

EFInA Access to Financial Services in Nigeria 2012 Survey

Key Findings

22 November 2012 (updated May 2013)

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A. Background

About EFInA

- Financial sector development organisation promoting financial inclusion
- Funded by DFID and Bill & Melinda Gates Foundation

Vision

“Leader in facilitating an all-inclusive and growth-promoting financial system”

- Research
- Innovation
- Advocacy
- Capacity Building

Pillars

About the survey

- Nationally representative of all adults (18+)
- 3rd survey year (2008, 2010, 2012)

Objectives

“Relevant and reliable data on the demand for and usage of a range of financial products, both formal and informal in Nigeria”

- Input to evidence-based financial inclusion policies & reform
- Credible benchmarks & indicators for financial access
- Defines and quantifies the market opportunity for the low income segment
- Highlight trends in financial access over time

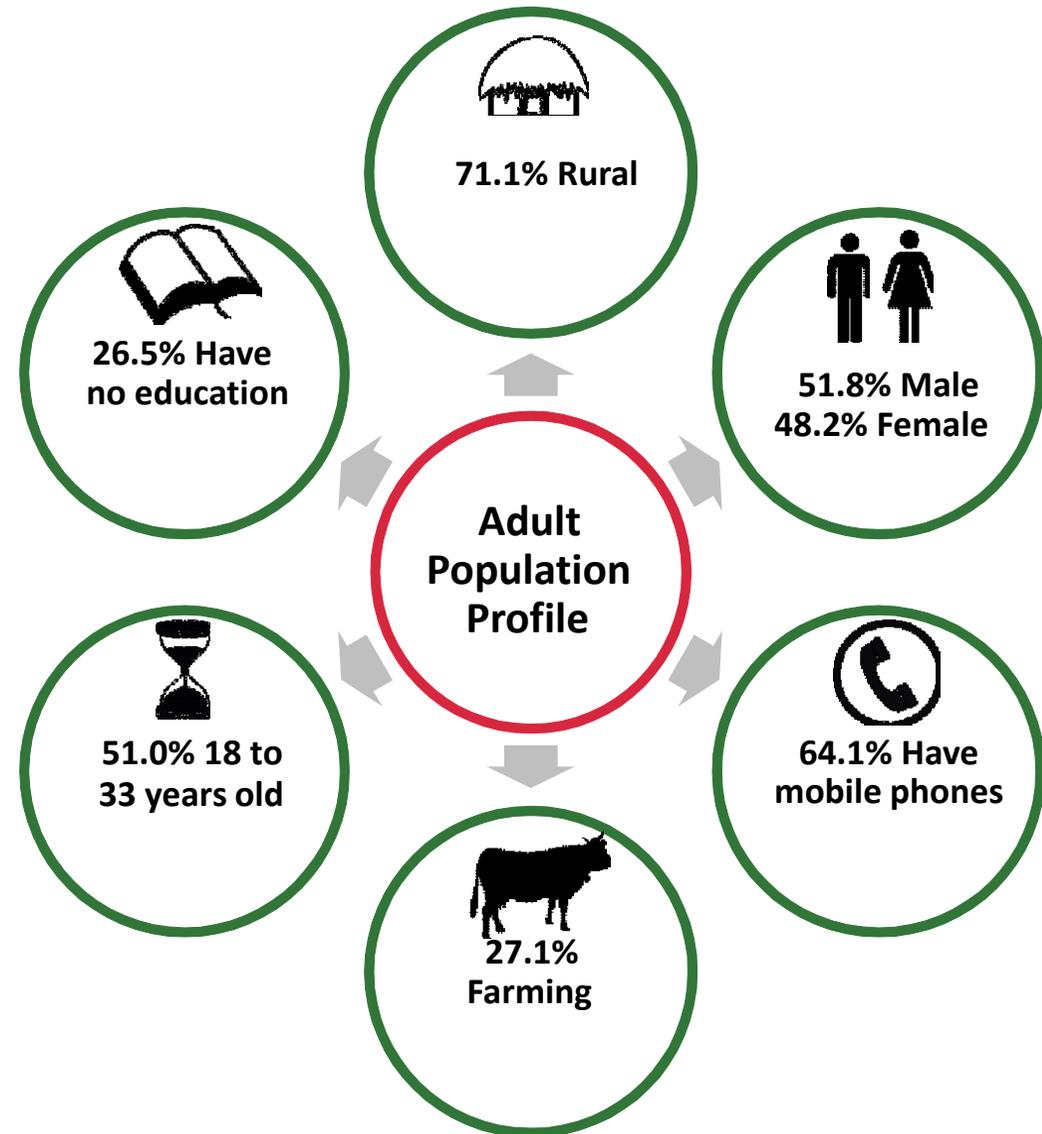
Coverage and Methodology

- 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

B. Overview of Sample Demographics

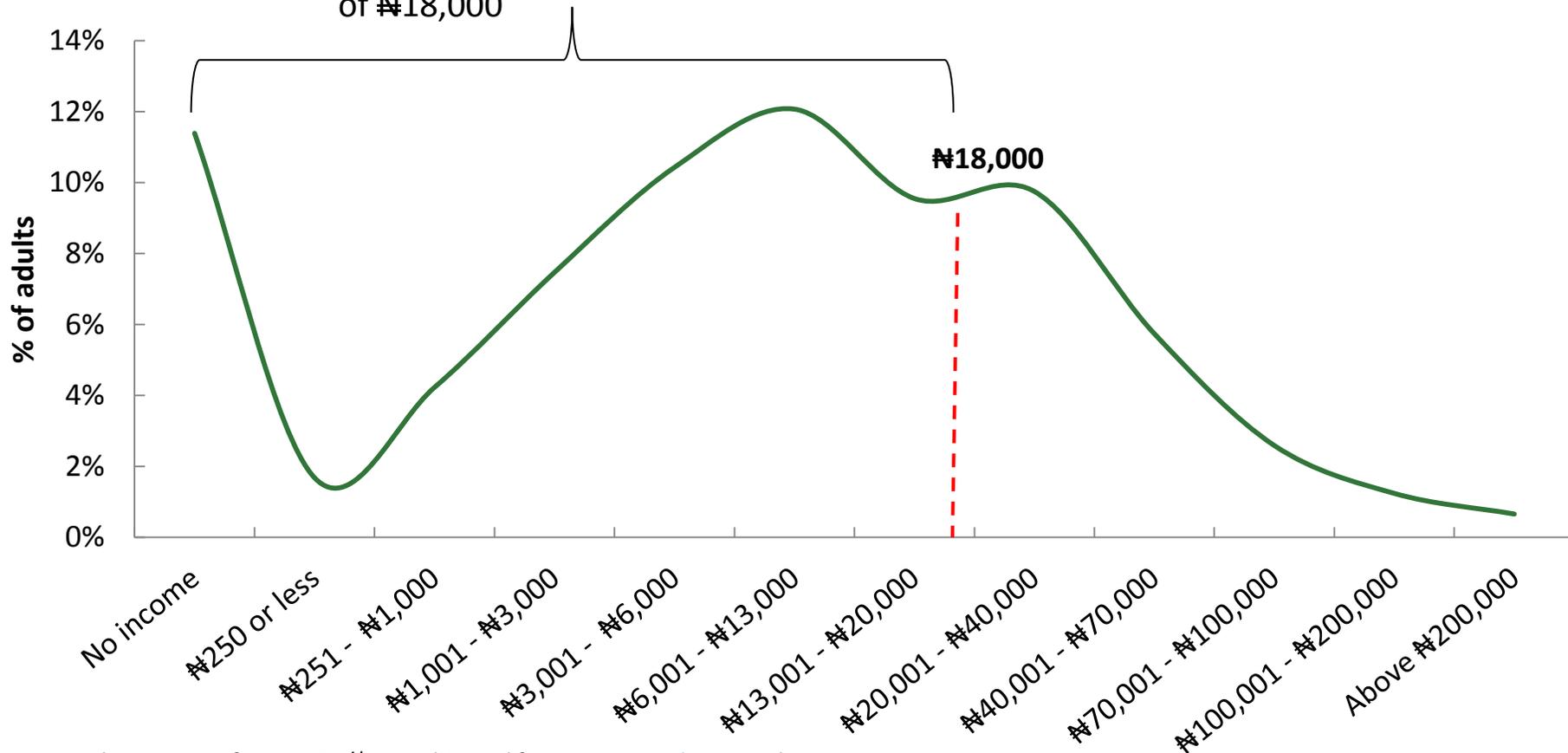
Demographic Profile

- ❑ The total adult population is 87.9 million
- ❑ Nigeria has a large rural (71.1%) population
- ❑ 51.0% of the adult population are under 33 years old
- ❑ 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 (\$447¹) per month
- ❑ More than half the population earns less than the monthly minimum wage of ₦18,000

