

EFInA: Did You Know Series Eight

EFInA Access to Financial Services in Nigeria 2016 Survey
Key Findings: Profile of the Informally Served Population

Outline

A	Background and Executive Summary
B	Demographic Profile of the Informally Served
C	Financial Access Strands
D	Financial Behavior and Preferences of the Informally Served
E	Summary

About EFInA

- Enhancing Financial Innovation & Access (EFInA) is a financial sector development organization that promotes financial inclusion in Nigerian
- EFInA's vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system . EFInA adopts a holistic approach to impact the market at three levels – micro, meso and macro levels

Purpose of Presentation

- This presentation focuses on the financial profile of the informally served population based on data from the EFInA Access to Financial Services in Nigeria (A2F) 2016 Survey
- It also seeks to examine the opportunities and approaches to providing formal financial products and services to the informally served

Leveraging A2F 2016 Research

- EFInA's A2F survey identifies the financial needs of the adult population and provides service providers data and analyses to develop innovative inclusive financial products to serve them
- Provides insights into regulatory and market obstacles to growth and innovation in the financial sector

Approach & Methodology

- The EFInA A2F survey has been conducted biennially since 2008. The number of respondents in each survey is over 20,000.
- Nationally representative sample of Nigerian adults (18+) across all 36 states and FCT Abuja Results were weighted by the National Bureau of Statistics (NBS) to provide for the total adult population and benchmarked to national population estimates for verification

How EFInA Intends to Deepen Financial Inclusion in Nigeria

Enhance collaborative efforts through EFInA's pillars

Review status, understand challenges, leverage opportunities

Research

- Continue to provide credible market information on the Nigerian financial sector
- Disseminate bespoke results at EFInA breakfast series, working groups & at stakeholders' events

Support stakeholder linkages for an enabling environment

Advocacy

- Work closely with regulators & policy makers in Nigeria to foster an enabling environment for innovative inclusive financial services & products for the un-banked & under-banked segments

Provide incentives for innovative products and services

Innovation Fund

- Host and facilitate innovation fora to trigger debate and ideas about pertinent issues.
- Financial support for new ideas and approaches to expanding financial access to the un-banked and under-banked segments

Support capacity to implement

Capacity Building

- Provide linkages between local stakeholders and experts who can help with the development & implementation of inclusive products
- Facilitate skills acquisition through opportunities to attend training sessions or interact with success stories within and beyond Nigeria

Primary efforts will target selected thematic areas

Women, Northern Nigeria, Mobile Money, Non-Interest Finance, Micro Savings, Micro Loans & Micro Insurance

Context

- Informal Financial Service providers offer a limited range of financial services that take place beyond the scope of a country's formalized financial institutions and lie outside financial sector regulations
- Majority of Nigeria's population (61.9%) live in rural areas and available financial services are usually informal. 50 million adults do not have accounts at a formal financial institution, 41.6% of the adult population are financially excluded while almost 10% (9.4m) rely solely on informal finance
- The informally served are classified in the EFInA financial access strand as adults who only have access to informal financial service providers (informal only). Lack of access to formal financial services limits their ability to climb out of poverty, mitigate against risks and participate in productive economic activities

Profile of the Informally Served in Nigeria

The informally served make up 9.8% (9.4m) of the Nigerian adult population of 96.4m:

- 83.2% (7.8m) are based in rural areas
- 55% (6m) are female
- 54% (5.1m) are under 35 years
- 66% (6.2m) earn less than ₦18,000 monthly
- 52.5% (4.9m) own a mobile phone

Opportunity

- 9.8% (9.4 million) adult Nigerians depend on informal sources of finance only
- On the average, the informally served save 42.9 billion monthly
- If formal financial institutions target 50% of what is being saved by the informally served, N21.45 billion could be injected into the formal financial sector

Marginalized customer groups such as the informally served especially in rural areas require affordable formal financial services that will contribute to poverty alleviation and economic growth

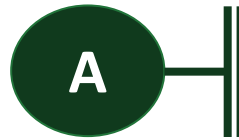
FS Providers/Operators

- Extend financial services beyond major cities into the rural areas, where the bulk of the informally served reside
- Leverage the usage of technology and other channels with better accessibility
- Drive increased supply of digitized microsavings and microloans as this presents a great opportunity for the Nigerian financial landscape in terms of improving access to these services
- 85% (8.05m) of the informally served make their living from own business or farming – develop relevant financial services for smallholder farmers and entrepreneurs

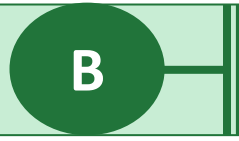
Government/Regulators

- Develop an effective and efficient payment system that is secure, affordable and accessible
- Leverage existing G2P disbursements to scale up agent networks in rural areas
- Drive financial literacy and awareness campaigns to improve the financial capacity of the informally served especially in Northern Nigeria.

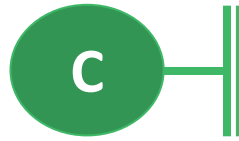
Outline



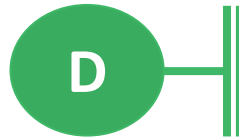
Background and Executive Summary



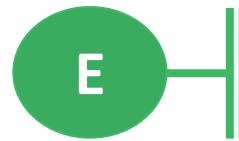
Demographic Profile of the Informally Served



Financial Access Strands



Financial Behavior and Preferences of the Informally Served

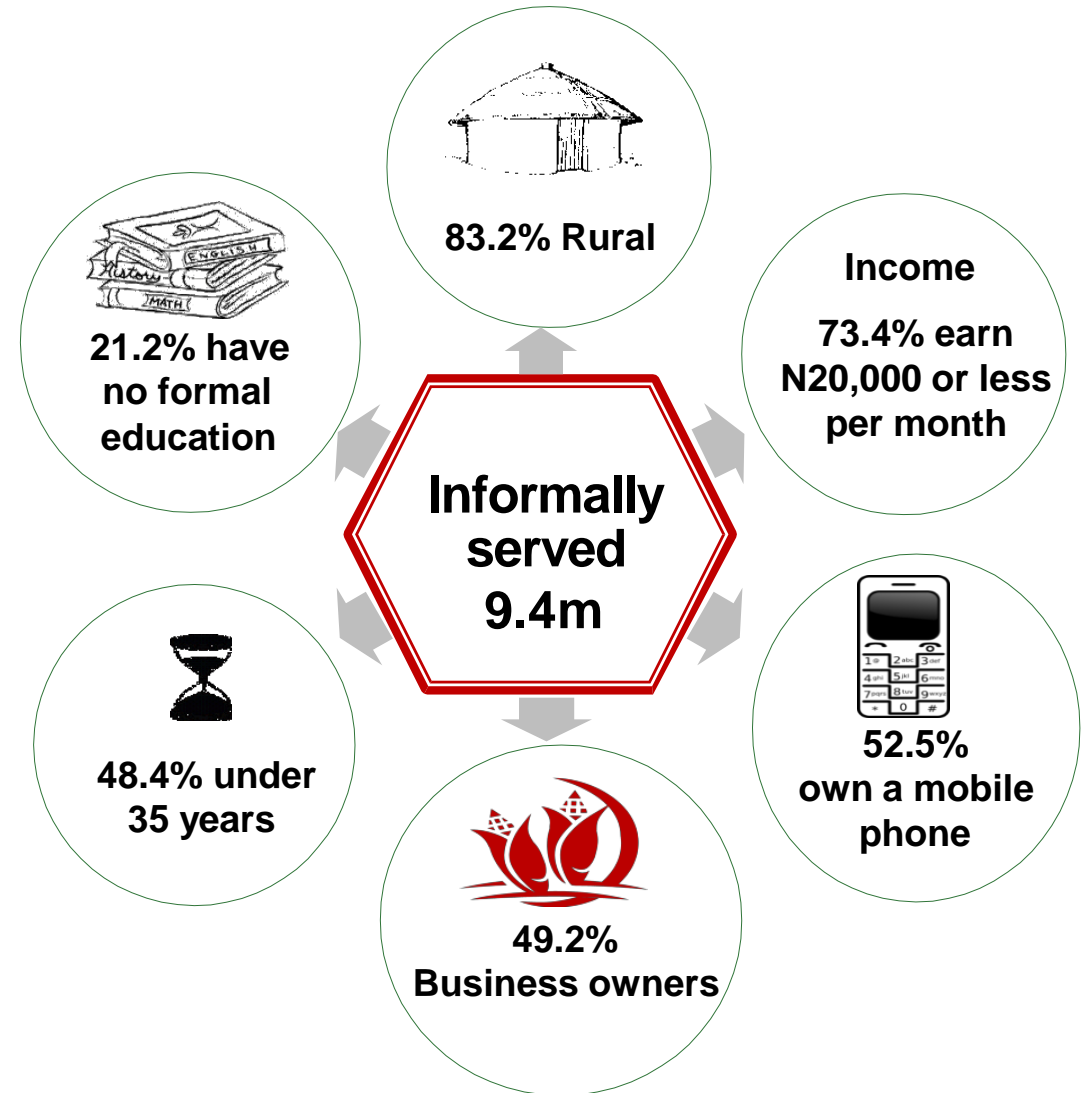


Summary

Demographic profile of the Informally Served

Of the informally served population (9.4m):

