

# **Innovation Forum: Deepening Financial Inclusion through Agent Banking**

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**The Importance of Agent Banking in Nigeria**

**March 27, 2013**

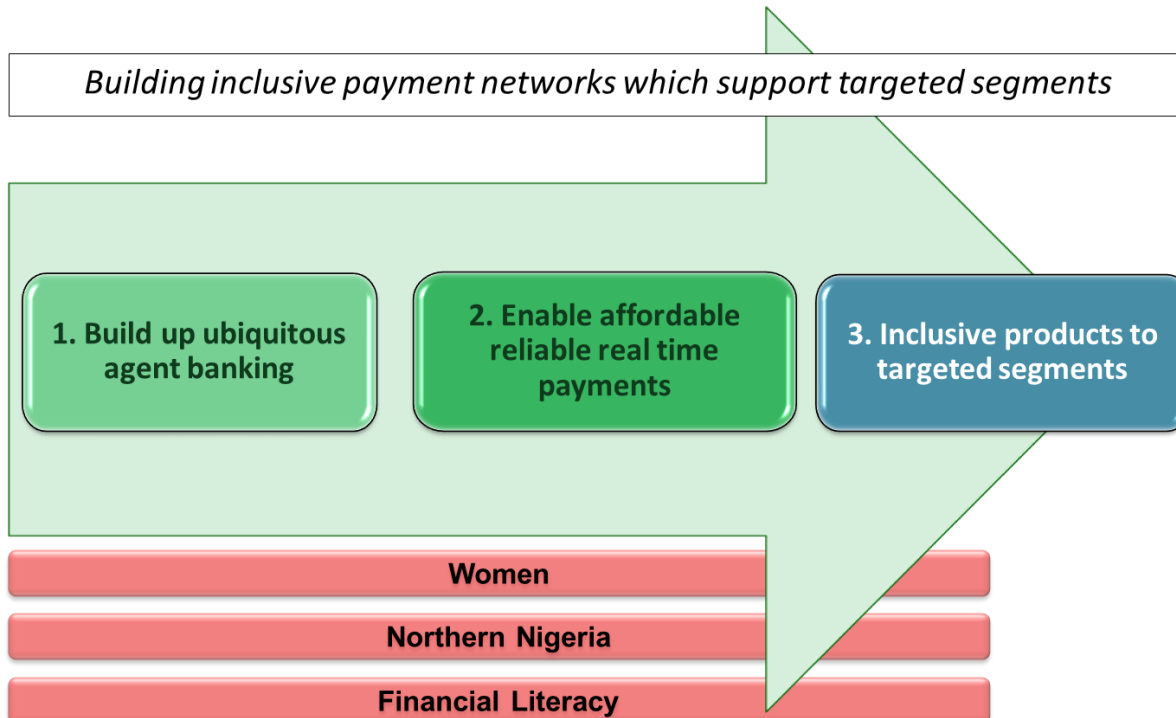
**Modupe Ladipo  
Chief Executive Officer, EFInA**



# **Overview of EFInA's new 5 Year Strategy (2012-2017)**

## 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 an initial limited portfolio of three strategic areas in which it will focus its attention; other strategic areas may 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**
- The initial strategic areas are reflected in the diagram below



### **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

### 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 low cost* to promote the spread of agent networks into areas which would not otherwise be served
- Therefore, building on the work which we have already started on 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 products 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**

# EFInA Access to Financial Services in Nigeria 2012 Survey

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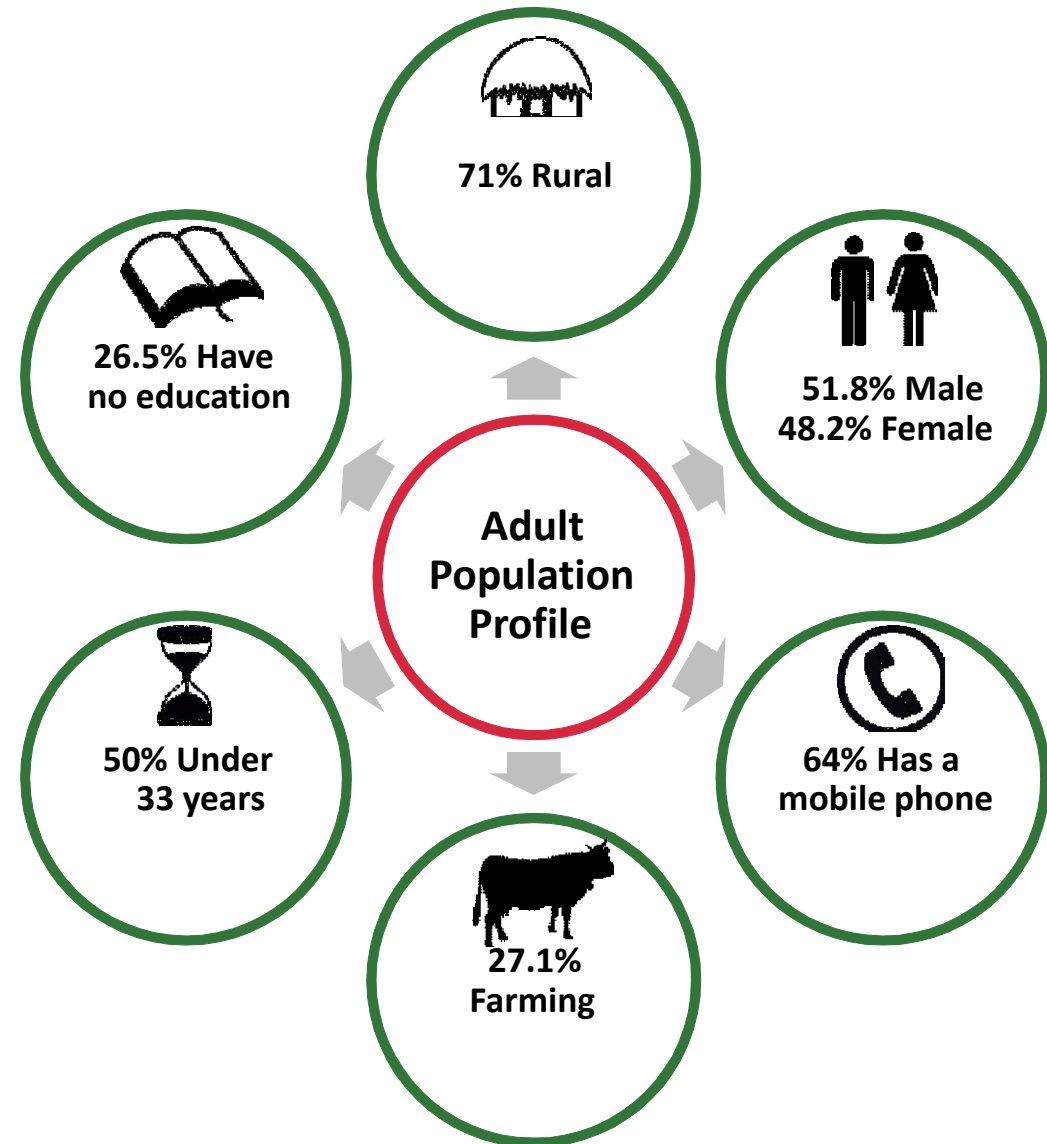
## Top-Line Findings