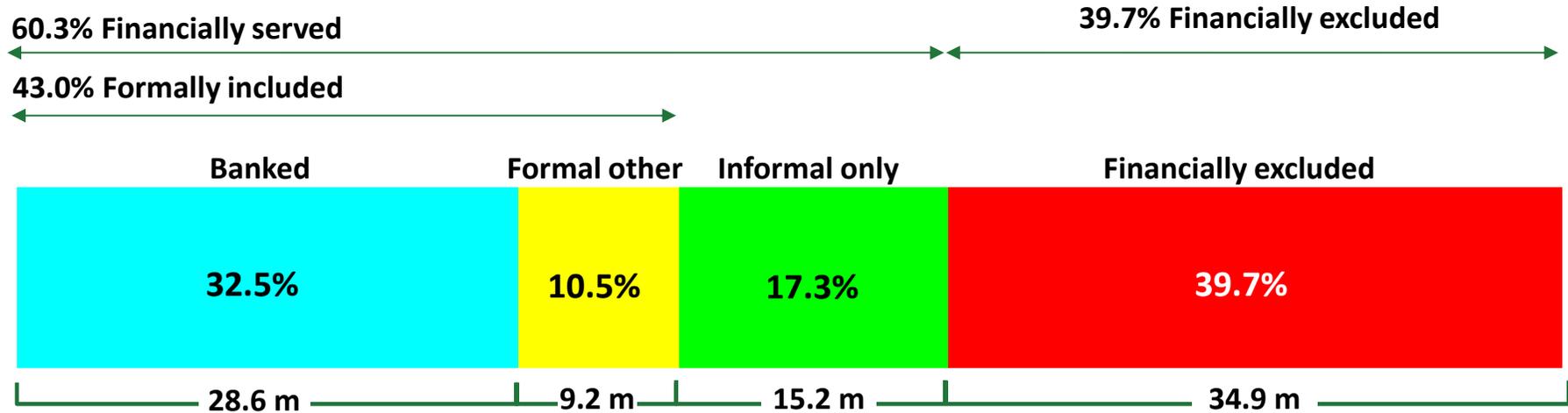


Using an exchange rate of N156.528/\$1 as obtained from www.oanda.com. This is the average rate for Jul 2012 – Sept 2012

C. Financial Access

Financial Access Strand

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

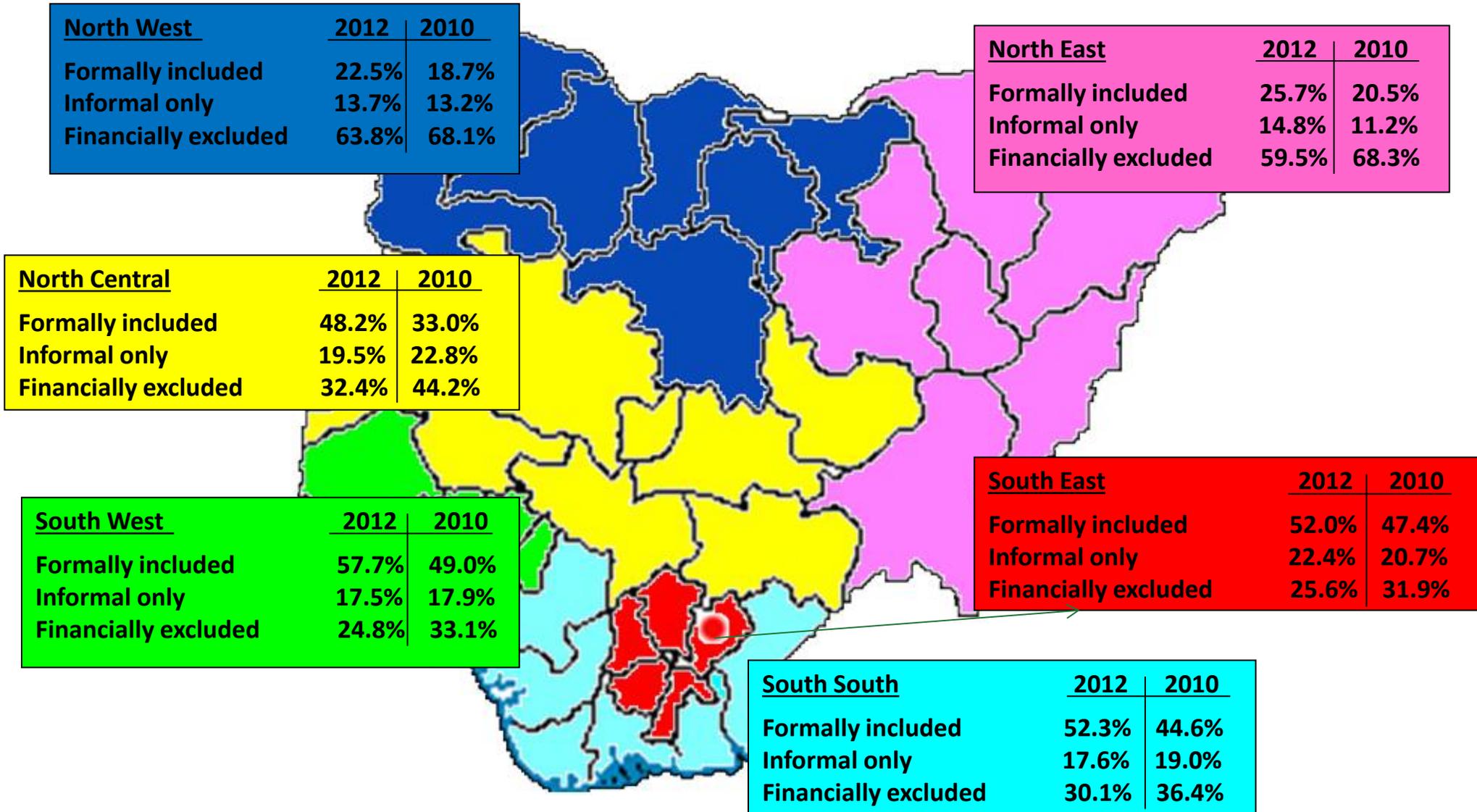


DEFINITION OF FINANCIAL ACCESS

- ❑ **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

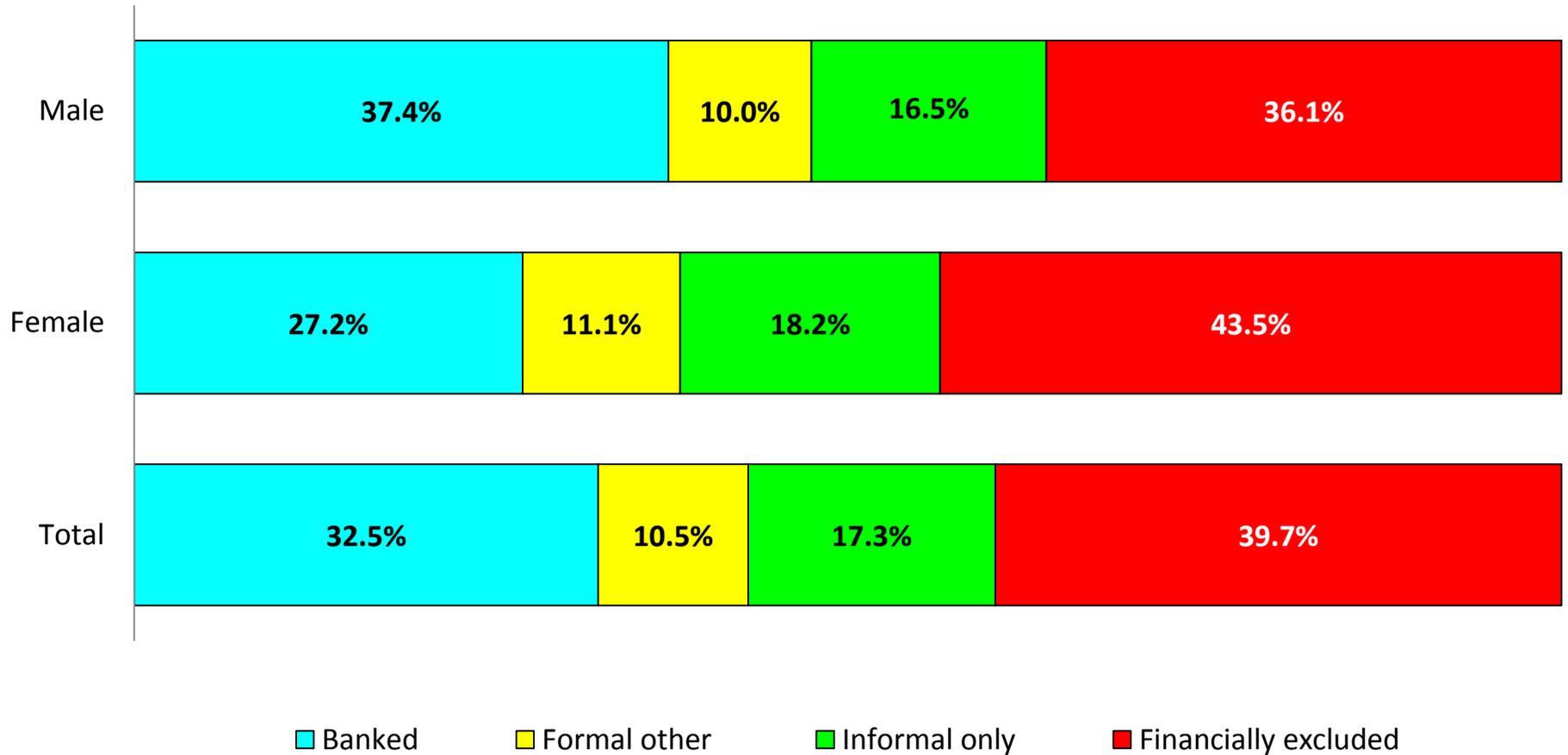
Financial Access by Geo-Political Zones

- The South West had the highest percentage of formally included adults at 57.7%
- The North West had the highest percentage of financially excluded at 63.8%



