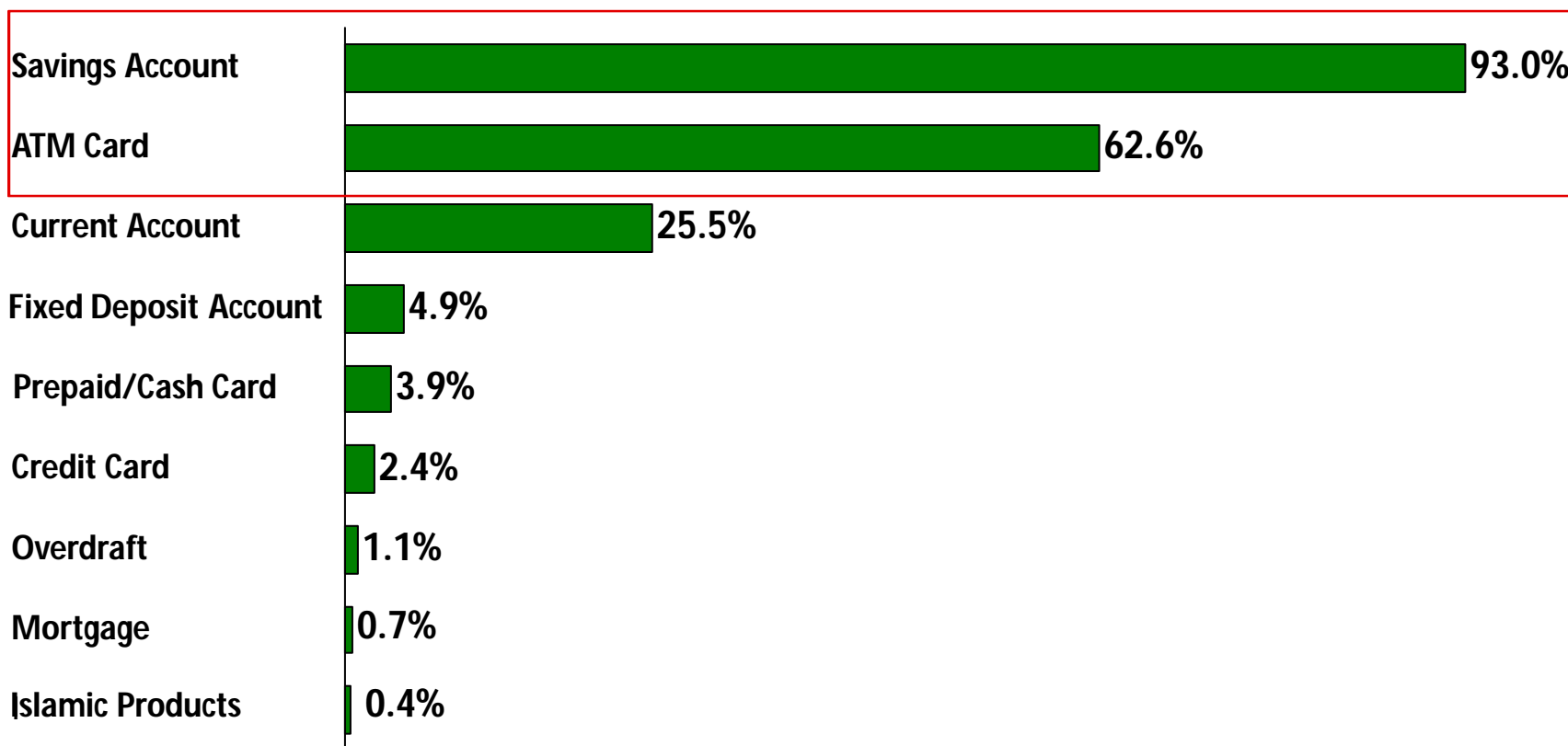
- UBA and First Bank are the top two currently used and main banks
- 12.7 million adults currently use UBA and First Bank



Source: EFInA Access to Financial Services in Nigeria 2010 survey

Current Usage of Bank Products (Have it now and use it)