## Coverage and Methodology

- ❑ Nationally representative sample of Nigerian adults (18+) across all 36 States plus FCT Abuja
- ❑ The survey is based on the FinScope™ Methodology
- ❑ The questionnaire was translated into and administered in Hausa, Yoruba, Igbo and Pidgin English
- ❑ Sample design and household listing was conducted by the National Bureau of Statistics (NBS)
- ❑ Fieldwork was conducted from July to September 2012 by AC Nielsen Nigeria Limited
- ❑ Sampling of respondents was based on proportional representation (i.e. population size) per State
- ❑ Sampling 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
- ❑ Sample size = 20,841
- ❑ Results were weighted by NBS at three levels (Enumeration Area, household and adults) to provide the total adult population. This was also benchmarked to national population estimates for verification

# Demographic Profile

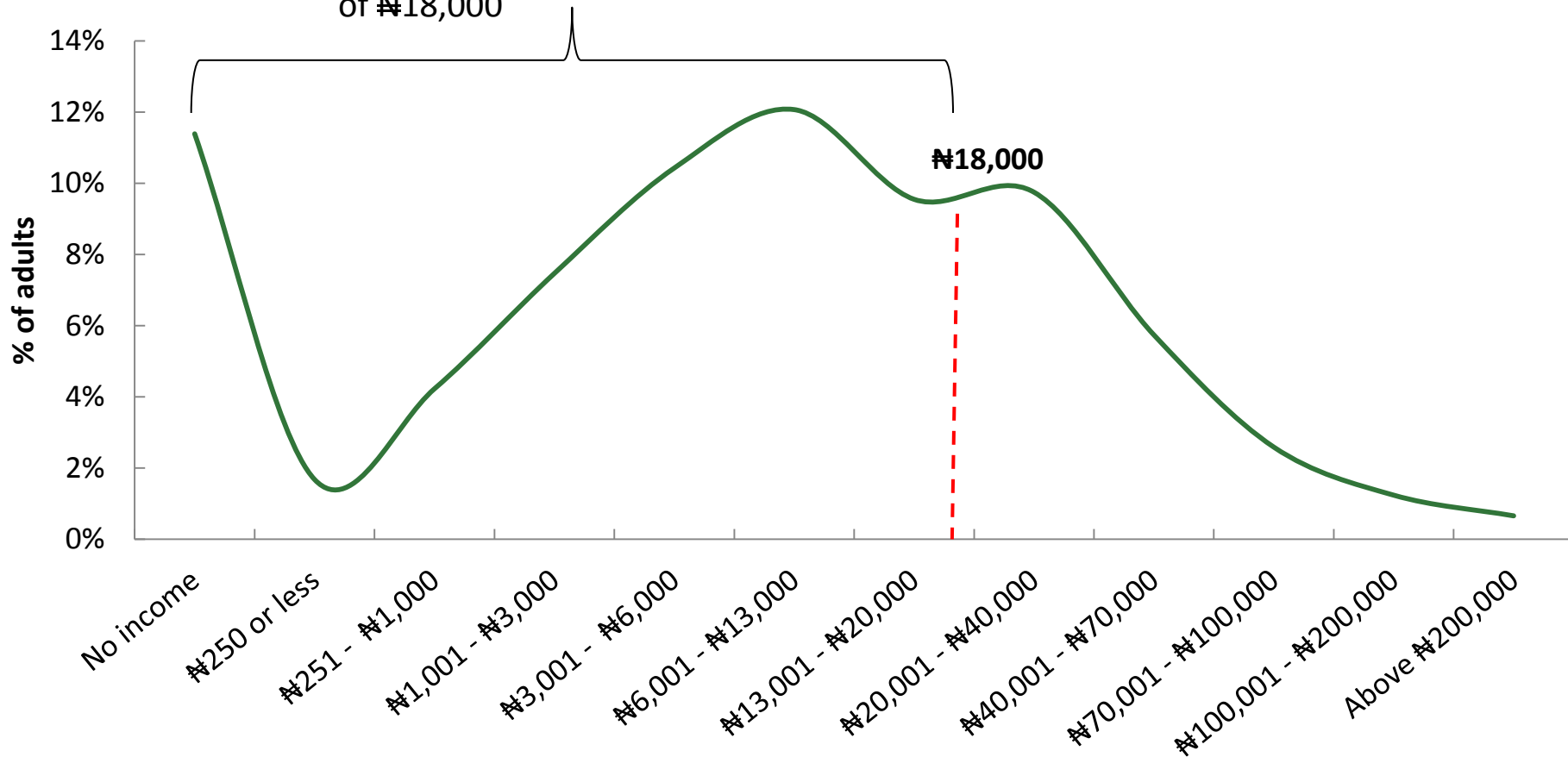
- ❑ The total adult population is 87.9 million
- ❑ Nigeria has a large rural (71%) population
- ❑ 50% of the adult population is under 33 years
- ❑ 35.5% of rural adults are farmers
- ❑ Mobile phone ownership is 84.9% in urban areas and 55.6% in rural areas
- ❑ 8.1% of adults have some form of tertiary education