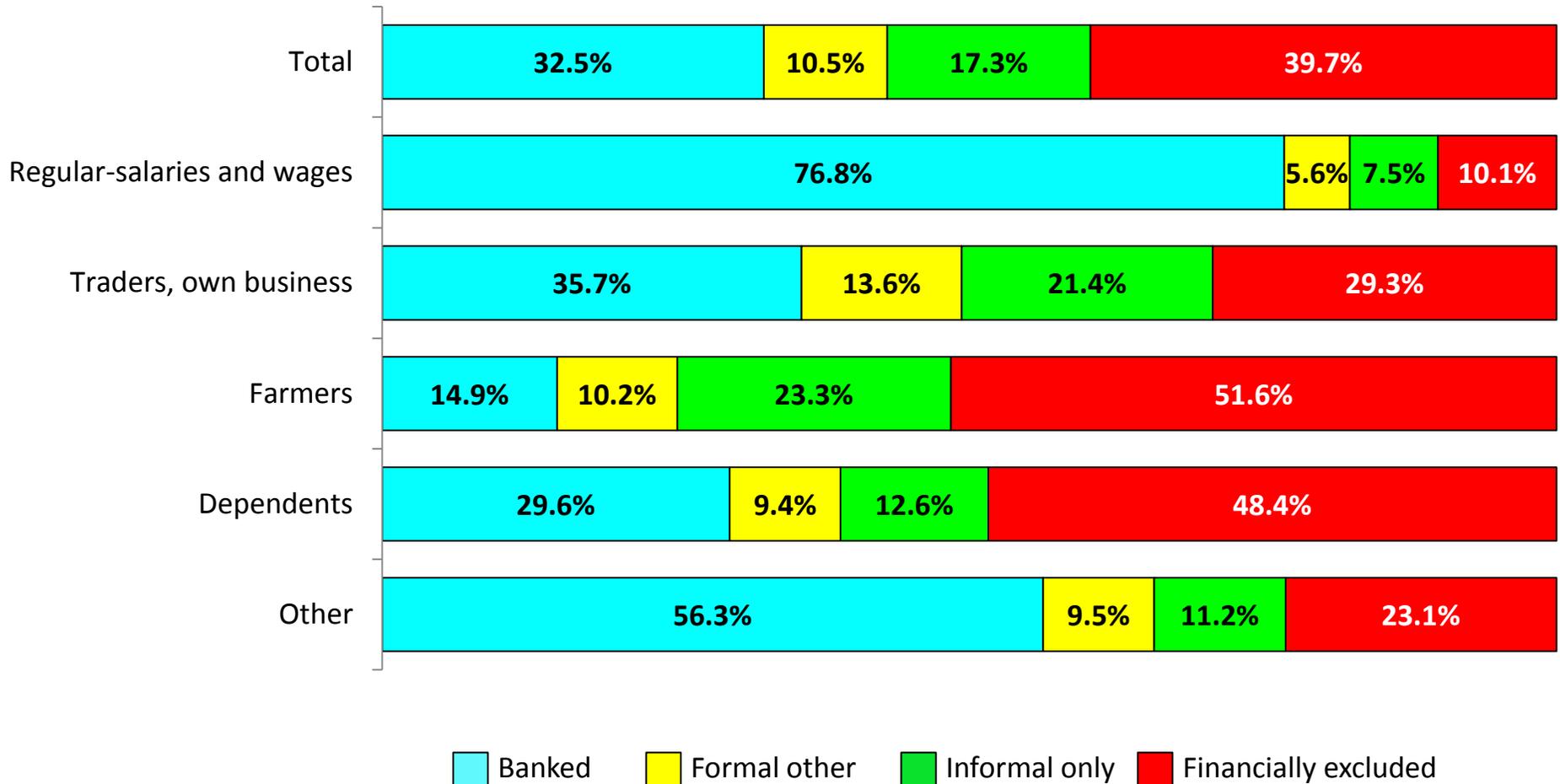
Financial Access by Gender

☐ Females remain more financially excluded



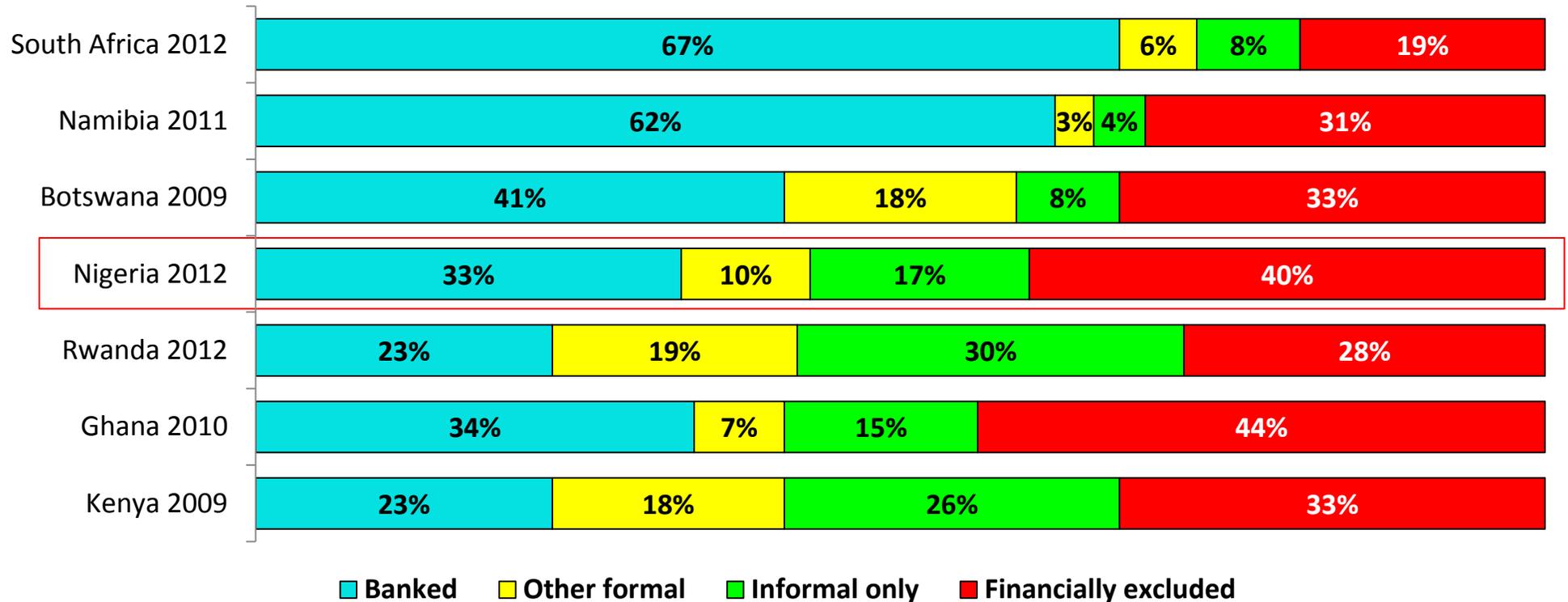
Financial Access by Main Source of Income

- Formally employed market almost saturated – opportunities lie among traders & farmers



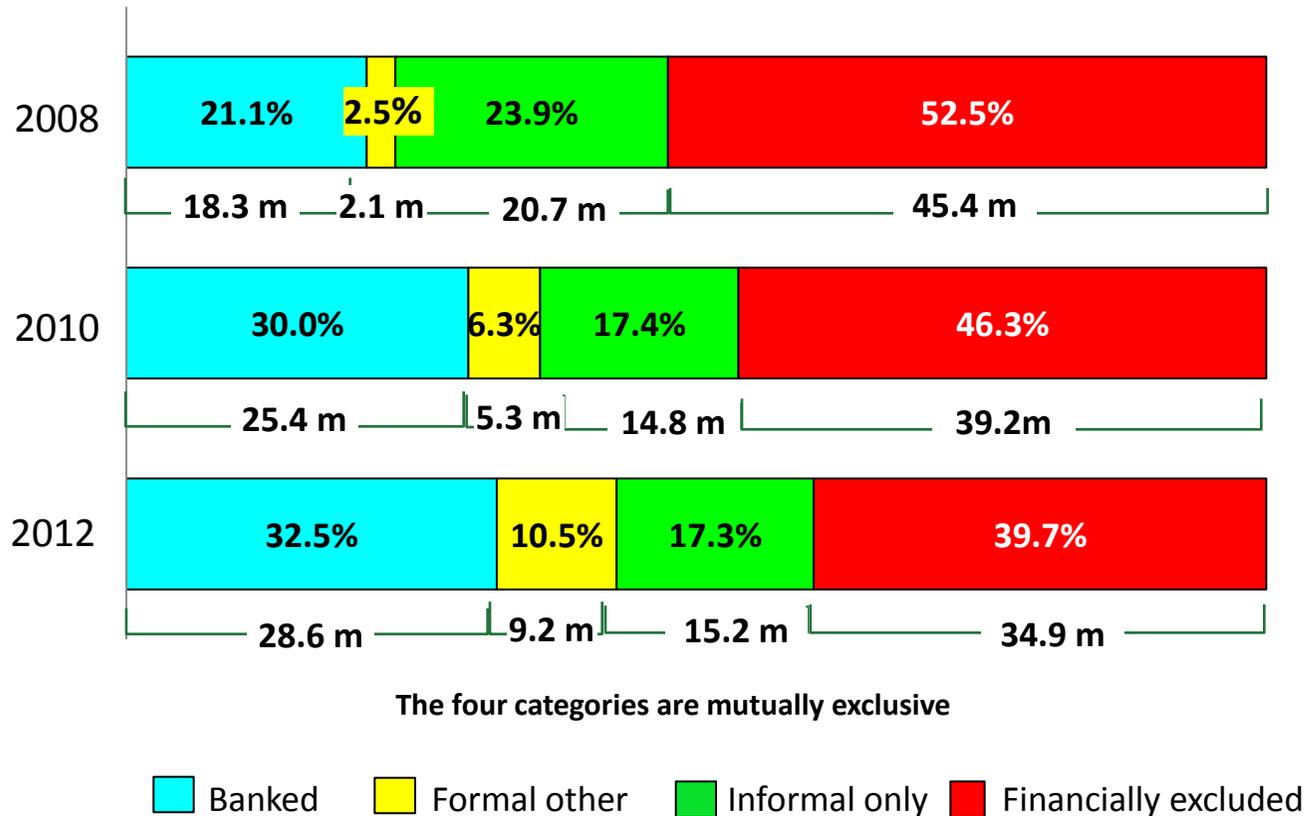
Financial Access - Cross Country Comparisons