- 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

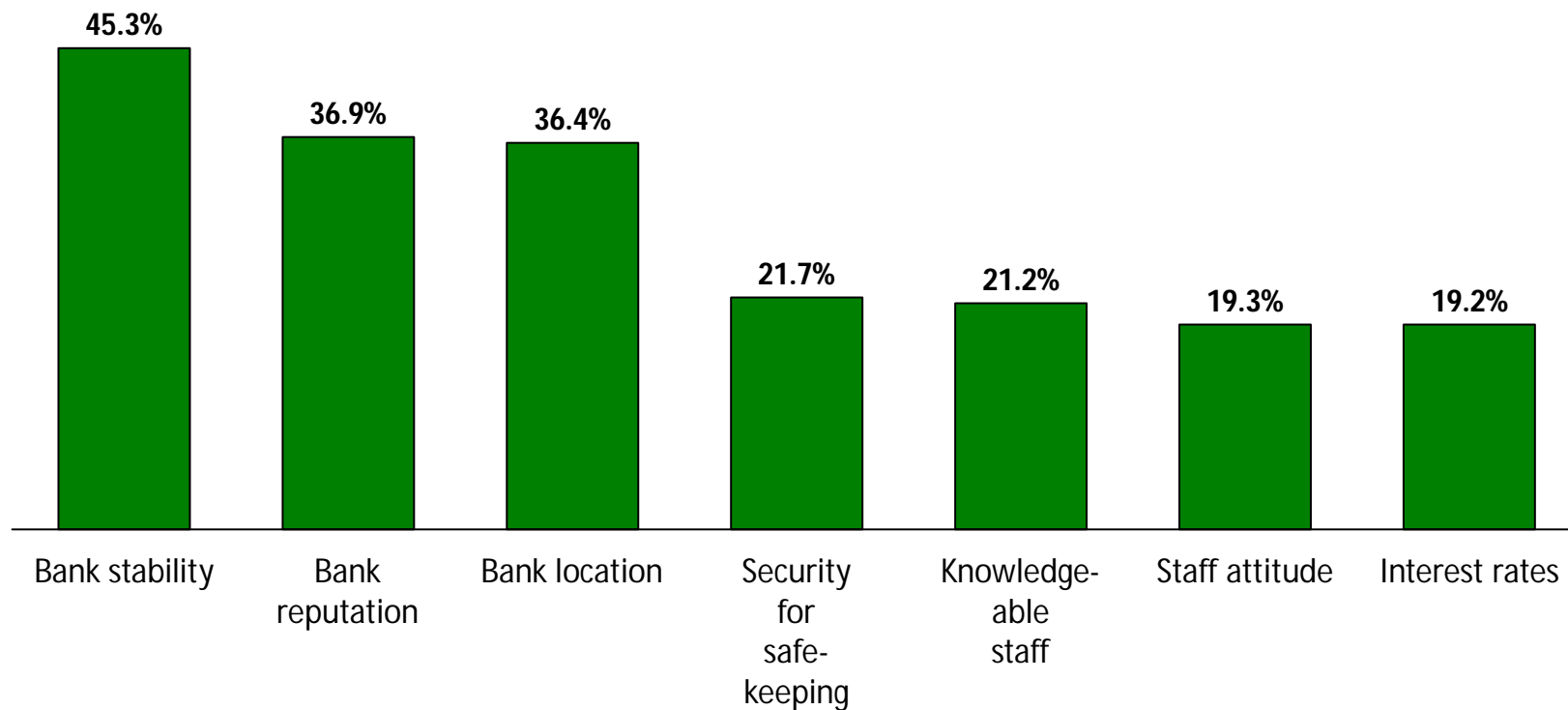


Source: EFInA Access to Financial Services in Nigeria 2010 survey

Reasons for Choice of Main Bank

Of those that are currently banked:

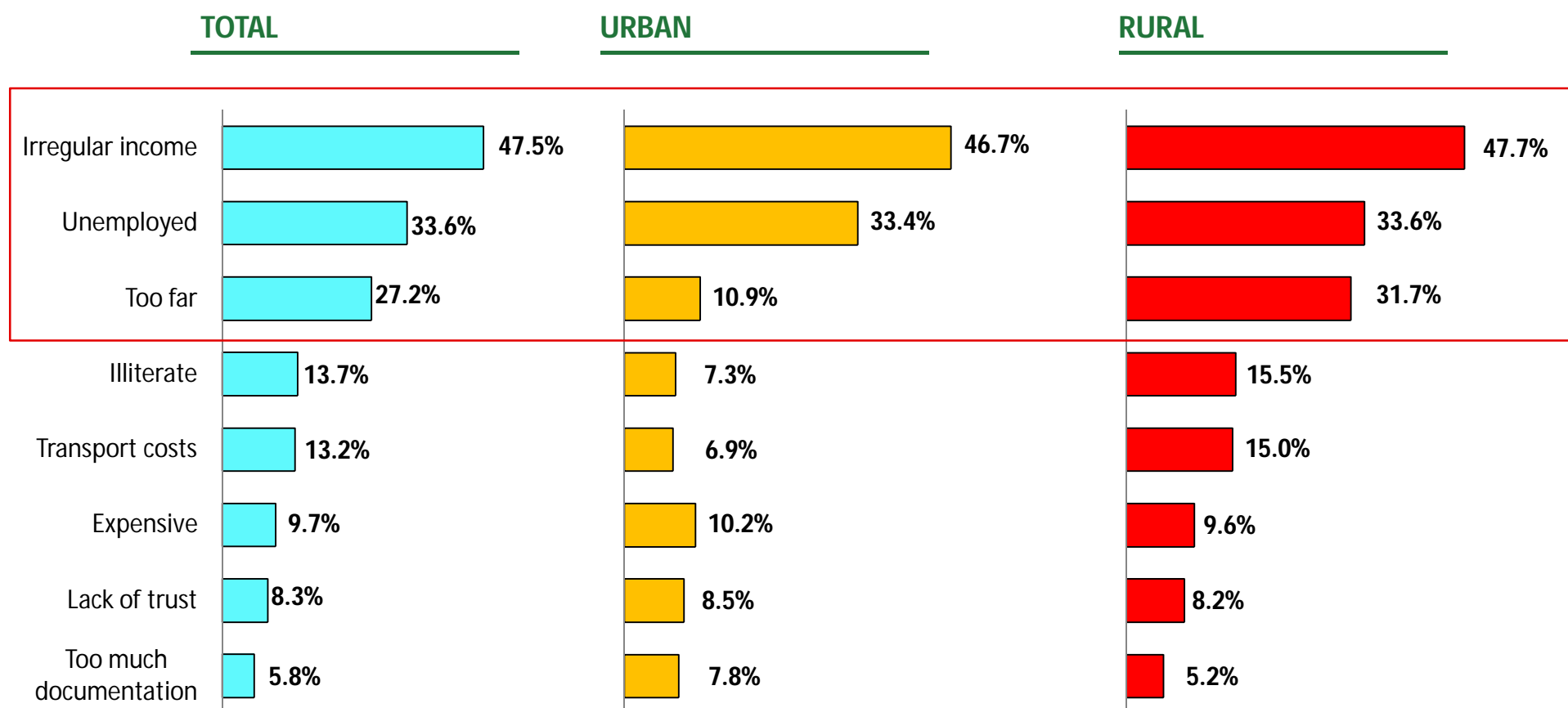
- The most important criteria for the selection of a main bank is **stability**
- 36.9% of the adult population chose their main bank because of its reputation and 36.4% because of its location