# Income Distribution

- Income levels still remain low
- Only 4.5% of adults earn more than ₦70,000 (\$448) per month

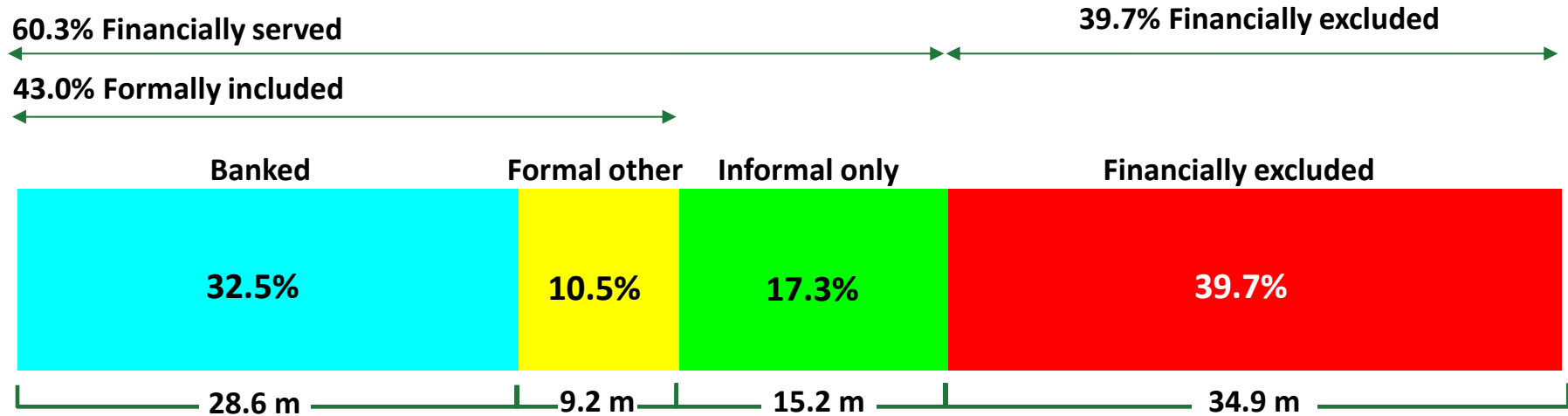
- More than half the population earns less than the monthly minimum wage of ₦18,000





# Financial Access Strand

- ❑ 37.8 million adults are formally included
- ❑ 34.9 million adults are financially excluded

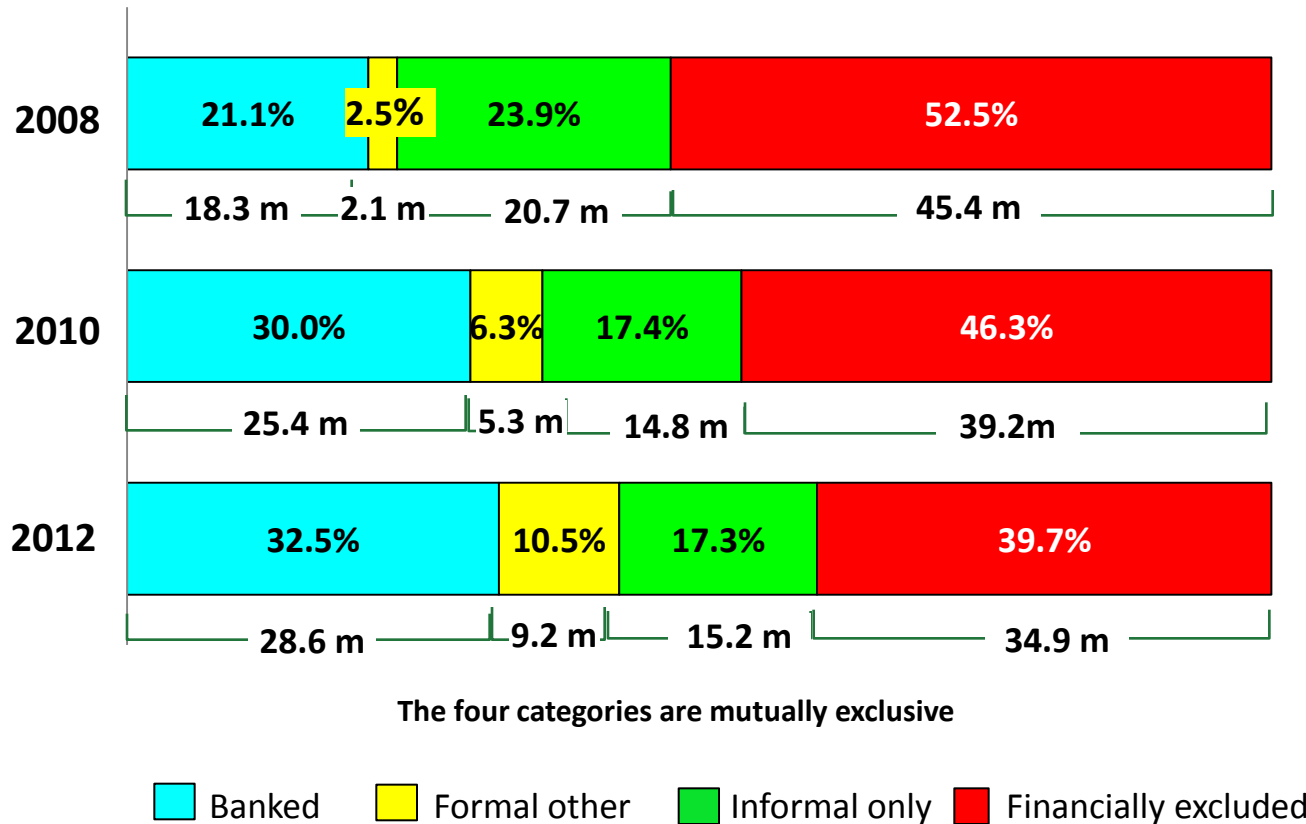


## DEFINITION OF FINANCIAL ACCESS

- ❑ **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; including indirect access
- ❑ **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); including indirect access
- ❑ **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**