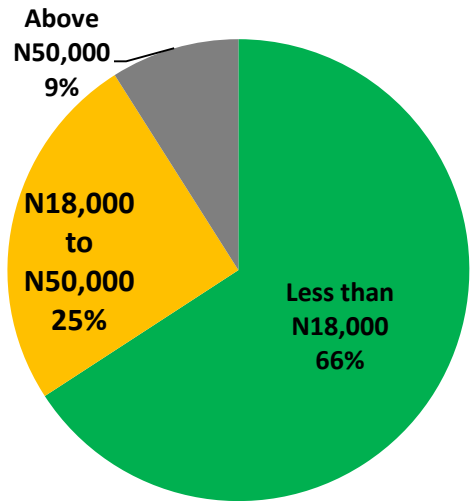
- 7.8m (83.2%) are based in rural areas
- 5.2m (55%) are female
- 4.56m adults (48.4%) are under 35 years
- 4.63m adults (49.2%) are business owners such as Artisans, Traders of farming/non-farming products, Traders of agricultural inputs
- 6.9m (73.4%) earn N20,000 or less per month
- 2m adults (21.2%) have no formal education
- 7.5m adults (79.4%) receive financial advice from family/friends or spouse
- 23.6% are based in the South South region



The Informally Served at a Glance

A majority of the informally served population (66%) earn less than the minimum wage of N18,000 per month

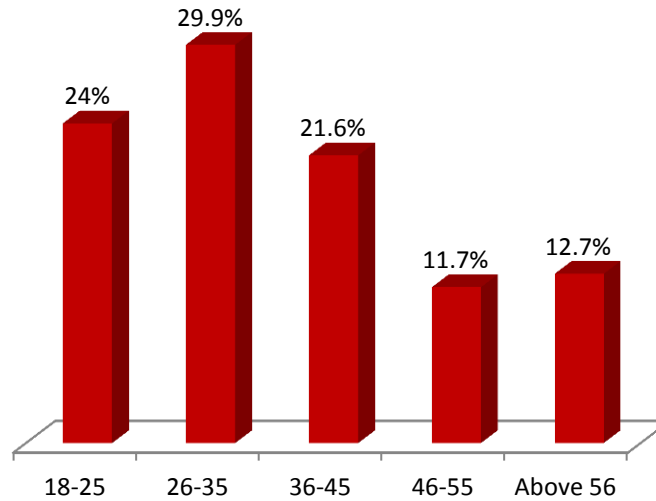
Monthly Income (Informally Served)



Top 5 sources of income:

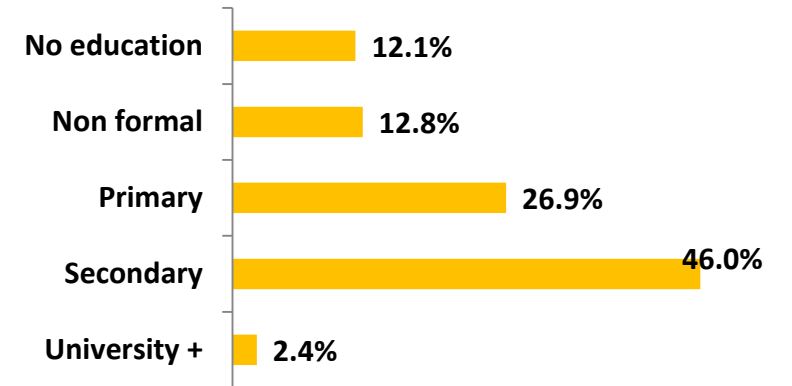
1. Subsistence/ small scale farming – 26%
2. Own business/ trade (non-farm)– 18.5%
3. Own business (service provider) – 15.1%
4. Own business/ trade (farming) – 13.3%
5. Commercial/ large scale farming – 7.7%

Age (Informally Served)



Young adults (18 – 35 years) make up over half of the informally served population

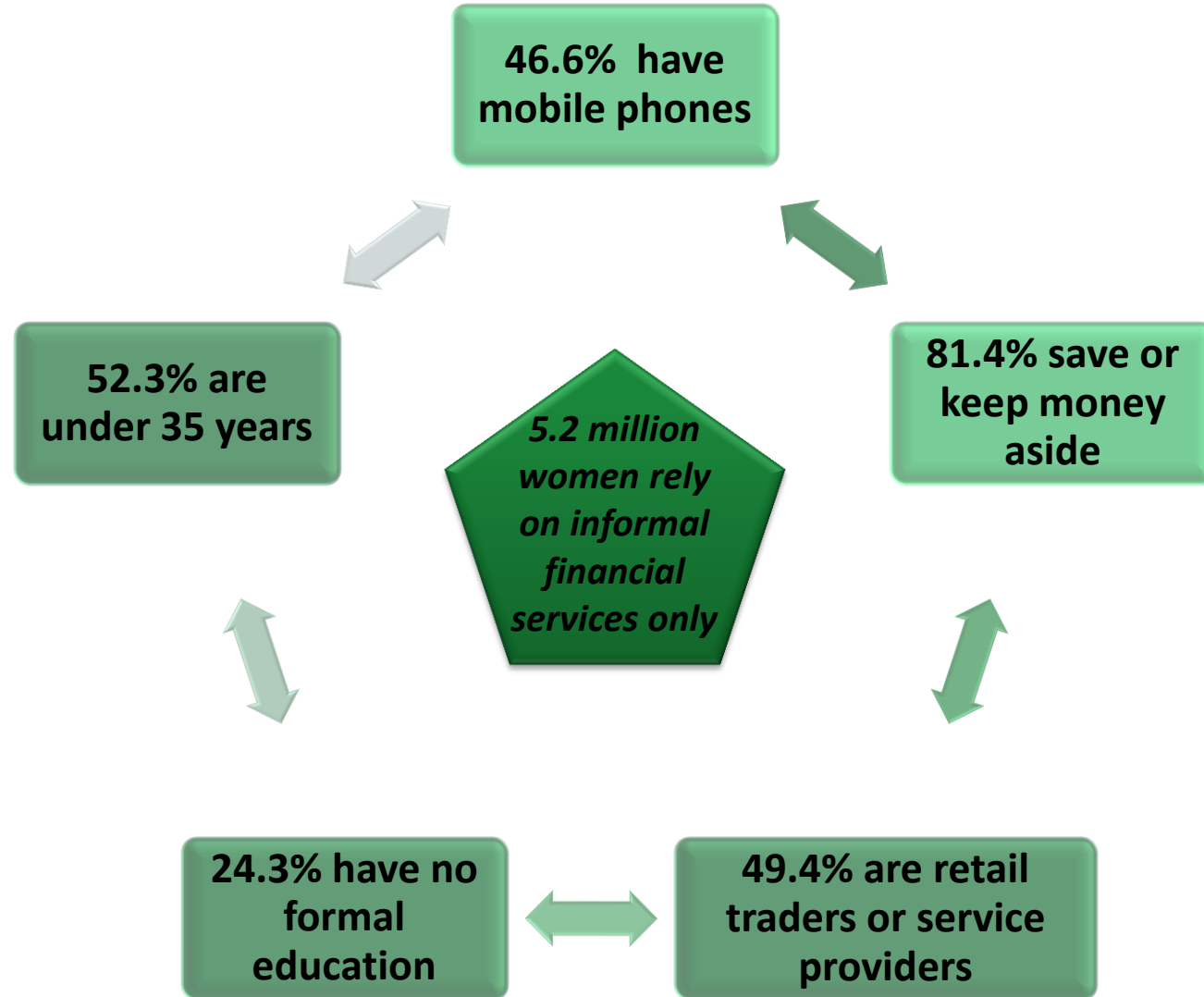
Level of Education (Informally Served)