- ❑ Nigeria lags behind South Africa, Namibia and Botswana in terms of the percentage of the population who are formally included



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

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**

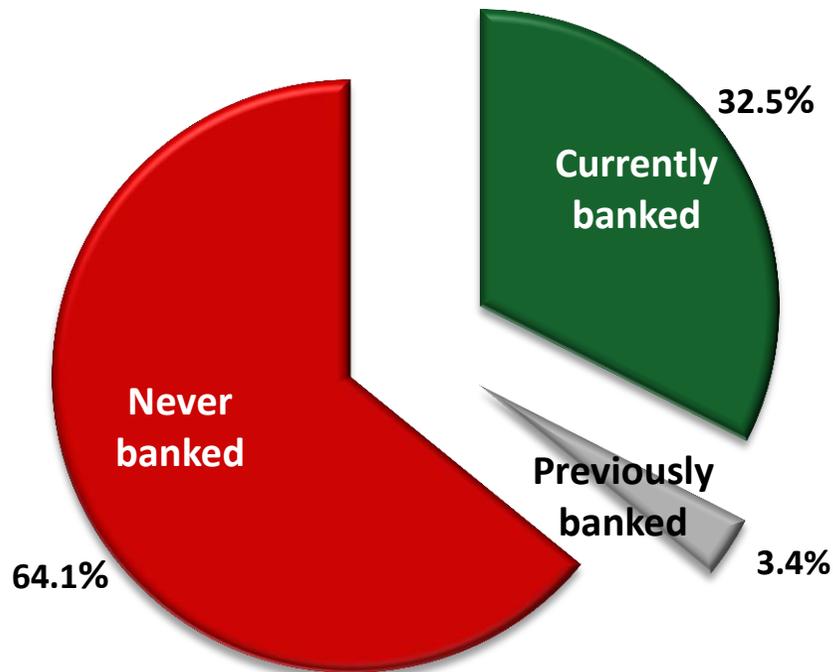
Note: 2010 & 2012 figures include remittances (Formal other and Informal only), whereas 2008 does not

D. Analysis of the Segments of the Financial Sector

Banking – Deposit Money Banks

Banking Profile of the Adult Population

- ❑ 62.6% of adult males are unbanked
- ❑ 72.8% of adult females are unbanked
- ❑ 76.2% of the rural population is unbanked



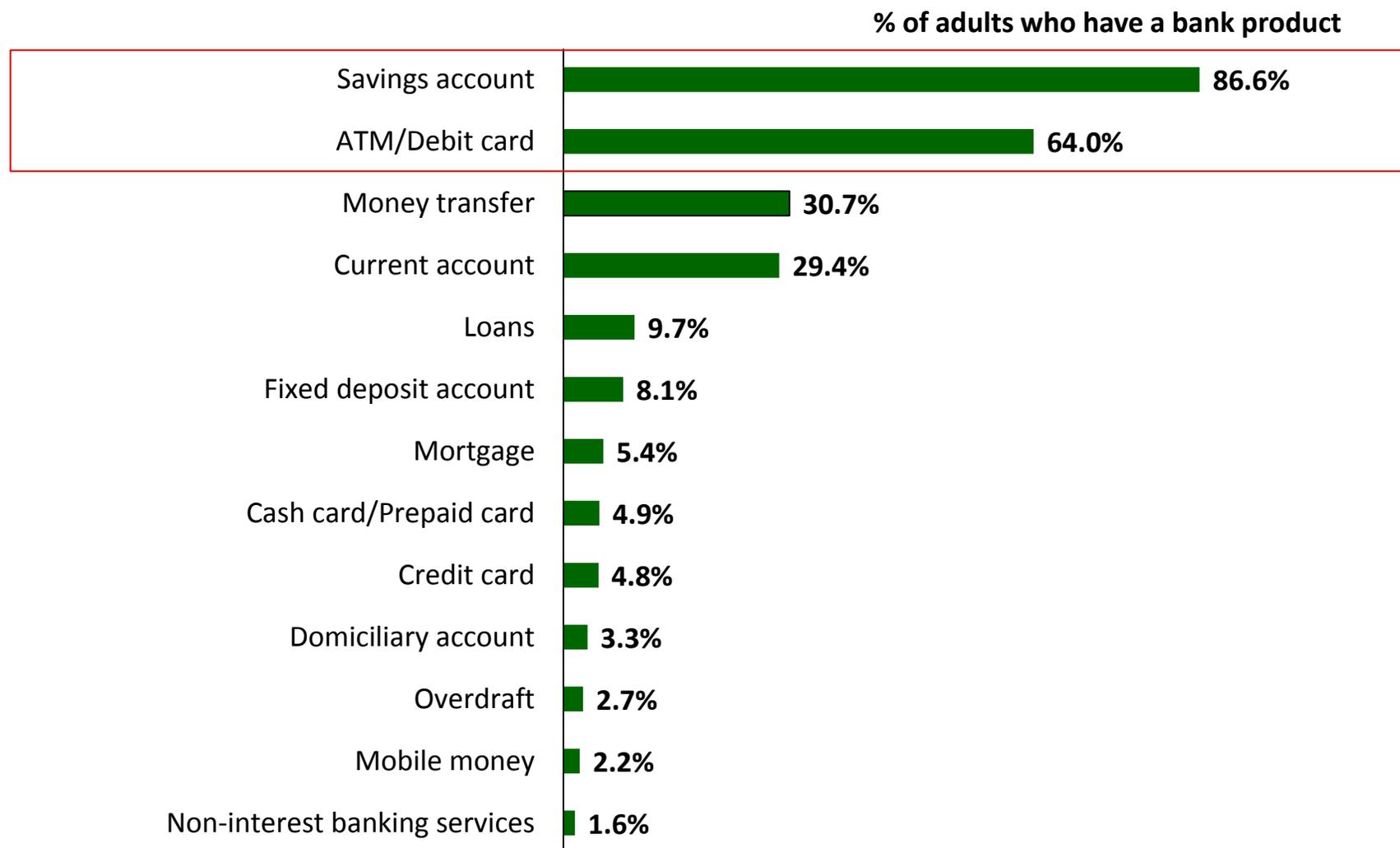
- ❑ Only 32.5% of the adult population currently have and/or use a bank account, which is equivalent to 28.6 million people
- ❑ 64.1% of the adult population has never been banked, which is equivalent to 56.3 million people
- ❑ 3.4% of the adult population were previously banked, which is equivalent to 3.0 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; includes indirect access

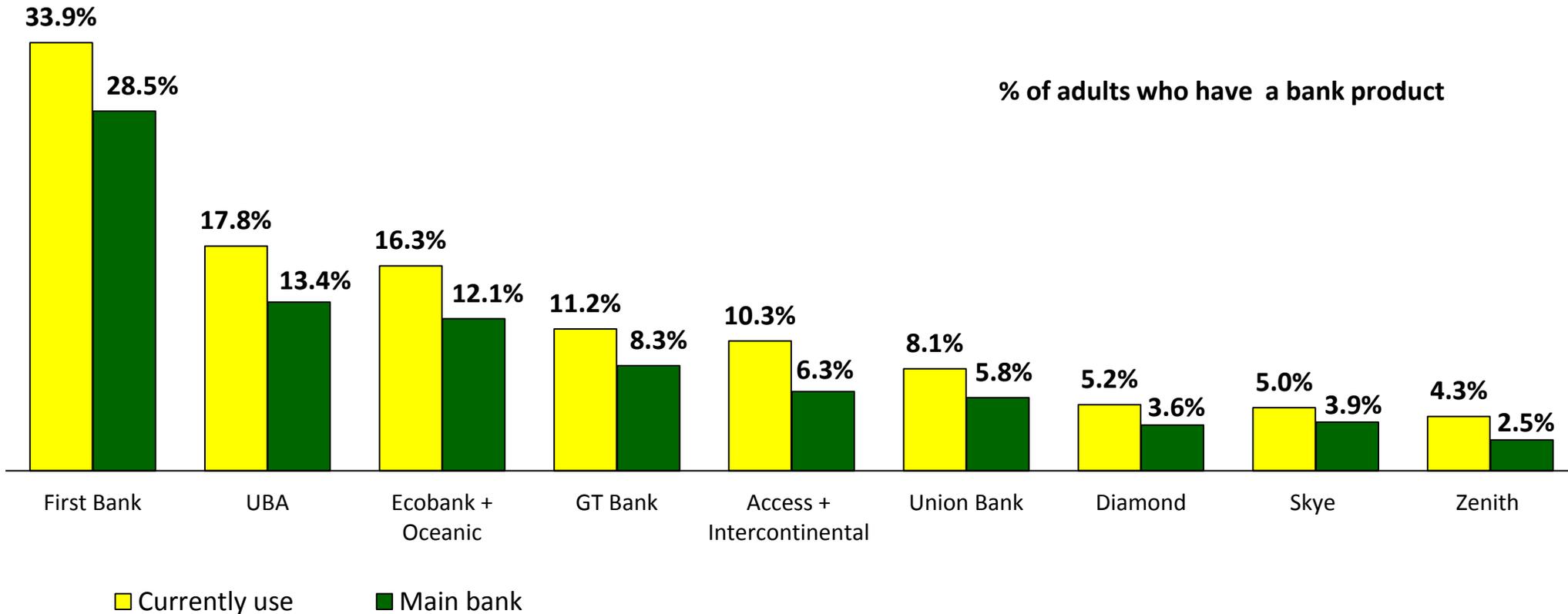
Uptake of Deposit Money Bank Products

- Of the 25.5 million adults who have a bank product – 22.1 million have savings accounts, 16.3 million have ATM cards and 7.5 million adults have current accounts