# Change in the Access Strand from 2008 to 2012



## KEY COMMENTS

From 2008 to 2012:

- ❑ The proportion of adults that are formally included increased from 23.6% to 43.0%, which is an increase of **17.4 million**
- ❑ The proportion of adults that are financially served increased from 47.5% to 60.3%, which is an increase of **11.7 million**
- ❑ The number of adults that are financially excluded decreased by **10.5 million**

**Note:** 2010 & 2012 figures include remittances (Formal other and Informal only), whereas 2008 does not

# **EFInA Access to Financial Services in Nigeria 2012 Survey**

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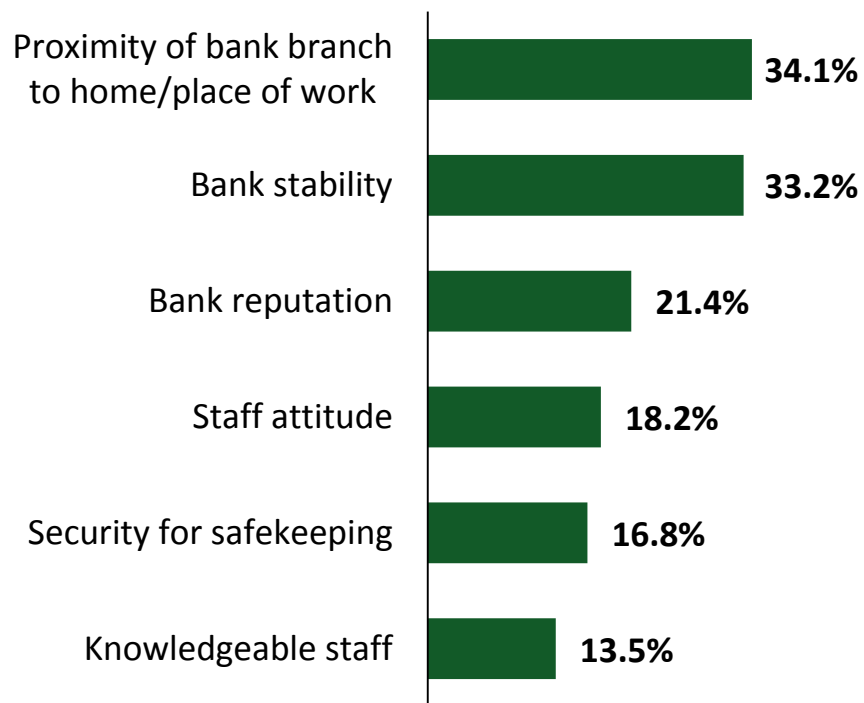
**Key Findings: The Importance of Agent Banking**

# Criteria for Choosing Main Bank

- Location, bank stability, reputation and staff attitude are the main criteria used when opening a Deposit Money Bank account
- Location, getting a loan and bank stability are the main criteria used when opening a Microfinance Bank account

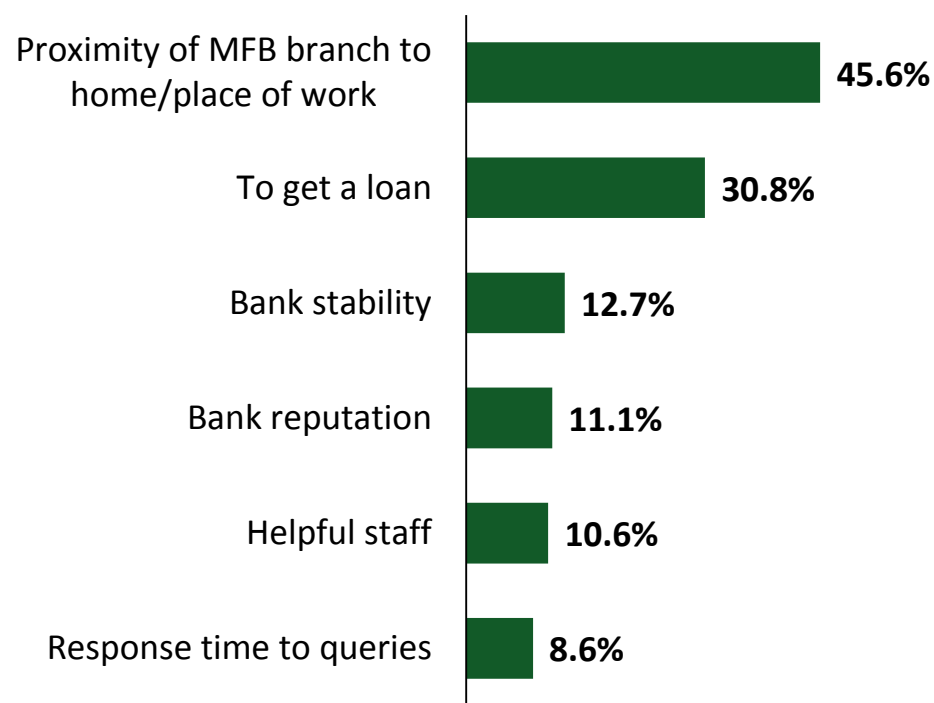
## Top criteria for choosing main Deposit Money Bank

Of those who have a product from a Deposit Money Bank



## Top criteria for choosing main Microfinance Bank

Of those who have a product from a Microfinance Bank



# Channels Used for Banking Transactions

## ❑ Bank branches:

- 93.7% of adults who have a bank product, conduct their transactions at the bank
- It is the most important channel for 57.9% of banked adults