24.9% of the informally served population have no formal education

Most are moderately educated (primary and secondary school levels)

Gender Lens – Women who rely only on Informal Financial Services



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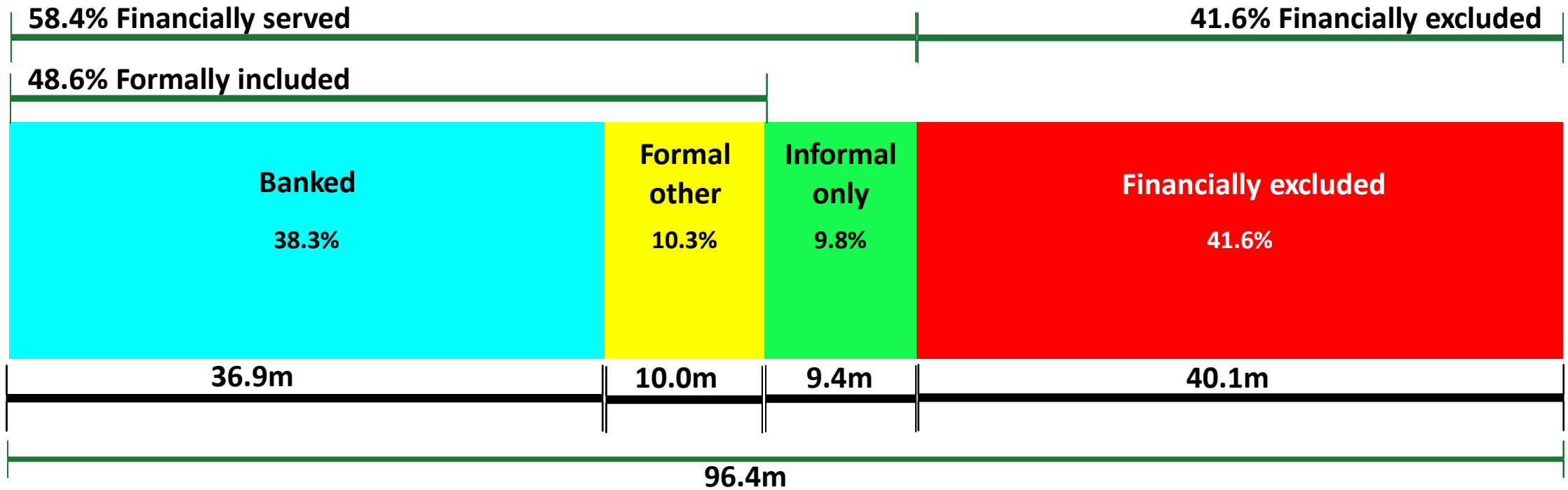
C Financial Access Strands

D Financial Behavior and Preferences of the Informally Served

E Summary

Financial Access Strand 2016

- 9.4m (9.8%) of the Nigerian adult population rely solely on informal financial service providers for financial intermediation

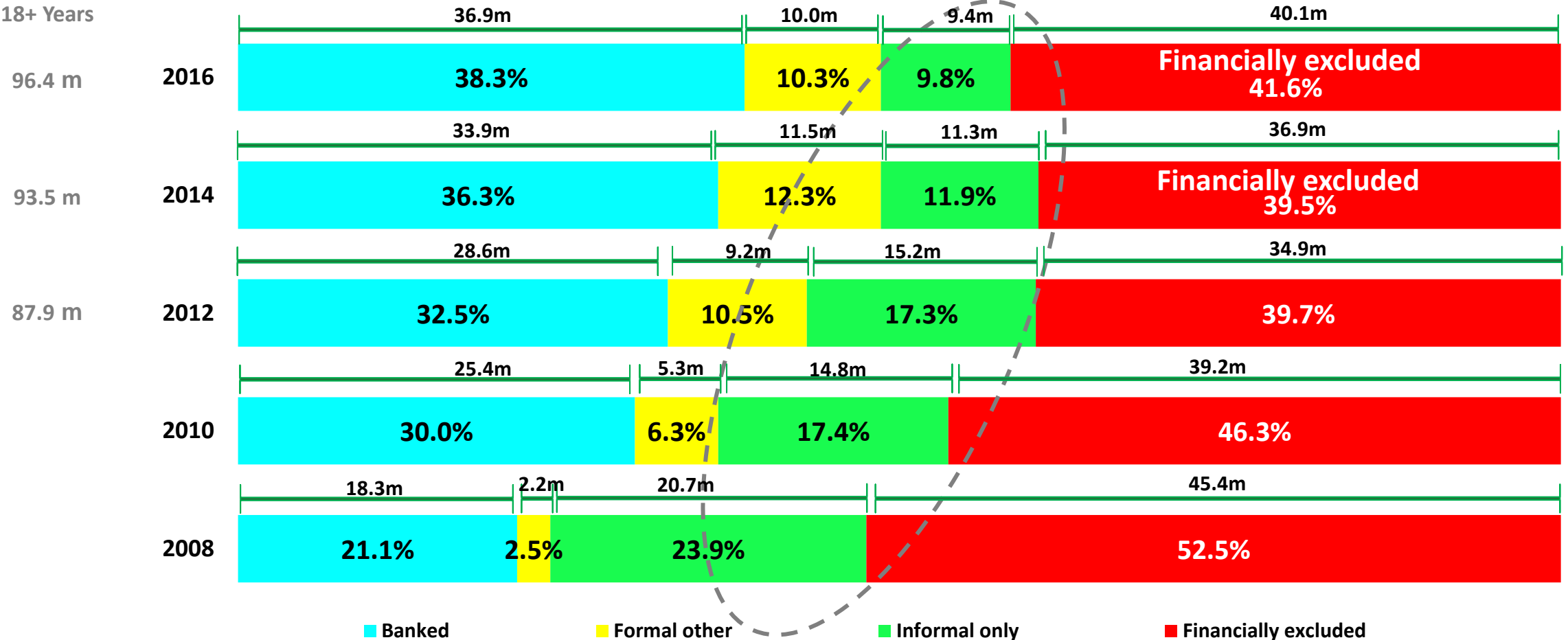


These four strands are mutually exclusive

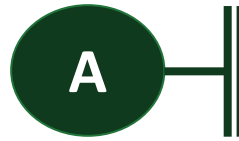
Trends in Financial Access Strand – 2008 to 2016

- Between 2008 and 2016, the steady increase in the banked population has been accompanied by a corresponding steady decline in the informally served population

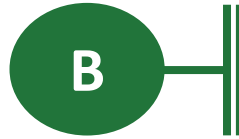
Adult Population
18+ Years



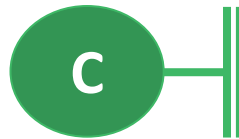
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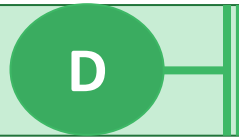
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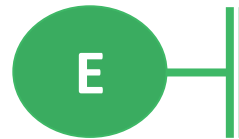
Demographic Profile of the Informally Served



Financial Access Strands



Financial Behavior and Preferences of the Informally Served



Summary

Saving Behaviour of the Informally Served (1/2)

- 7.7 million (81.6%) of the informally served population save
- Majority of savings are for emergencies. This provides an opportunity to introduce micro insurance

Top reasons for saving (Number in Millions)