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

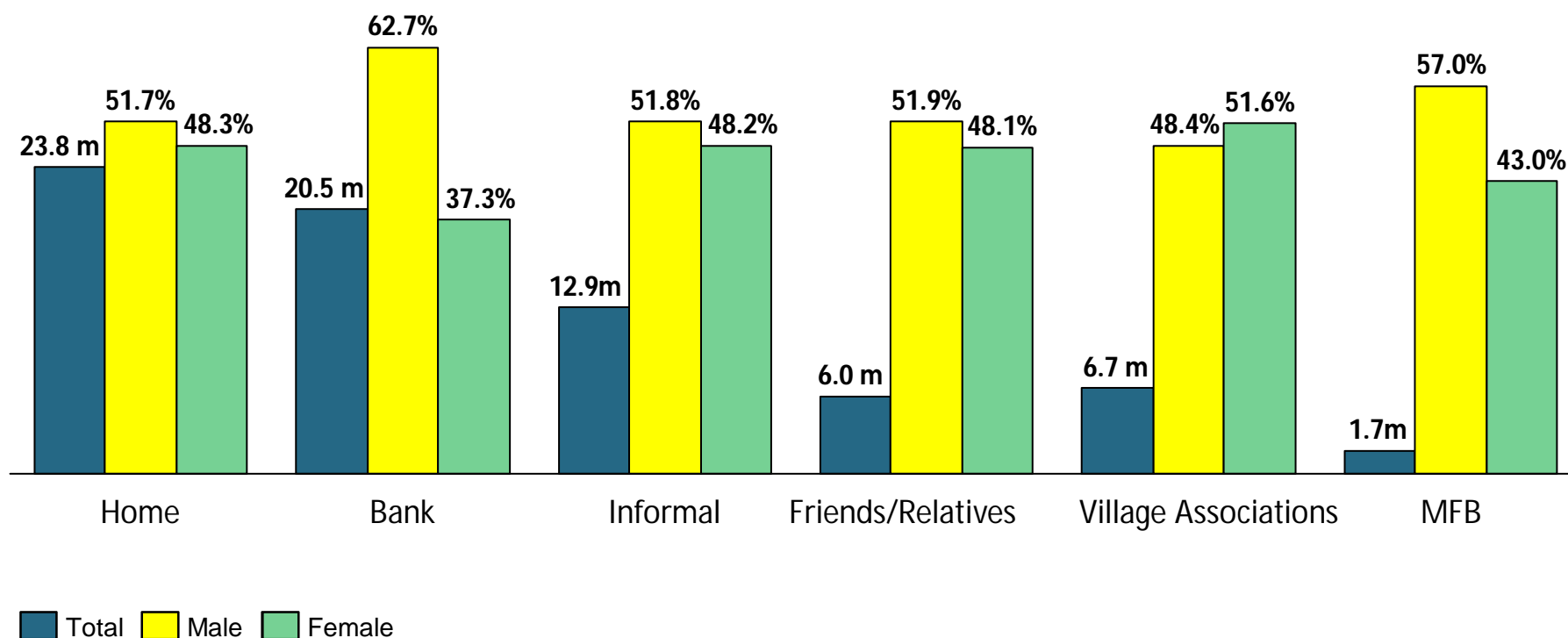


Source: EFInA Access to Financial Services in Nigeria 2010 survey

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



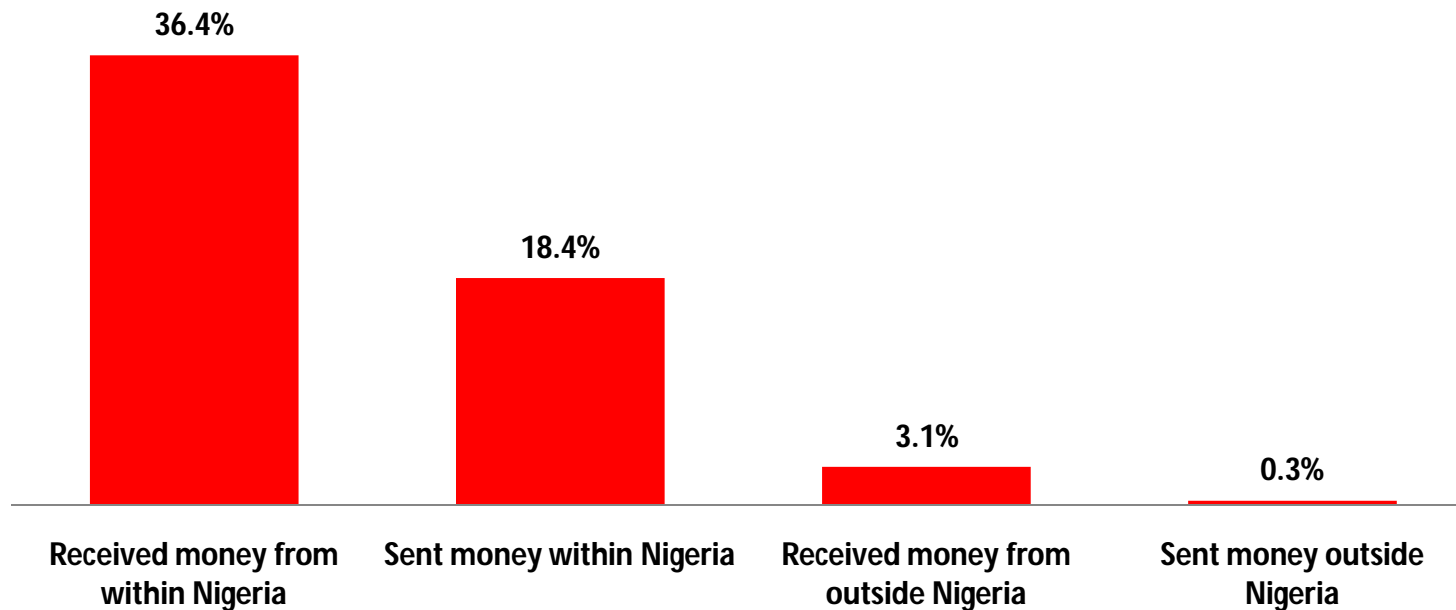
**If 50% of the people who save at home were to save N1,000 per month,
then up to N143bn could be incorporated into the formal sector every year**

Source: EFInA Access to Financial Services in Nigeria 2010 survey