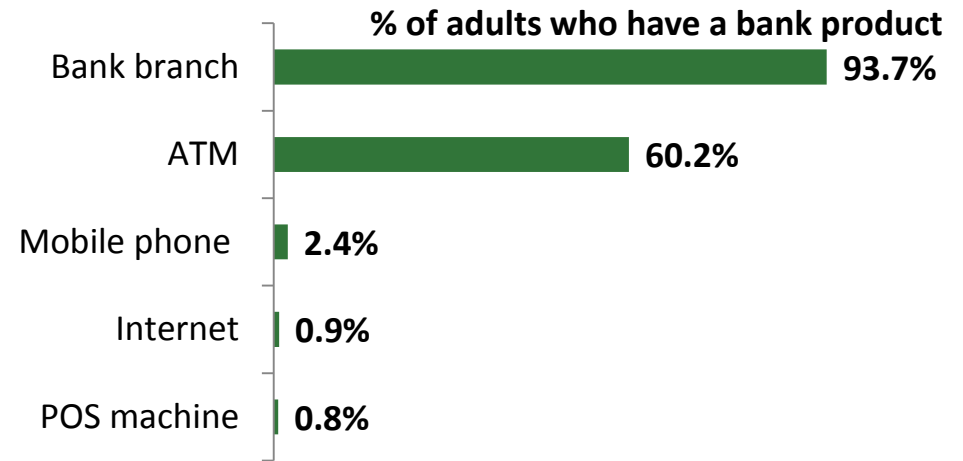
## ❑ ATMs:

- 60.2% of adults who have a bank product, use ATMs for transactions
- 41.2% say ATMs are their most important channel

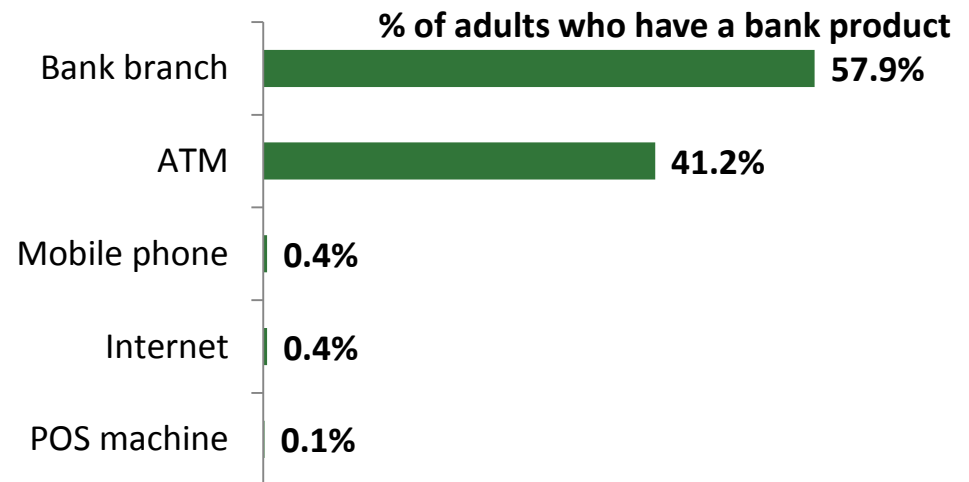