Emergencies
3.7m



School Fees/ Education
0.41m

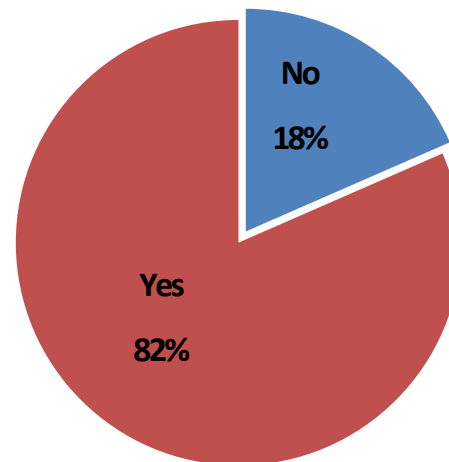


Household needs
1.3m



**Farming inputs/
expenses**
0.42m

Are you currently keeping money aside



Reasons for NOT Saving

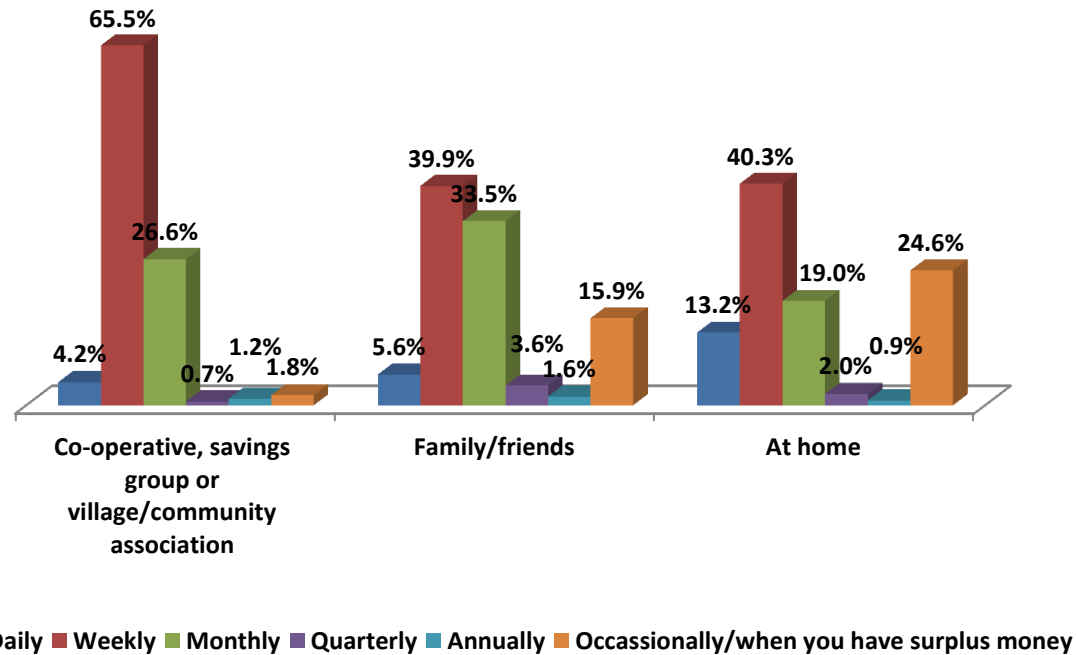
% of the Informally Served population who DO NOT save

- Nothing to save – 68.3%
- Not employed – 19.4%
- Do not believe in savings – 5.3%
- Other reasons include – lack of knowledge of where to save and the belief that there is no benefits of saving

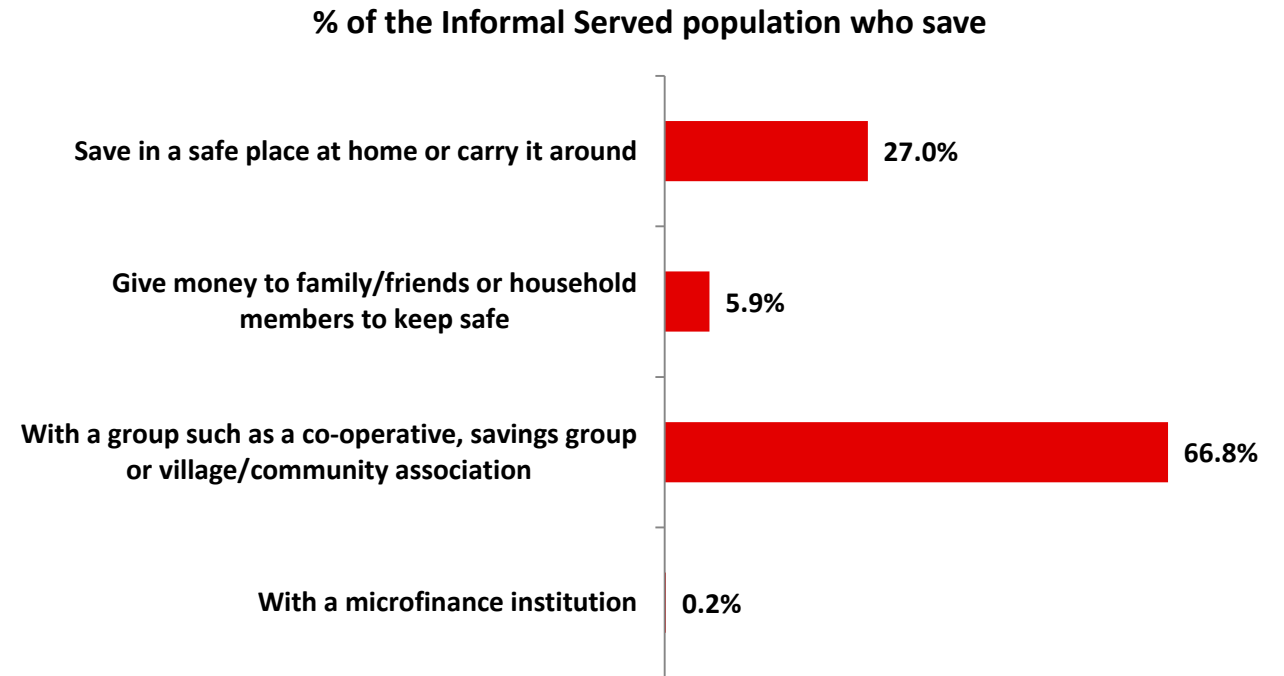
Saving Behaviour of the Informally Served (2/2)

- Simplicity, proximity, accessibility and trust remain key priorities in the choice of savings channels
- Those who save at home do so more frequently (mostly daily) than those who save with co-operatives/ groups/ associations/ family and friends (mostly weekly to monthly)
- A significant number of the informally served who save still face the high risk of saving at home or carrying their savings around

Frequency of saving



Savings mechanisms

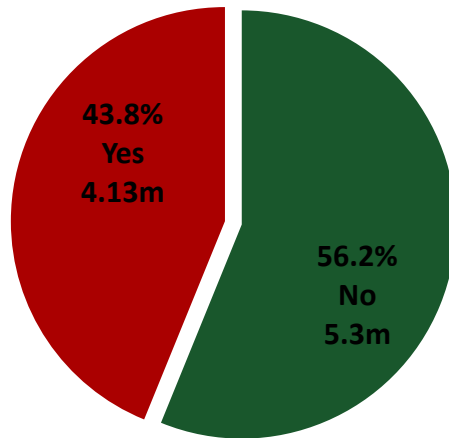


Loans and Credit Patterns

- 43.8% (4.13m) of the informally served population borrowed money or have been paying back money that they borrowed before June 2015
- Majority (60.4%) of the informally served who borrow rely on family and friends for loans

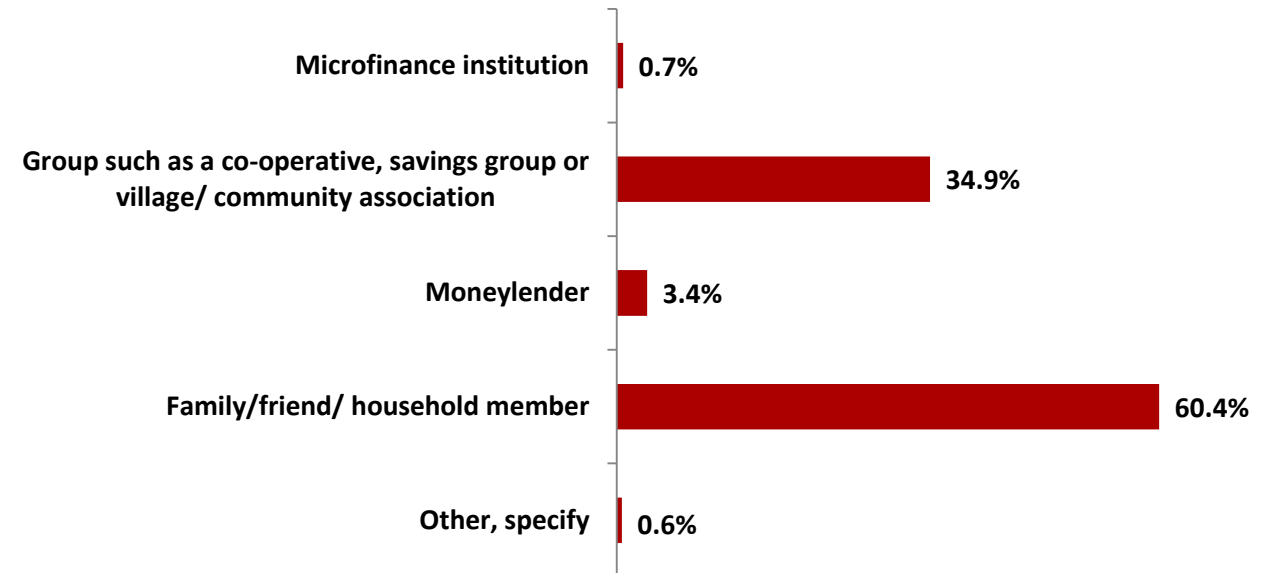
Uptake of Loans

Number of the informally served adult population who borrowed money in the past 12 months or have been paying back money that they borrowed before June 2015