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

Amounts Received for Domestic and International Remittances

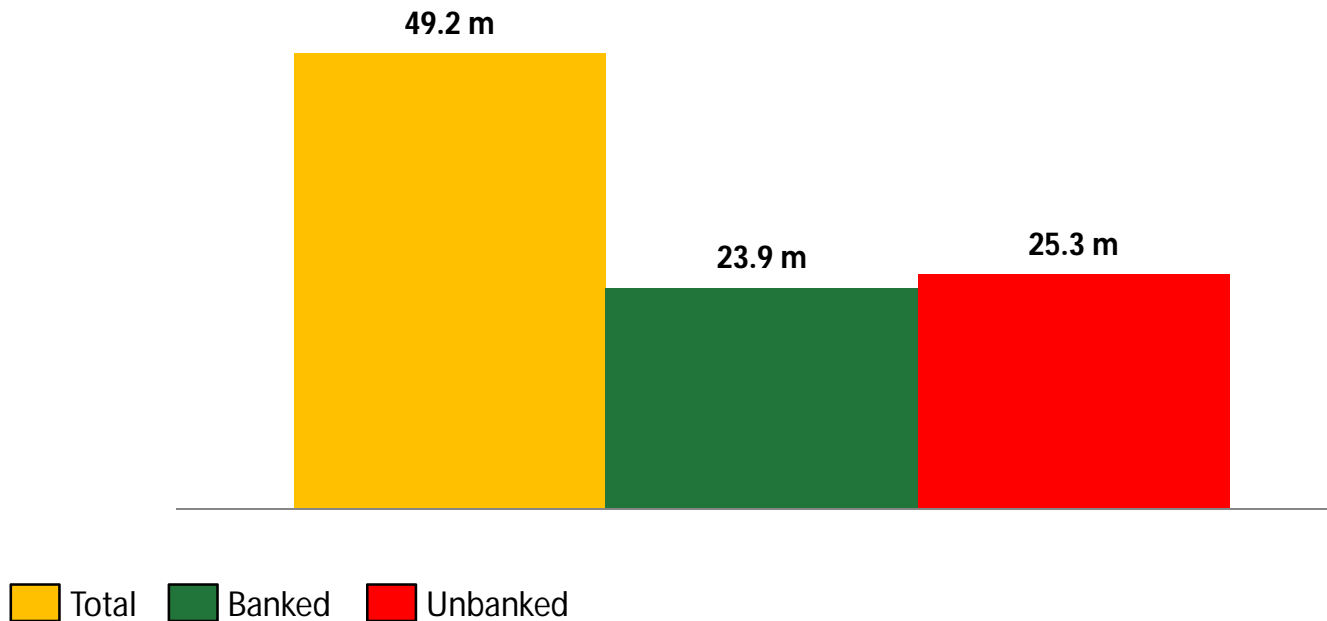
- 30.5% (9.4 million adults) of those who received domestic remittances in the six months prior to being interviewed received, between N5,001 and N10,000
- 39.9% (1.0 million adults) of those who received international remittances in the six months prior to being interviewed, received between N10,001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