## ❑ Mobile phones/POS machines

- Transactions through mobile phones and POS machines are still extremely low

### Channels used for banking transactions

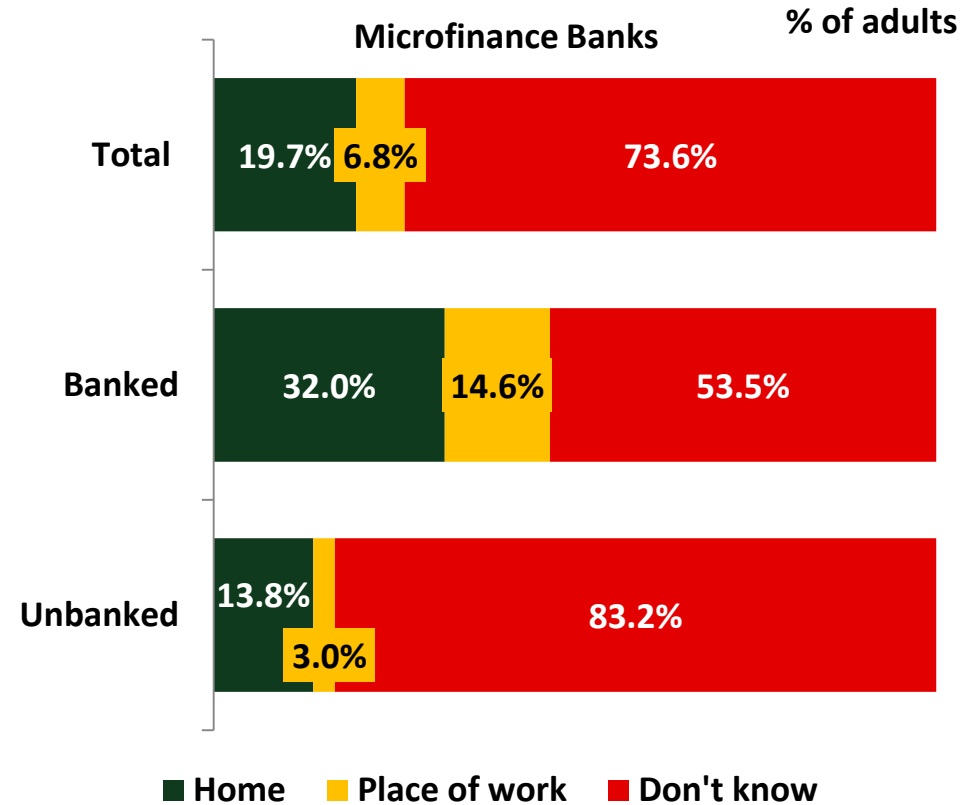
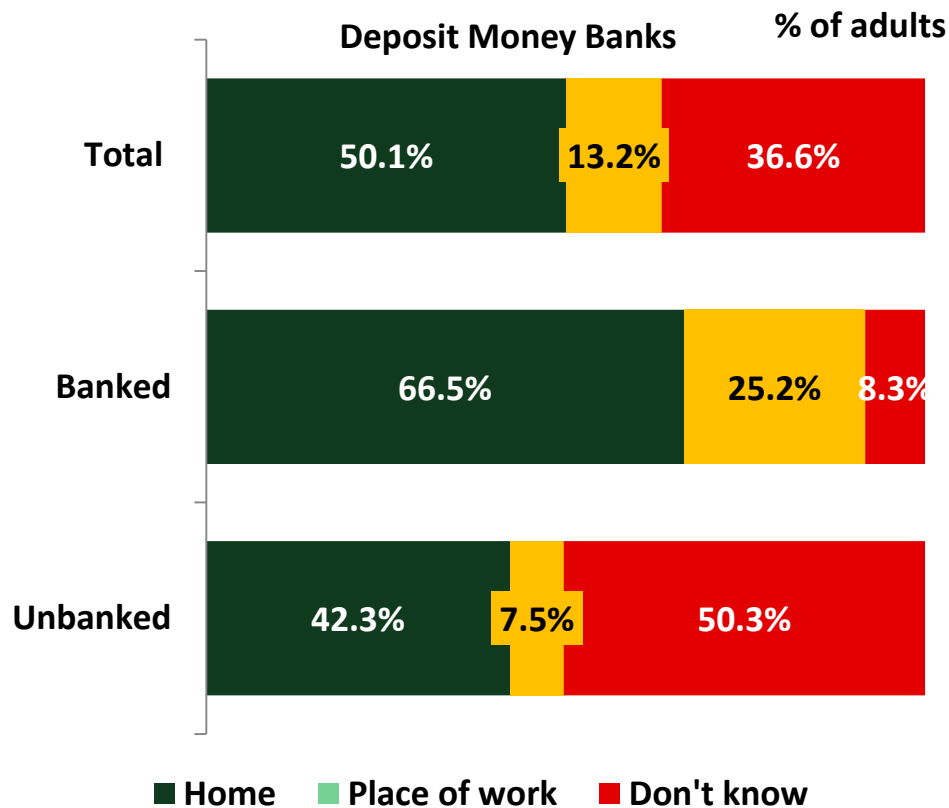