Credit sources

% of the informally served adult population who borrowed money in the past 12 months or have been paying back money that they borrowed before June 2015

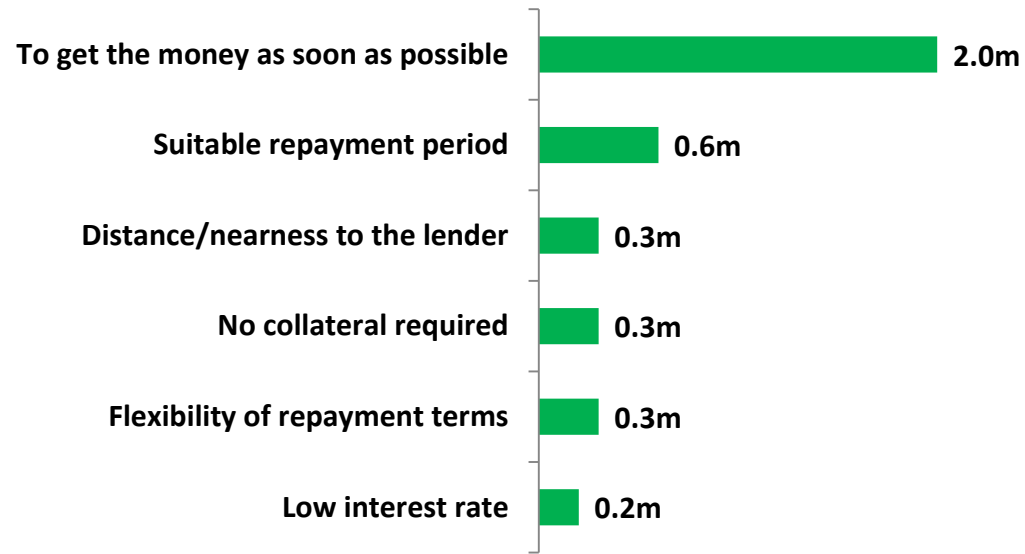


Borrowing Behaviour of the Informally Served

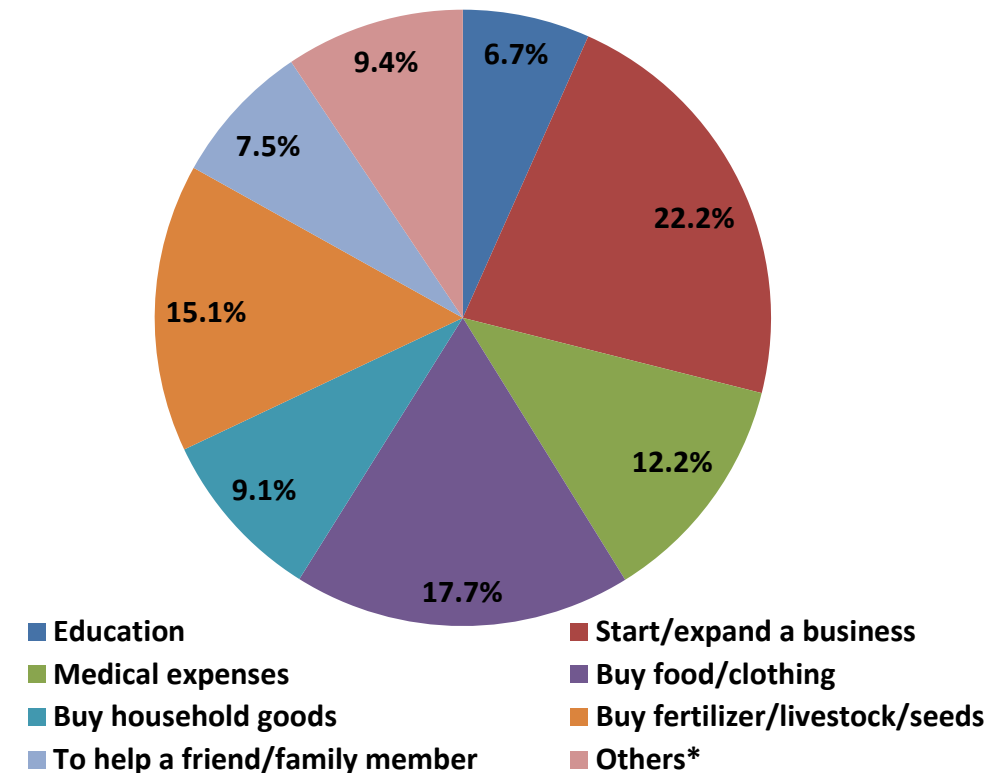
- Speedy access to loan remains a key determinant in the choice of informal service provider patronized
- Loans targeted at business expansion, agriculture, personal and household needs, and medical expenses are preferences for the informally served

Factors considered when deciding where to borrow from

Number of the informally served adult population who borrowed money in the past 12 months or have been paying back money that they borrowed before June 2015



What did you mainly borrow money for?