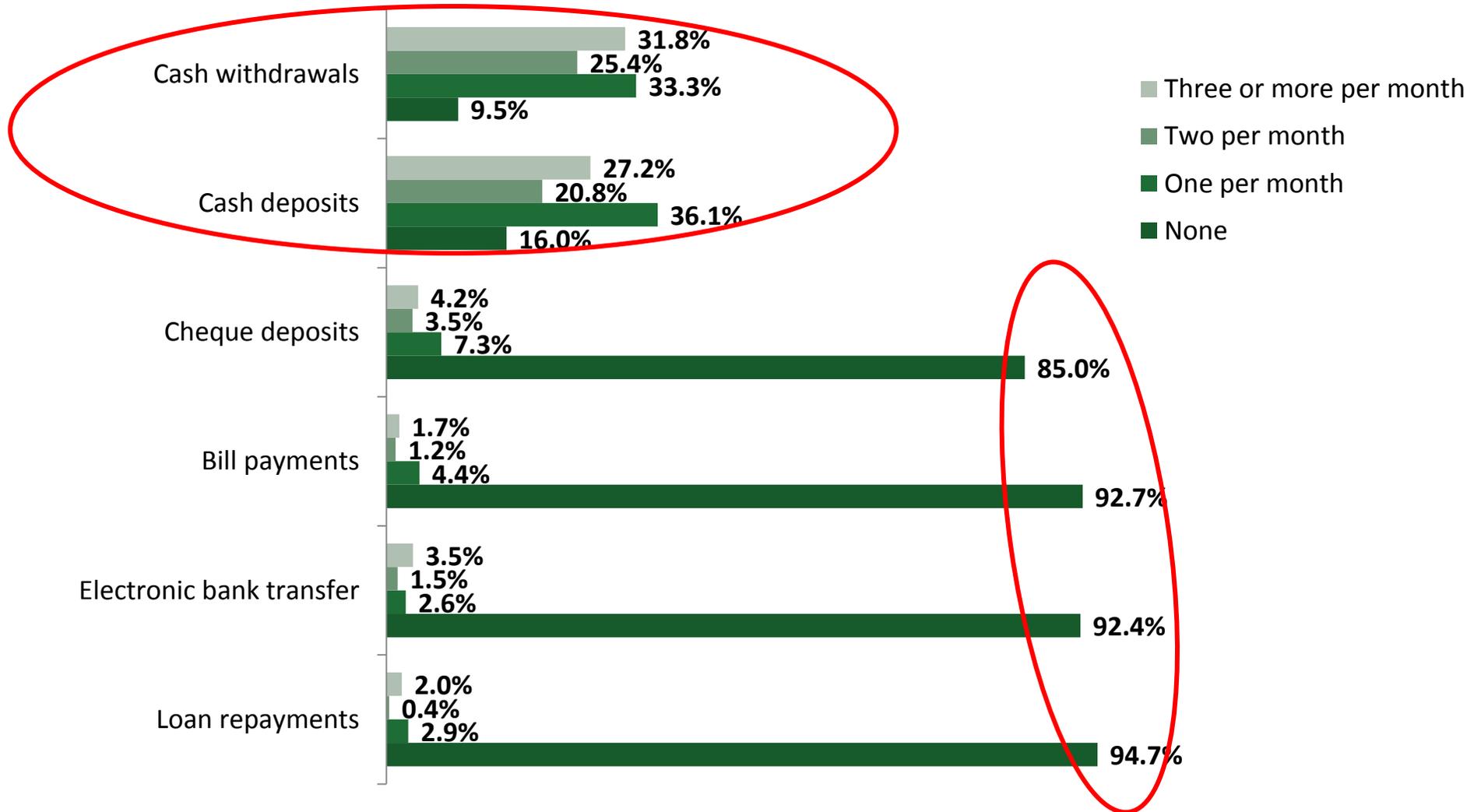
Deposit Money Banks Used Most Often

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



Frequency of Bank Product Usage

- ❑ Bank customers most frequently make cash withdrawals and cash deposits
- ❑ Most people do not use cheque deposits, electronic bank transfers, bill payments and loan repayments



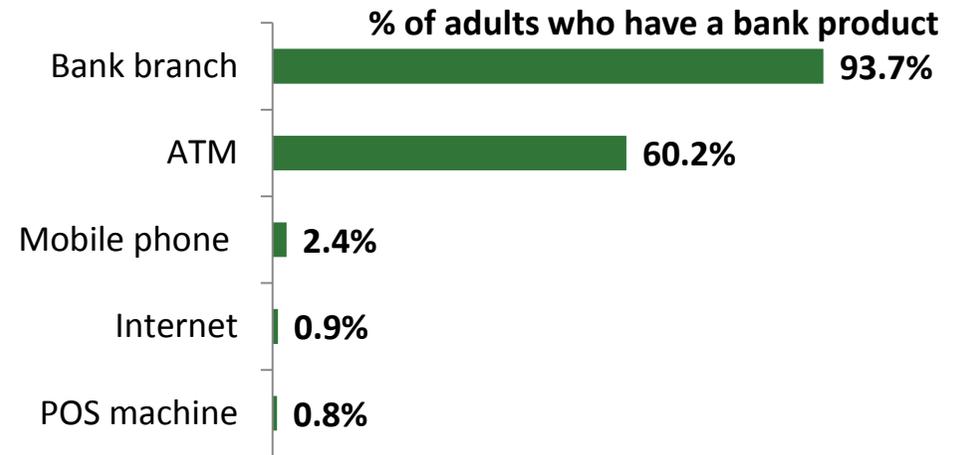
Channels Used for Banking Transactions

- ❑ **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

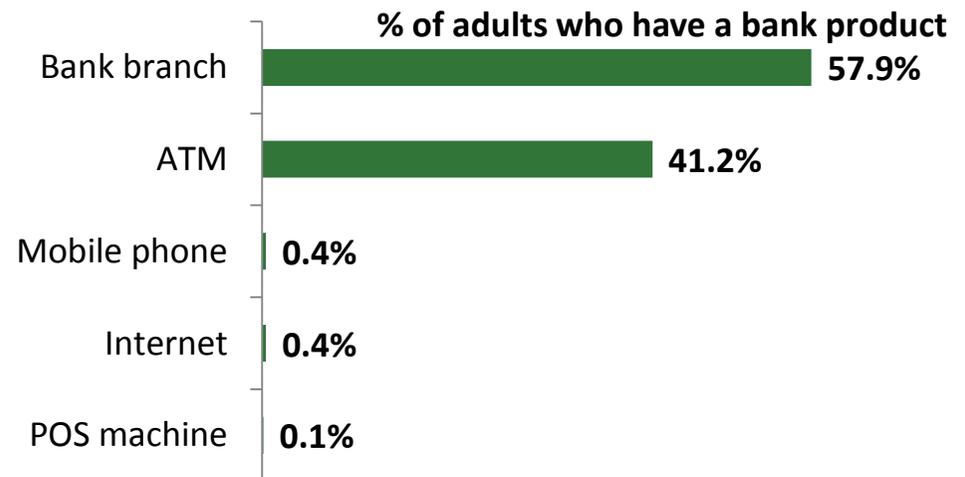
- ❑ **ATMs:**
 - 60.2% of adults who have a bank product, use ATMs for transactions
 - 41.2% say ATMs are their most important channel

- ❑ **Mobile phones/POS machines**
 - Transactions through mobile phones and POS machines are still extremely low