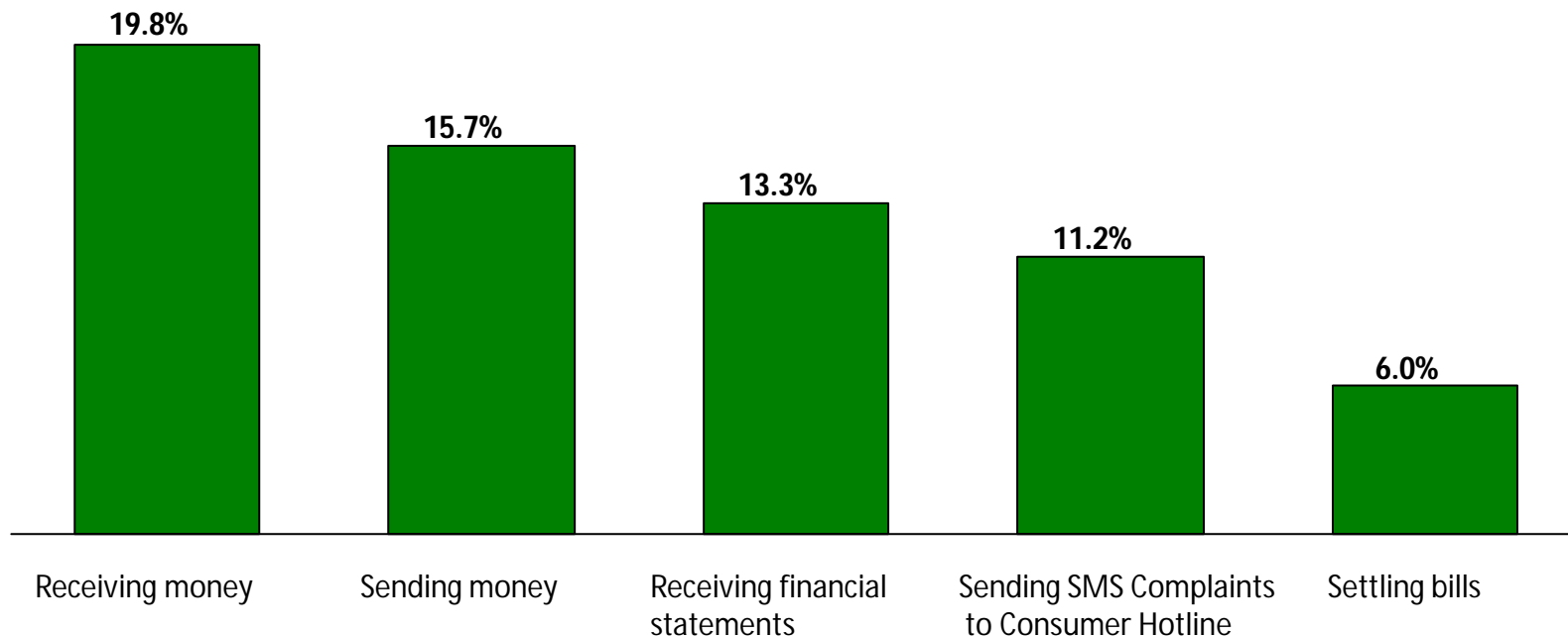
Mobile Phone Ownership vs. Banking Status

- 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

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



42.4 million adults which represents 74.0% of the unbanked population would like a bank account

THANK YOU

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