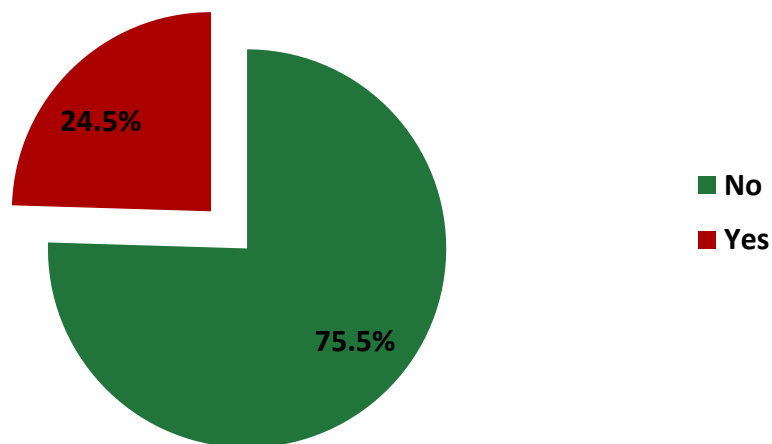


Loan Repayment Patterns

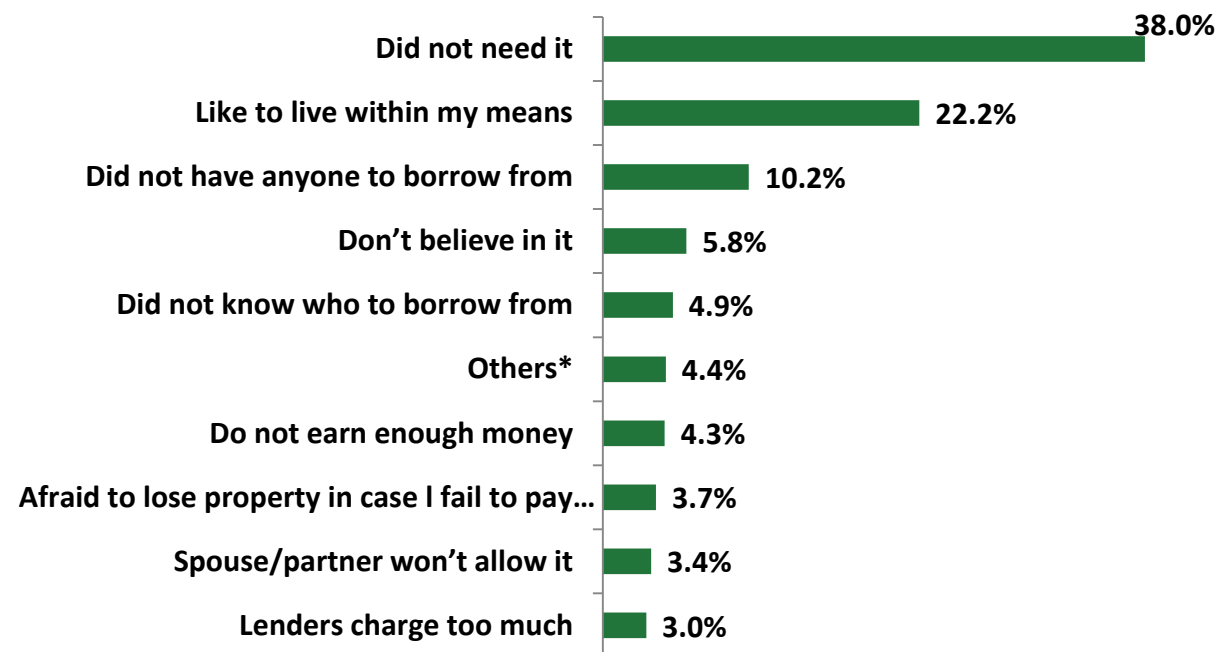
- An increased rate of loan defaults from 5% in 2014 to 25% in 2016 suggests a negative impact of the economic recession on the repayment capabilities of the informally served
- Still, the key reasons for not borrowing includes no need and a low appetite for loans

Have you ever missed a loan repayment?




Thinking about the money you had to pay back in the past 12 months, have you missed a payment during this time?



Reasons for NOT borrowing



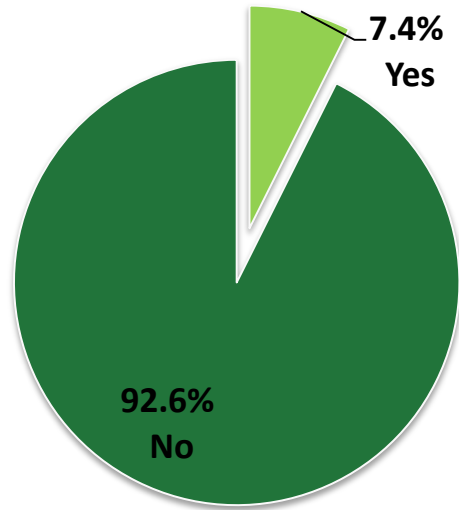
Potential Market Value of Savings and Credit by the Informally Served

Adult Population	Value of Savings (in Naira)	Value of Credit (in Naira)
		
Formally Included (Base=46.9m)	645.4 billion	1.13 trillion
Informally Served (Base=9.4m)	42.9 billion	68.7 billion
Financially Excluded (Base=40.1m)	127.4 billion	101.8 billion
Total (Base=96.4m)	815.7 billion	1.3 trillion

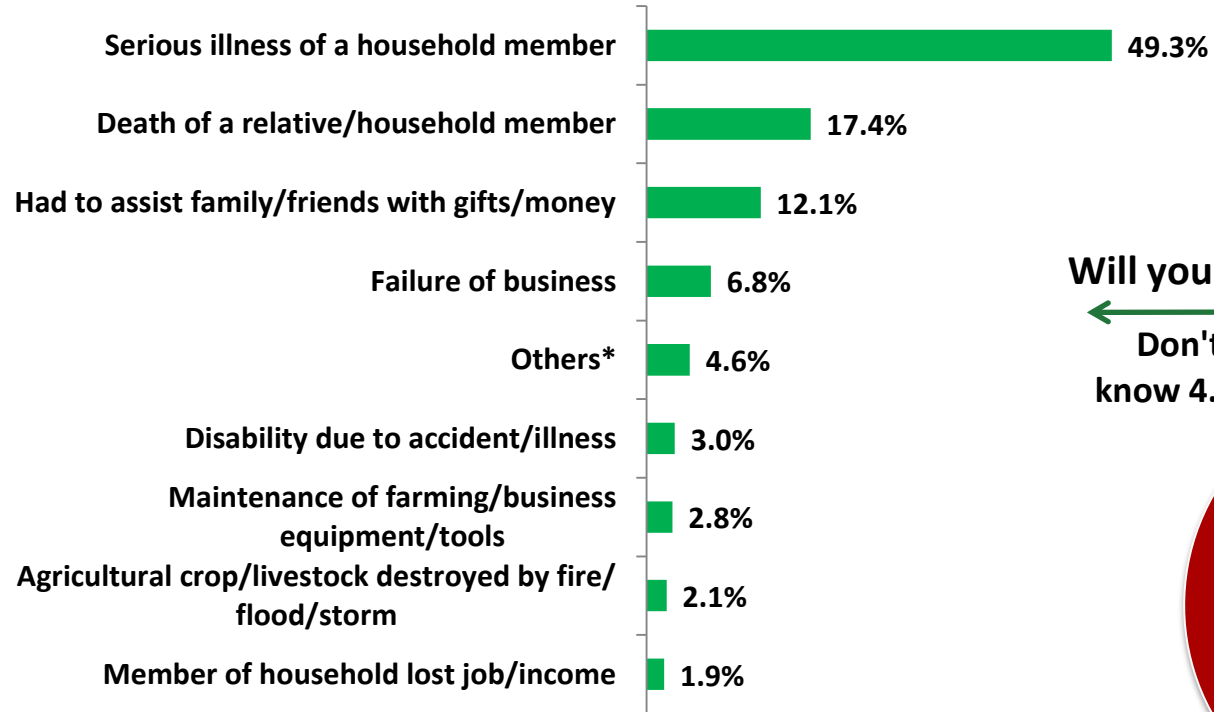
- If the formal sector targets 50% of the informally served population:
 - About N21.45billion worth of savings could be injected into the formal financial sector
 - About 4.7million more adults could become formally included