Channels used for banking transactions

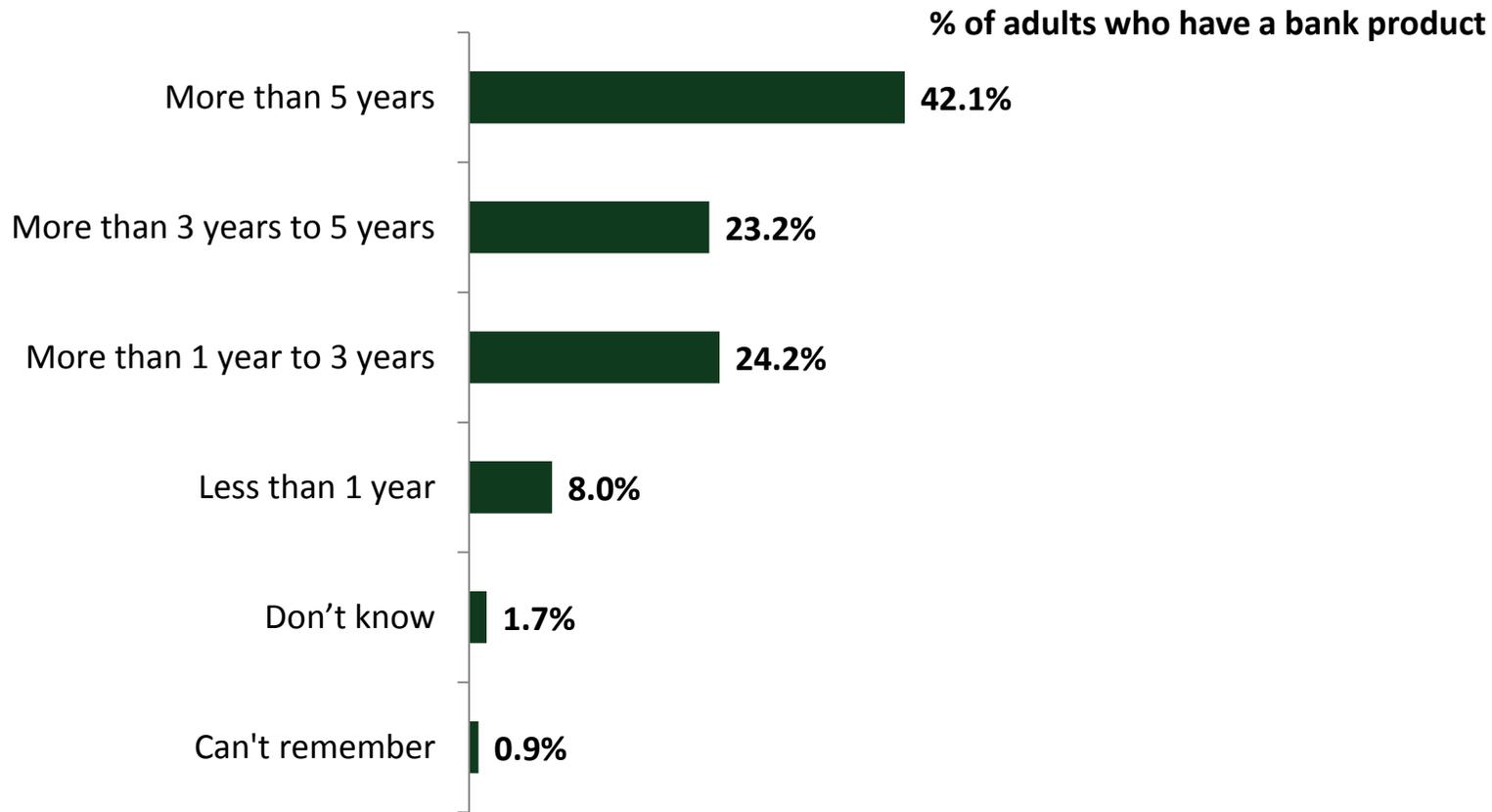


Most important channels for banking transactions



Length of Time With Main Deposit Money Bank

- ☐ People generally seem happy with their bank – 42.1% of adults who have a bank products, have been dealing with their main bank for 5 years or more

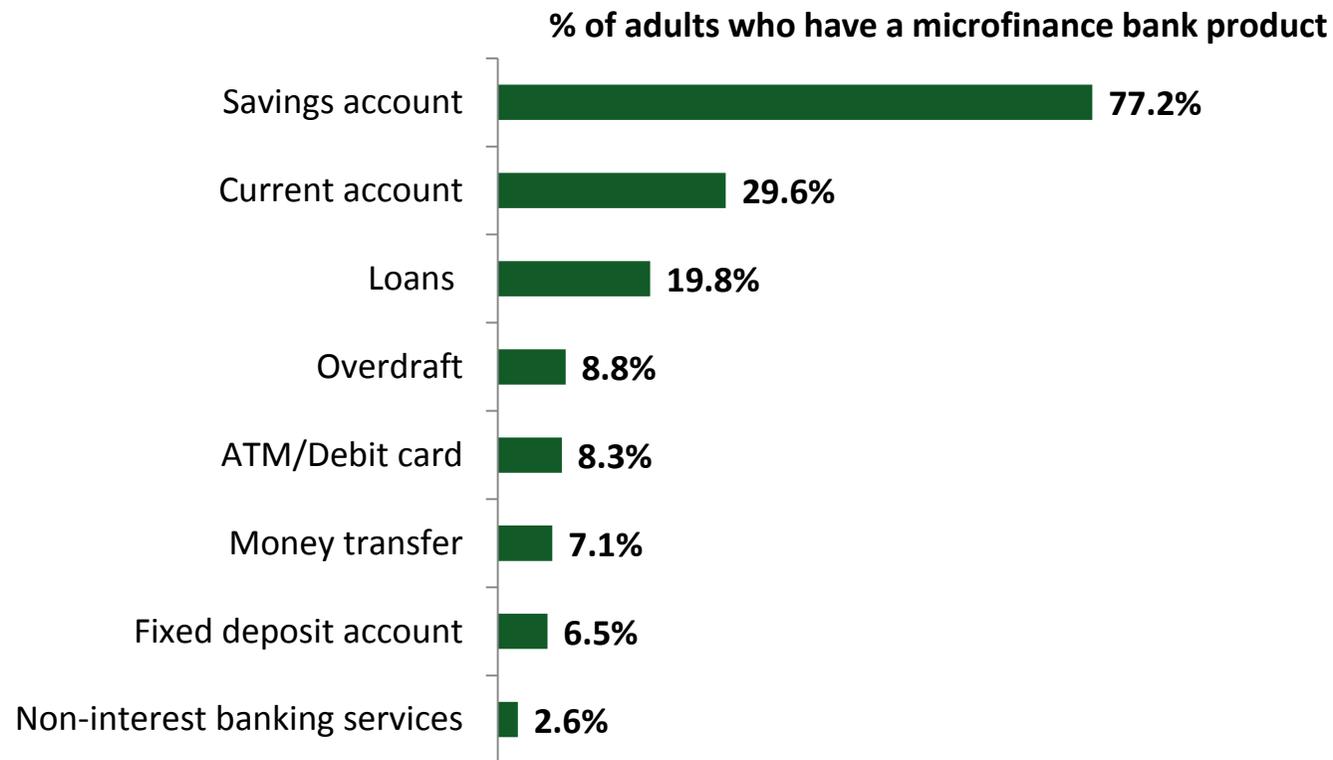


Microfinance

Microfinance Banks (MFBs)

- ❑ 4.6 million adults (5.2% of the adult population) have a Microfinance Bank account, of which 56.4% are male and 43.6% are female
- ❑ The most commonly used MFB product is a savings account

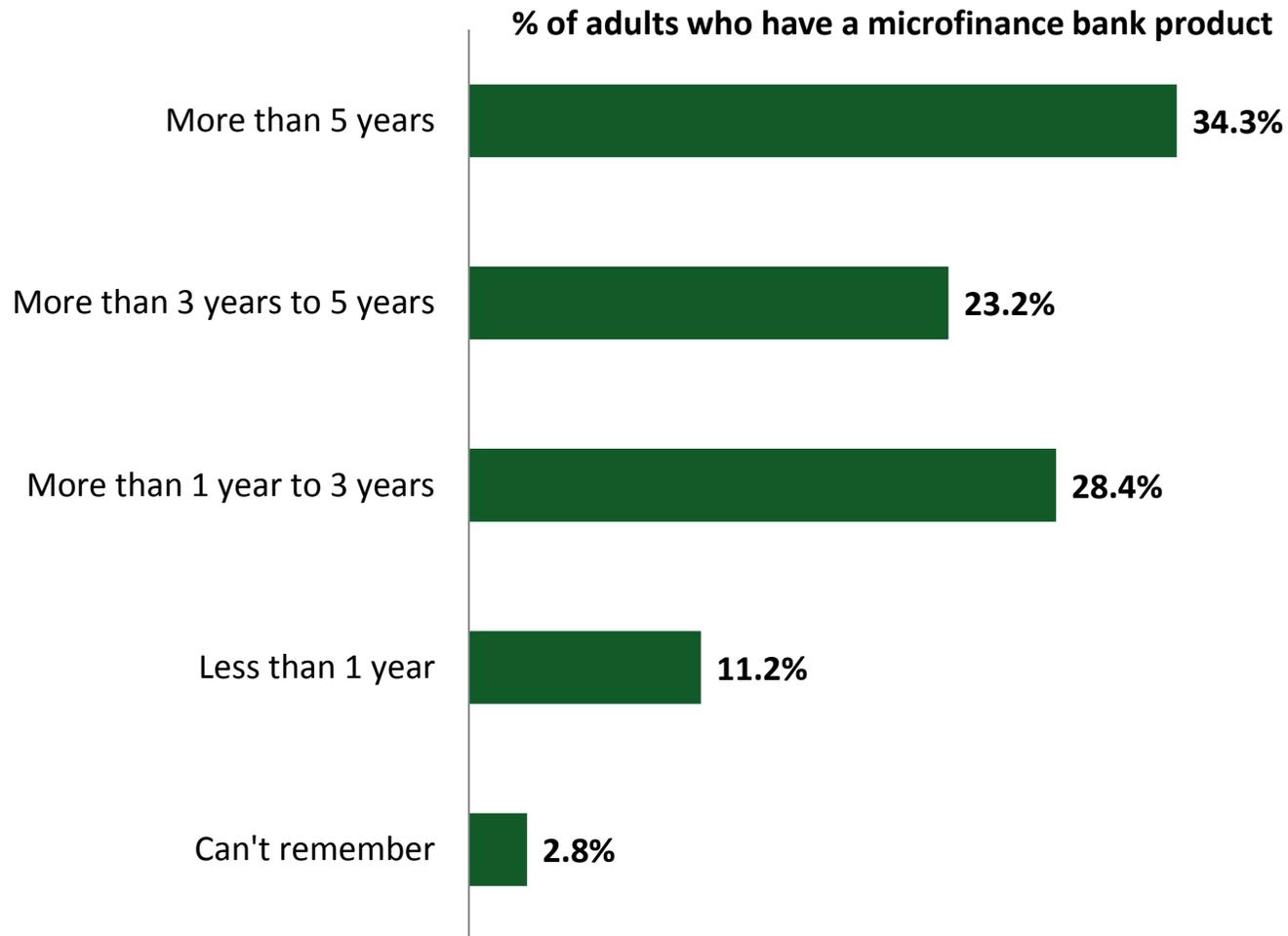
Uptake of Microfinance Bank products



Source: EFInA Access to Financial Services in Nigeria 2012 survey

Length of Time With Microfinance Bank

- ❑ People have been with Microfinance Banks for a slightly shorter period than they have with Deposit Money Banks
- ❑ 34.3% of those who have a MFB account have been with their bank for longer than 5 years*