### Most important channels for banking transactions



# Awareness of the Location of Closest Bank Branch

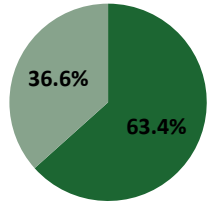
- ❑ There is a general lack of awareness of the location of the closest financial access point to homes/places of work, with the exception of Deposit Money Banks
- ❑ For 50.1 % of the adult population, the closest deposit money bank branch is to their home
- ❑ For 19.7 % of the adult population, the closest microfinance bank branch is to their home
- ❑ Banked adults are more likely to be aware of the location of their nearest bank branch than unbanked adults



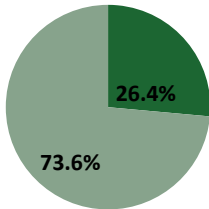
# Closest Financial Access Point to Homes/Places of Work

## Awareness of location

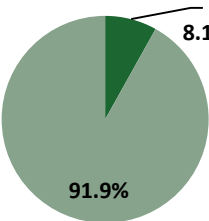
■ Know ■ Don't know



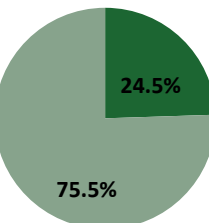
**DMB branch**



**MFB branch**

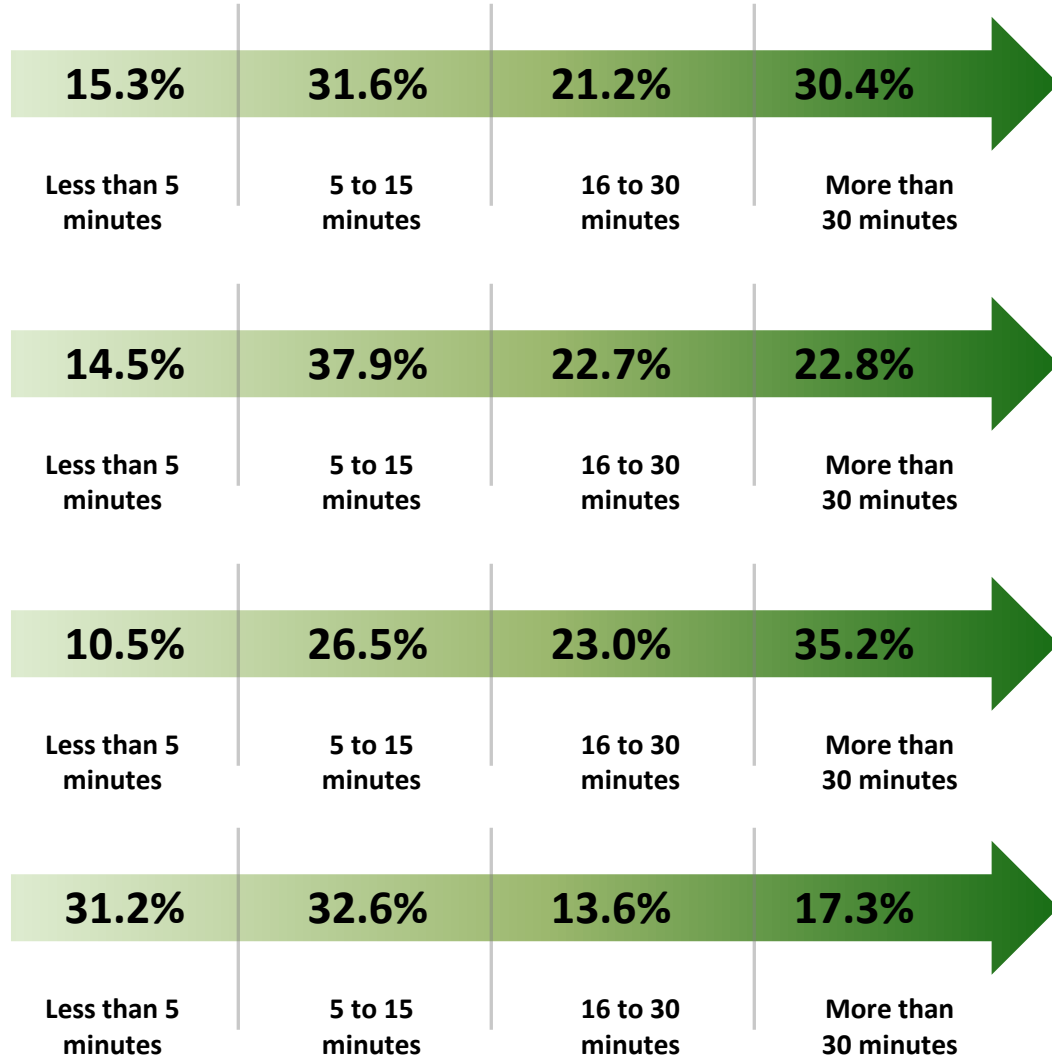


**Insurance broker/agent**



**Mobile Money agent**

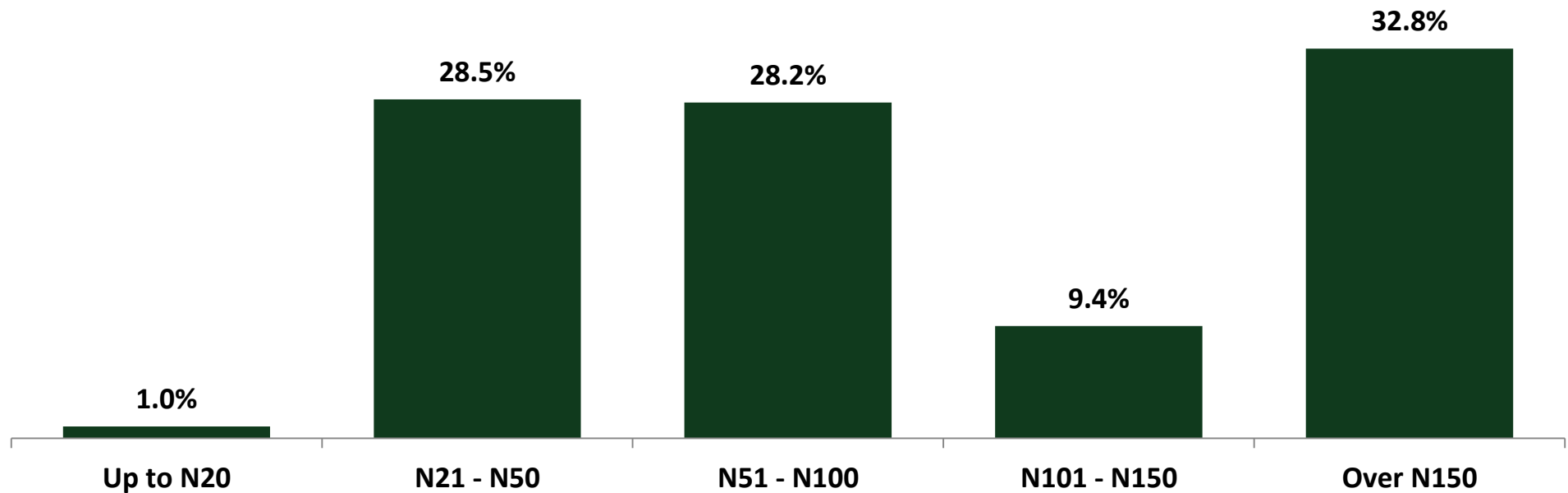
## Travel time



## Transport Cost of a One-Way Trip to the Main Bank

- ❑ Of the 25.5 million adults that have a bank product - 17.6 million (69.2% of the adult population) use public transport to get to their main deposit money bank
- ❑ It costs over N150 for a one way trip for **5.77 million adults** to get to their main deposit money bank (32.8% of the adults who use public transport to get to their main deposit bank)

% of adults with deposit money bank accounts who use public transport to get to their main bank