Microinsurance: Awareness and Potential Uptake

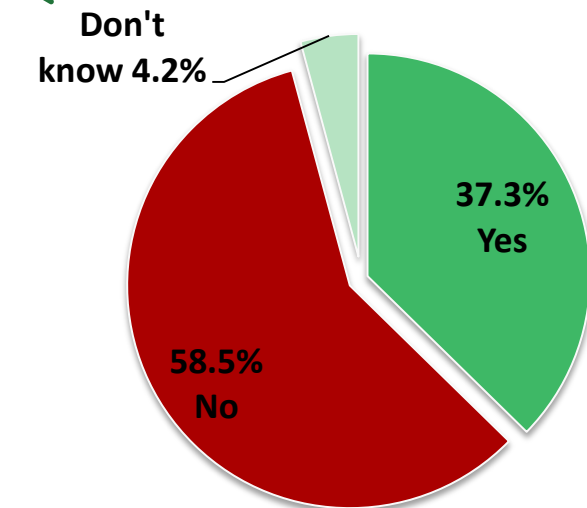
Have you heard of Microinsurance



% of those who faced incidents leading to unexpected expenses

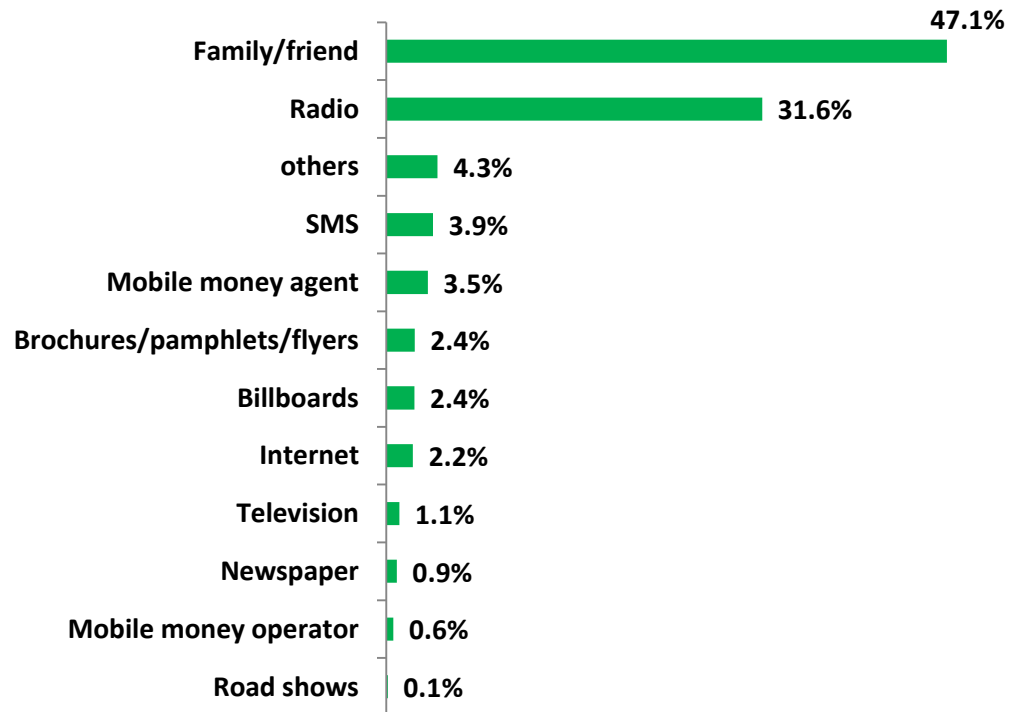


Will you be interested in Microinsurance

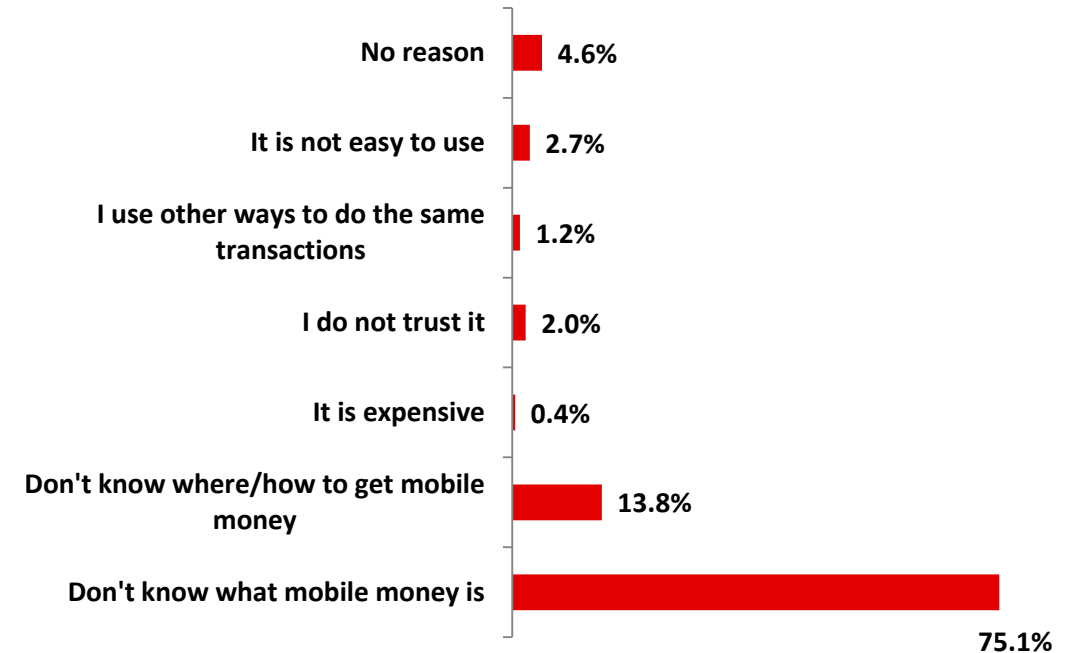


- Only 4.4% (0.42m) of the adults who are informally served have heard of mobile money
- Outside family and friends (47.1%), the radio (31.6%) shows huge potential for awareness
- Lack of awareness and literacy on what mobile money is, where and how to get it accounts for over 80% of non-usage

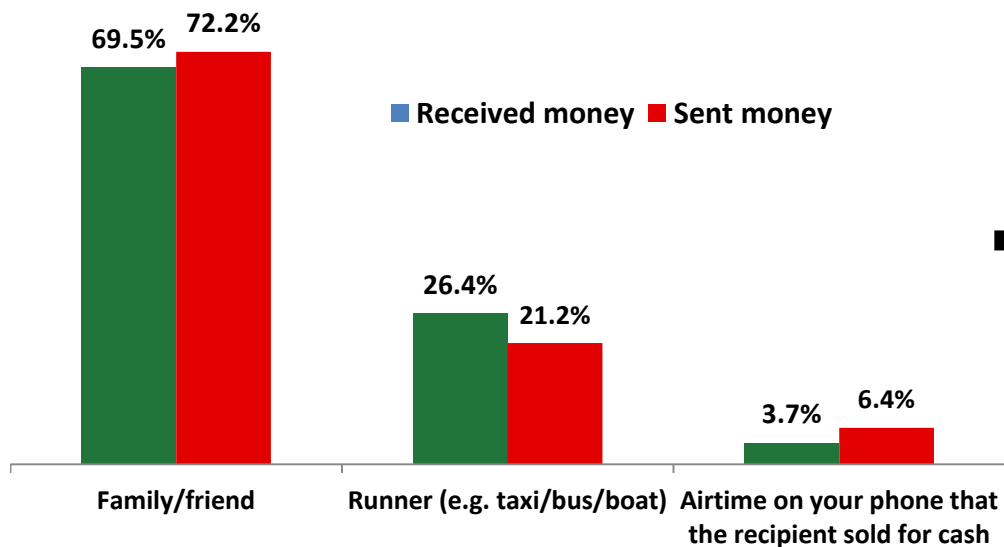
How did you hear of mobile money?



Reasons for Low Adoption of mobile money

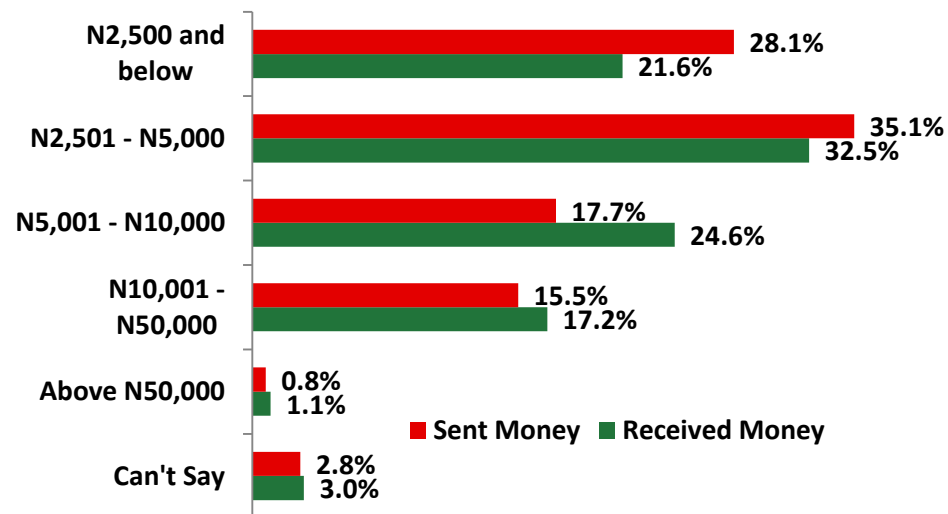


Money Transfers (1/2)



Money transfers by the informally served is mainly done through family and friends, transport runners and recharge card transfers