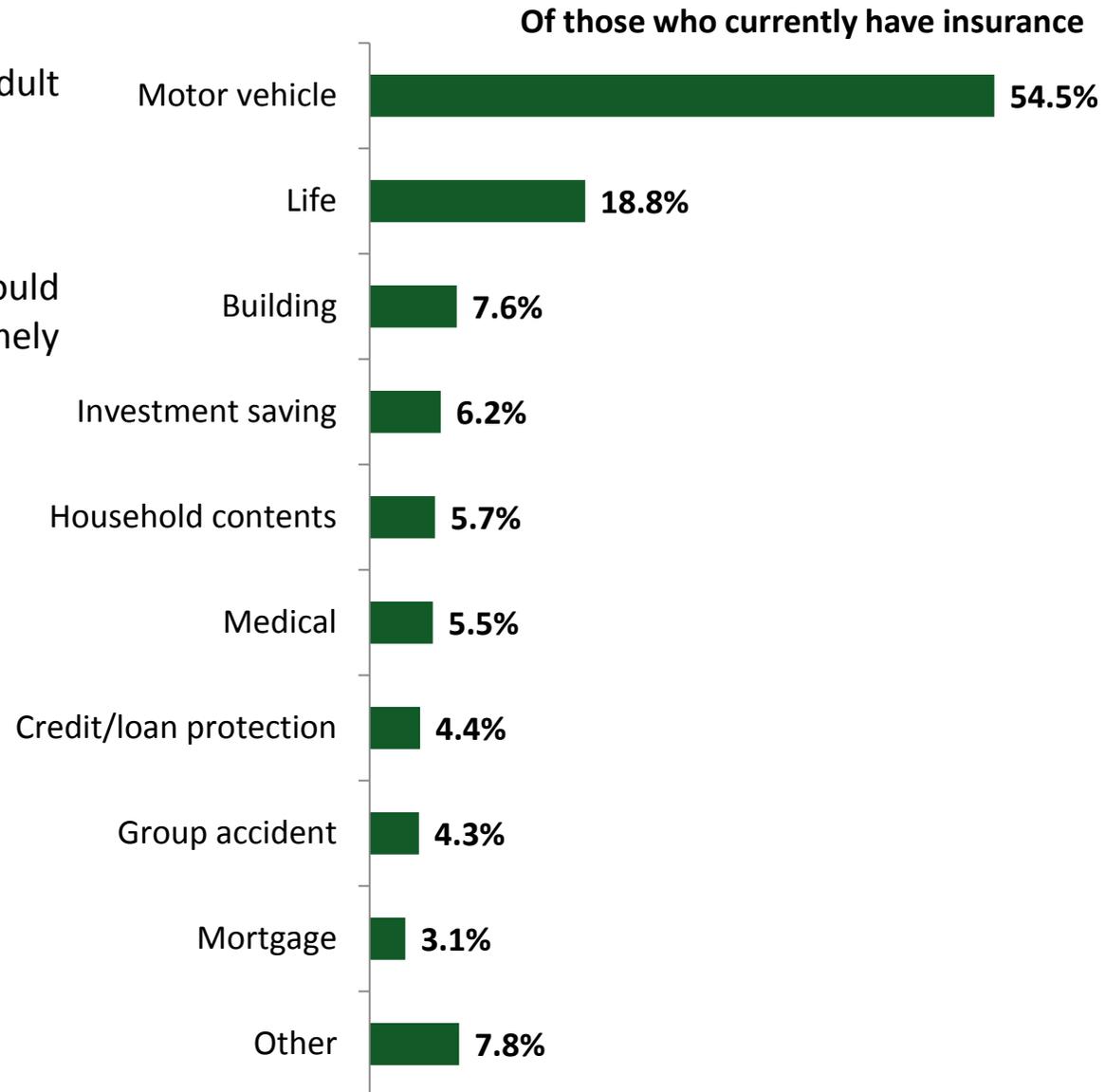


* This includes the period when MFBs were called Community Banks

Insurance

Penetration of Insurance Products

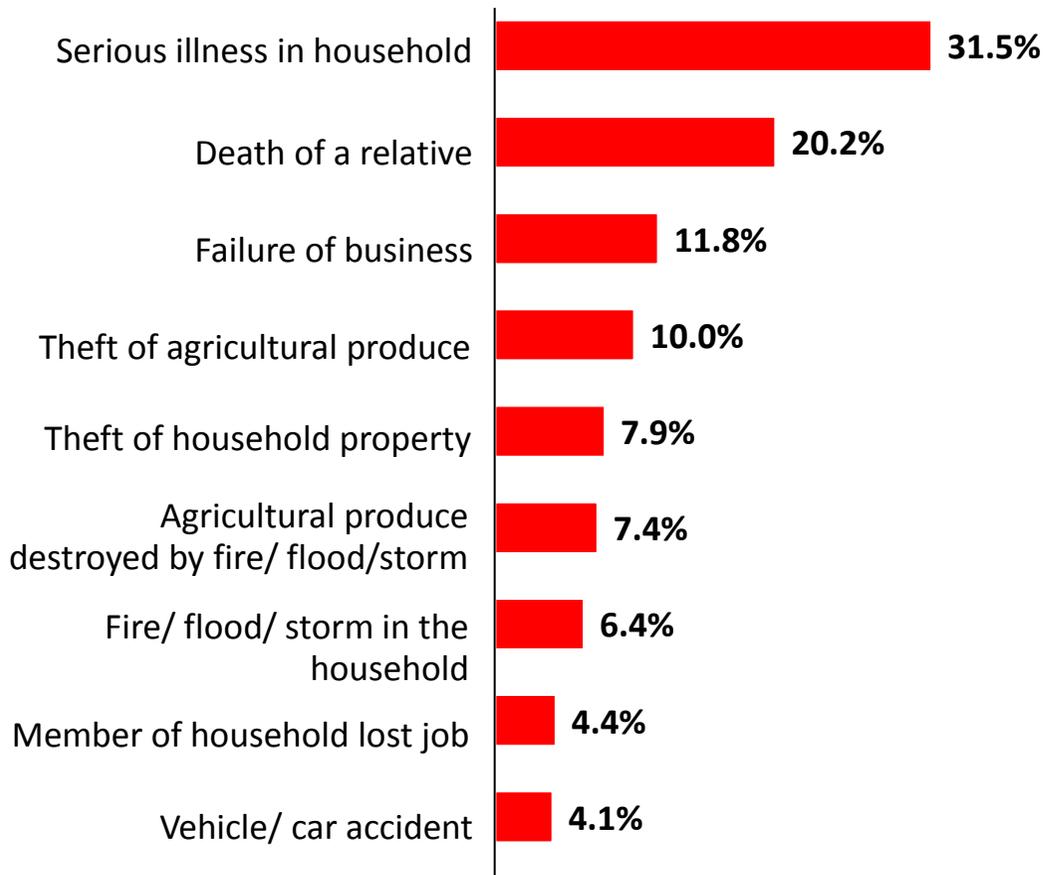
- ❑ Only 1.3 million adults (1.5% of the adult population) have insurance
- ❑ Vehicle insurance has the highest uptake
- ❑ Areas where risks are experienced and would imply a high need for insurance, have extremely low uptake such as:
 - Life assurance
 - Medical/critical illness cover
 - Livestock/agriculture insurance



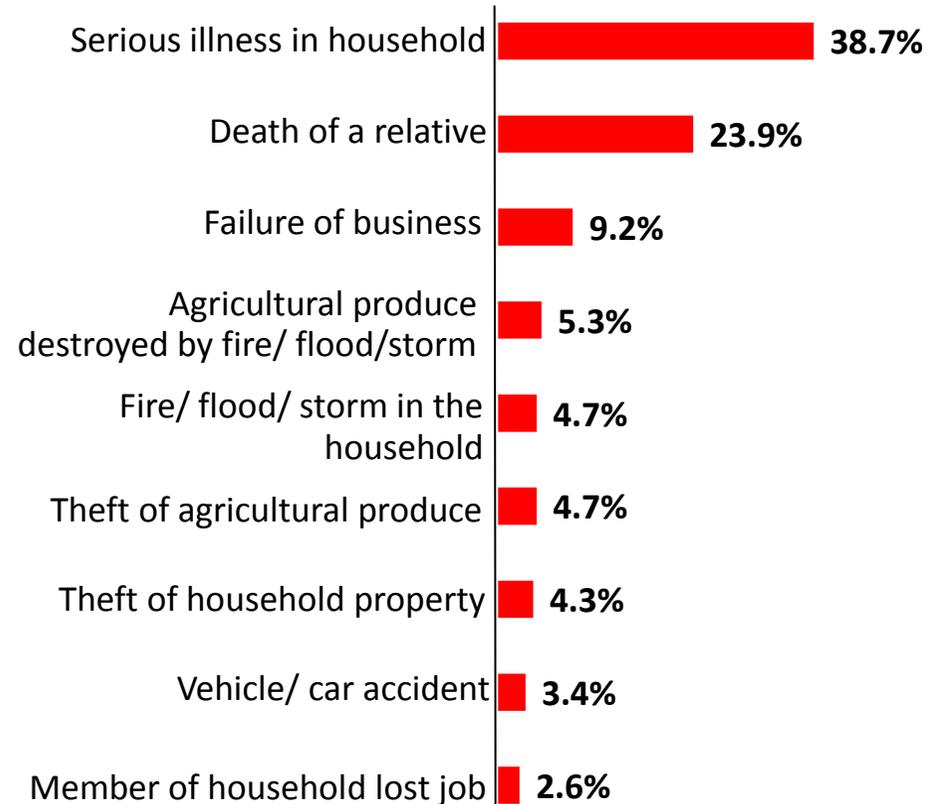
Risks Experienced and Impact on Household Finance