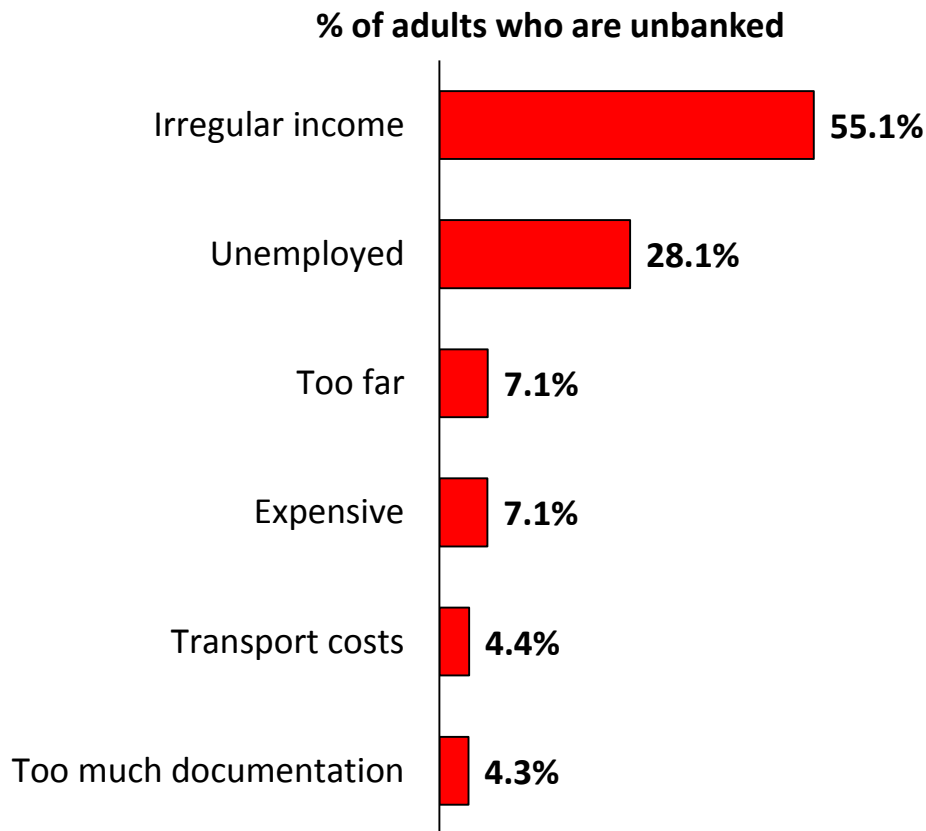




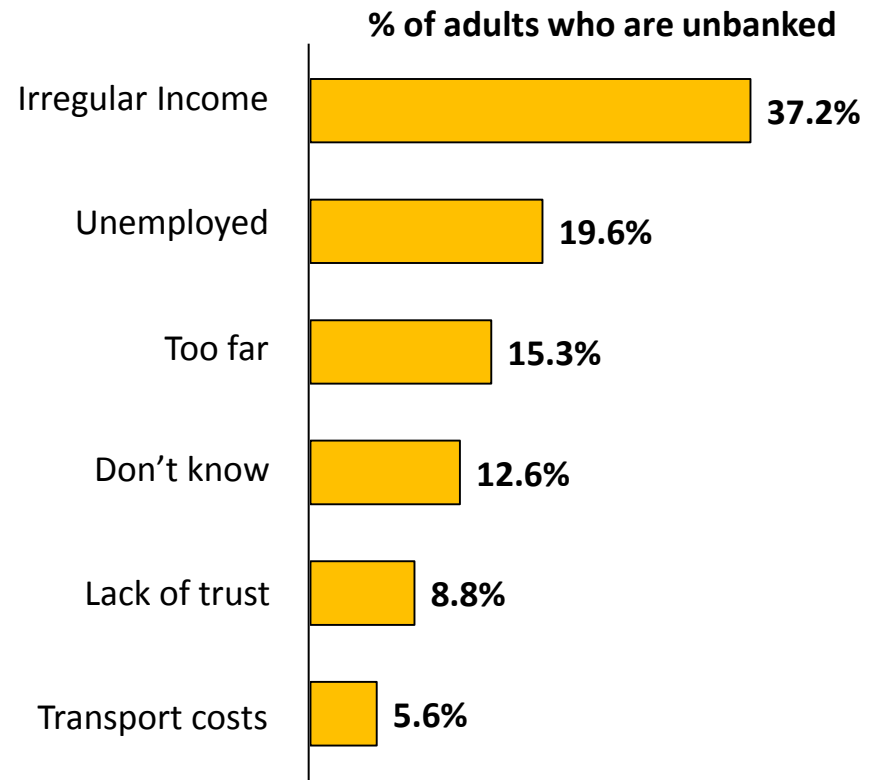
# Barriers to Access for Different Financial Segments

- The top three barriers to having a Deposit Money Bank or a Microfinance Bank account are irregular income, unemployment and the distance to the bank

## Banking (Deposit Money Banks)



## Banking (Microfinance Banks)



Source: EFInA Access to Financial Services in Nigeria 2012 survey

## Deposit Money Banks

### Never Banked

56.3 million adults have never had a Deposit Money Bank account, of which:

- 47.3 million** adults would like to have a bank account
- The top three factors which would most likely encourage them to open a bank account are **being employed, having a bank closer to home/place of work and understanding the benefits of being banked**
- Bank proximity is of greater concern to the rural population

### Previously Banked

3.0 million adults used to have a Deposit Money Bank account, of which:

- 2.6 million** adults could be encouraged to have a bank account again
- The top three factors which would encourage the previously banked to use a bank again are **regular income, being employed, having a bank closer to home/place work**

## Microfinance Banks

81.9 million adults have never had a Microfinance Bank account, of which:

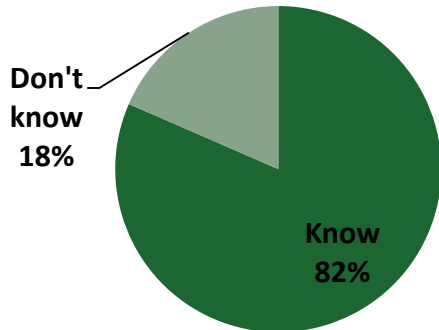
- 48.0 million adults** would like to have a bank account
- The top factors which would most likely encourage them to open a microfinance bank account are **understanding how microfinance banks work, understanding the benefits of having a microfinance bank account, when microfinance bank services meet their needs and when better loans are offered**

# Other Potential Access Points for Financial Services

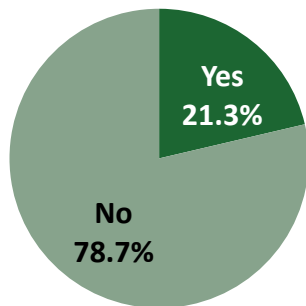
## Awareness of location

- ☐ All adults are aware of the location of their closest provision shop

"How close is the nearest mobile phone kiosk/outlet to you?"



"Is there a post office close to where you live?"



### Provision Shop

55.1% 31.1% 8.7% 5.1%

Less than 5 minutes

5 to 15 minutes

16 to 30 minutes

More than 30 minutes

### Mobile Phone Kiosk/Outlet

52.0% 27.2% 9.0% 11.3%

Less than 5 minutes

5 to 15 minutes

16 to 30 minutes

More than 30 minutes

### Post Office

17.2% 60.6% 18.9% 3.4%

Less than 5 minutes

5 to 15 minutes

16 to 30 minutes

More than 30 minutes

## EFInA Access to Financial Services in Nigeria, 2008/2010/2012 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 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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## Website

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**THANK YOU**