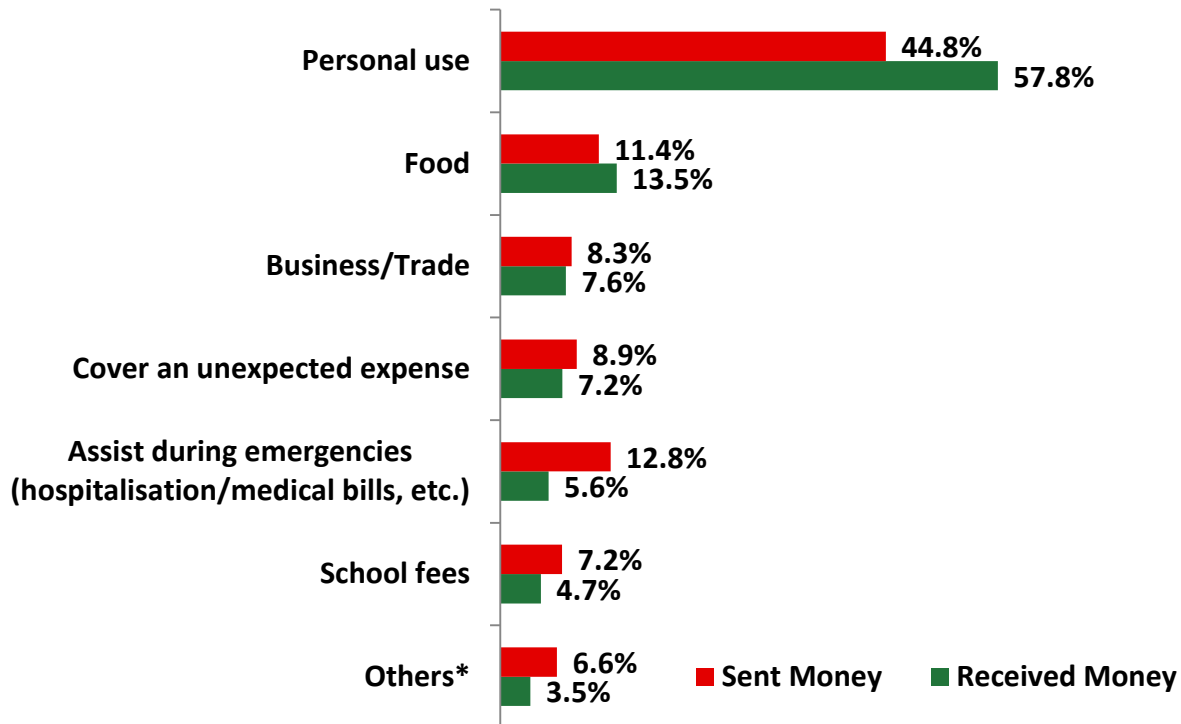
Over 70% of money transfers by the informally served is in the range of N10,000 and below



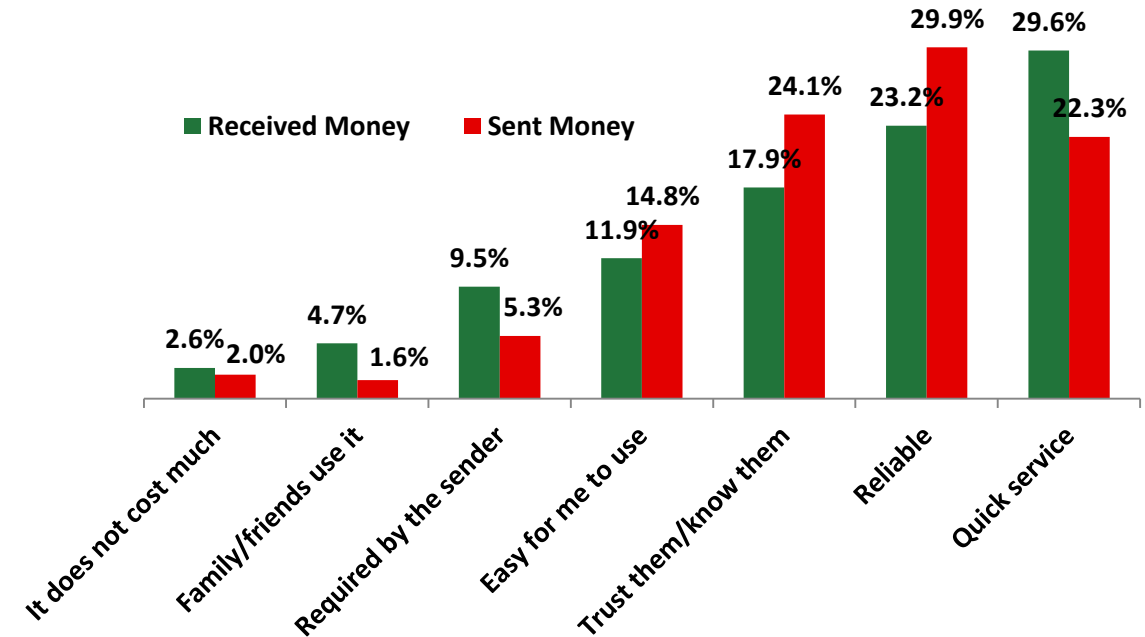
Money Transfers (2/2)

- Majority of the informally served received money for personal use and food, and sent money for personal use and to assist during emergencies
- Quick service, reliability and trust remain key considerations in the choice of transfer channel

For what reason have you mainly done money transfer?



Why did you mostly receive money this way?

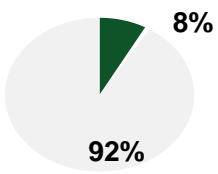
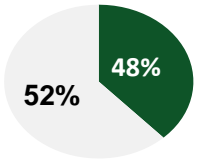
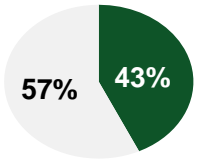
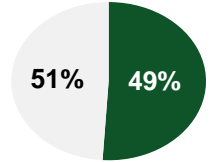


Potential Channels for Reaching the Informally Served

- In terms of awareness of location – provision shops, pharmacies and restaurants have the highest level of awareness

Awareness of location

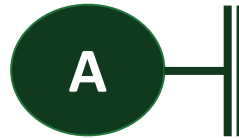
■ Yes □ No



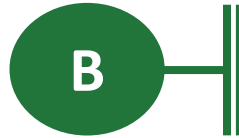
Travel time

Location	Less than 5 minutes	5 to 10 minutes	11 to 15 minutes	16 to 30 minutes	More than 30 minutes
Provision shop	45%	31.3%	9.5%	9.4%	4.8%
Pharmacy	24.6%	38.5%	18.8%	15.2%	2.9%
Petrol station	13.2%	34.5%	18.7%	23.3%	10.3%
Restaurant	29.7%	39.7%	16.4%	11.8%	2.4%
Post Office	4.3%	24.4%	20.5%	33%	17.8%

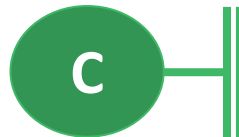
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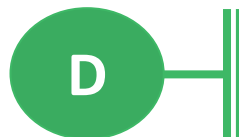
Background and Executive Summary



Demographic Profile of the Informally Served



Financial Access Strands



Financial Behavior and Preferences of the Informally Served



Summary

9.8%

Of the adult population
are informally
served

- 9.8% (9.4m) of the Nigerian adult population depend on informal sources of finance only
- 83.2% (7.8m) are based in rural areas
- 66% (6.23m) of the informally served earn less than ₦18,000 monthly
- 55% (5.2m) are female
- 49.2% (4.6m) own their own business mainly as traders of farming/agricultural inputs, non-farming products, and artisans
- 79.4% (7.5m) receive financial advice from family/friends or spouse
- 81.6% (7.7m) and 43.8% (4.1m) of the informally served save and borrow respectively
- 52.5% (4.9m) own a mobile phone
- 39% (3.7m) are open to the idea of using financial technology to manage their finances
- 74.6% (7m) of the informally served adults are willing to learn how to use new technology

₦42.9

Billion

Estimated monthly savings by the
Informally served in 2016

₦68.7

Billion

Estimated monthly borrowing by the
Informally served in 2016

- For the informally served which comprises mainly of marginalized customer groups such as women, youths, low income households, and the rural population, access to a wide range of affordable formal financial services expands their ability to mitigate against risks, improve their incomes and climb out of poverty.
- Regulators should consider formulating policies that would encourage savings through formal channels and drive national savings mobilization. Formal financial institutions should develop innovative savings products that pay interest with minimal charges, are easily accessible, safe, and convenient.
- Formal financial service providers should develop customized credit products with short approval times that mimic the features of credit products currently being used by the informally served.
- There is a huge opportunity among the informally served for the adoption of formal financial services through technology. Increased financial literacy and awareness campaign remains key to driving the uptake of mobile money within this group

EFInA Access to Financial Services in Nigeria 2008 / 2010 / 2012 / 2014 / 2016 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 or Ms Excel format
- Key findings can be downloaded from the EFInA website

Data Options

- Data request form can be downloaded from the EFInA website
 - Full dataset
 - Limited number of variables
 - Customised analysis

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Website

www.efina.org.ng