- ☐ 27.7 million adults experienced serious illness of a household member
- ☐ The top two risks experienced that had the most impact on household finance were serious illness of a household member and death of a relative in the household

Risks experienced



Risks experienced that had greatest impact on household finance



Risks Experienced/Coping Mechanisms

☐ People tend to use a variety of **coping mechanisms** rather than insurance for risks experienced

Coping with illness

- ☐ Out of the 27.7 million adults who experienced serious illness of a household member:
 - About half used their own savings
 - About 15% cut back on expenses
 - Other coping strategies included selling livestock, borrowing from family/friends, selling assets, asking for donations and borrowing from the bank



Only 369,000 used insurance

Coping with death in household

- ☐ Out of the 17.7 million adults who experienced death of a household member:
 - Most used their own savings or did nothing
 - Other coping strategies included cutting back on expenses, borrowing from family /friends, selling livestock, borrowing from other sources, asking for donations and selling assets



Only 153,000 used insurance

Coping with agricultural risk

- ☐ Out of the 6.0 million rural adults experienced agricultural risk:
 - 42% did nothing
 - 24% used their savings
 - 15% cut down on expenses
 - 8% sold livestock
 - Other strategies included asking for donations, borrowing from family/friends and selling assets

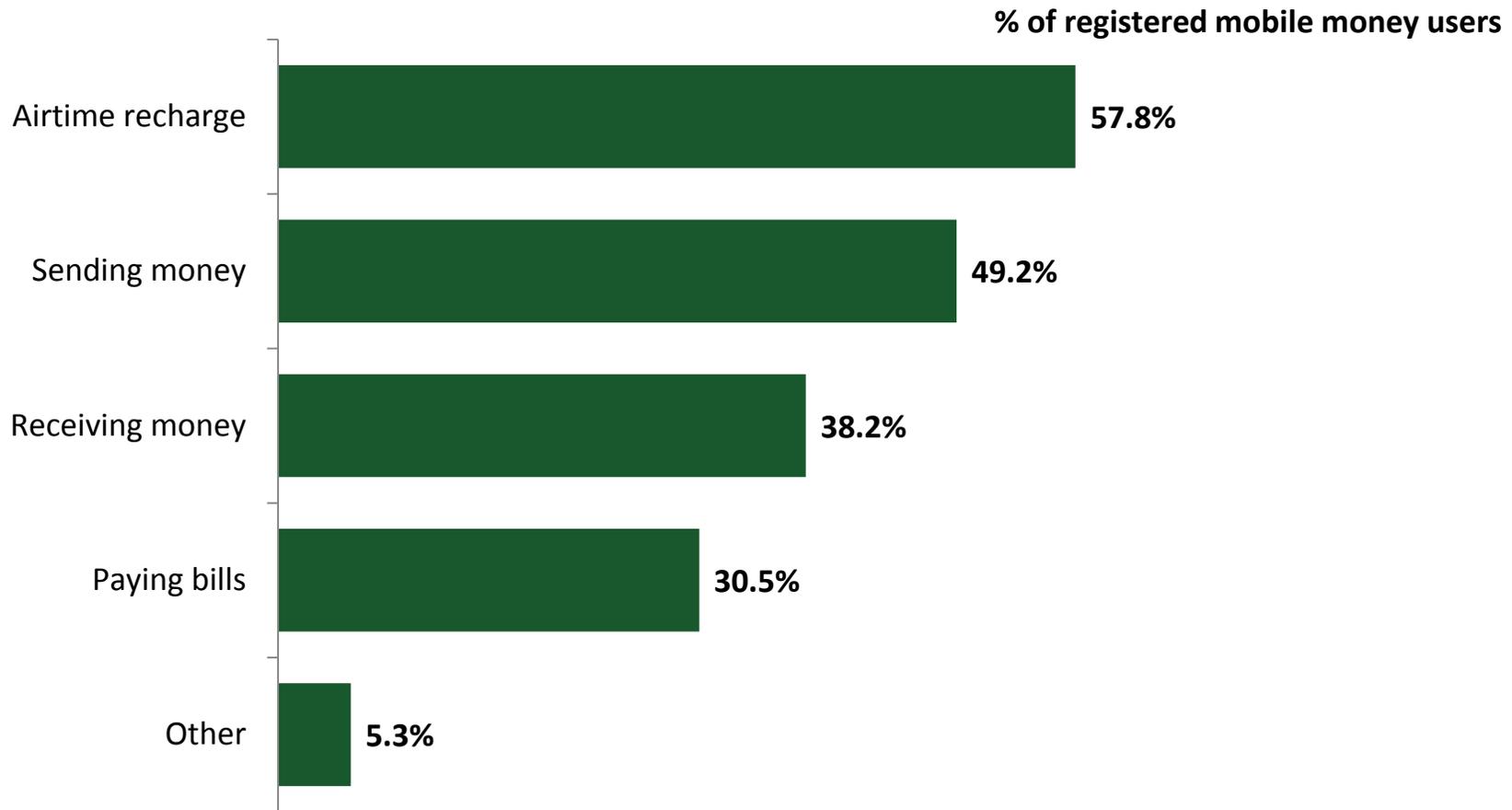


Only 70,600 used insurance

Mobile Money

Mobile Money

- ❑ 4.8 million adults (5.5% of the adult population) are aware of mobile money operators (MMOs)
- ❑ Only 0.4 million adults (0.5% of the adult population) are registered with any mobile money operator
- ❑ Mobile money is most often used to buy airtime

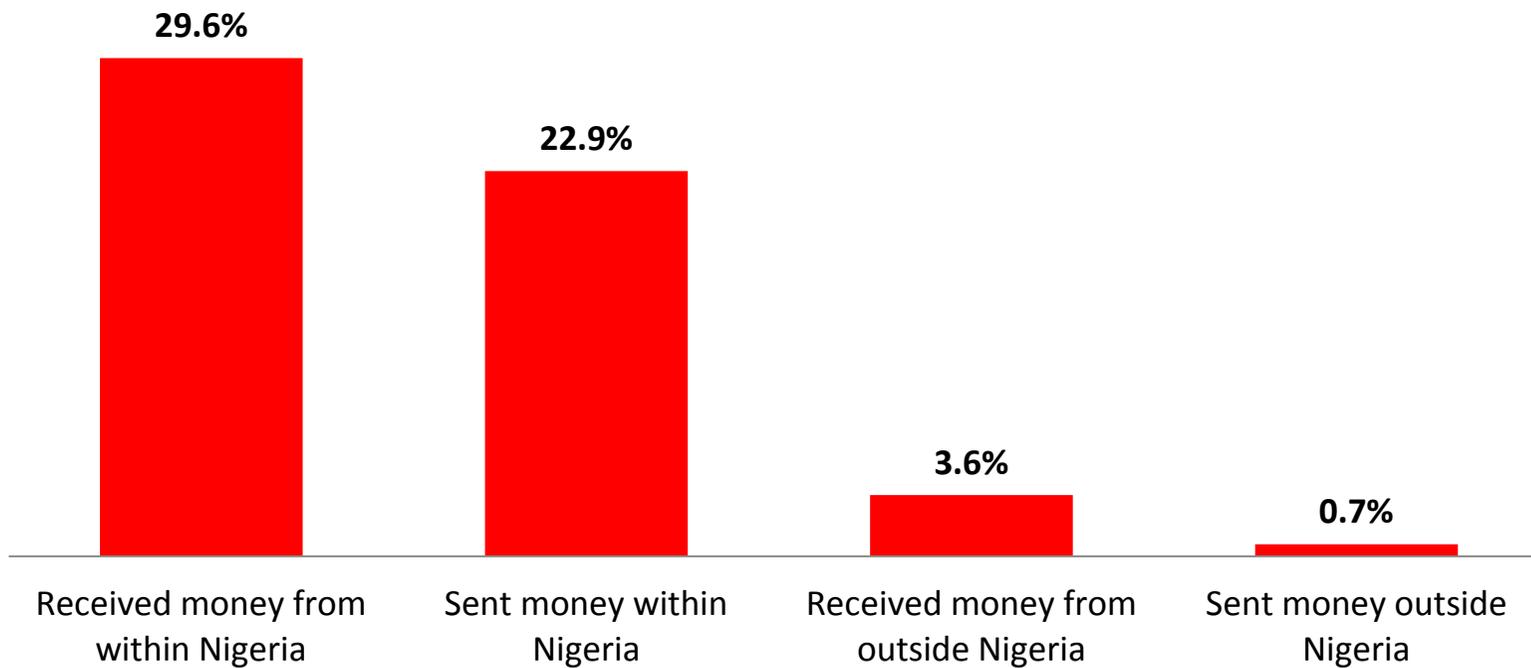


Remittances

Remittances

In the six months prior to being interviewed:

- 26.1 million adults (29.6% of the adult population) received remittances from within Nigeria
- 20.1 million adults (22.9% of the adult population) sent remittances within Nigeria
- 3.2 million adults (3.6% of the adult population) received remittances from outside Nigeria
- 0.6 million adults (0.7% of the adult population) sent remittances to outside Nigeria



Amounts Received Through Domestic and International Remittances

- ❑ 7.4 million adults who received domestic remittances in the six months prior to being interviewed, received between ₦10,001 and ₦50,000
- ❑ 1.2 million adults who received international remittances in the six months prior to being interviewed, received between ₦10,001 and ₦50,000

Of those that received either domestic or international remittances

Amount received the last time	Domestic (%)	International (%)
Below ₦2,500	12.2	3.9
₦2,501 – ₦5,000	22.9	5.9
₦5,001 – ₦10,000	25.4	10.6
₦10,001 – ₦50,000	28.3	37.1
Above ₦50,000	8.8	33.1
Refused to answer/Can't say	2.4	9.4

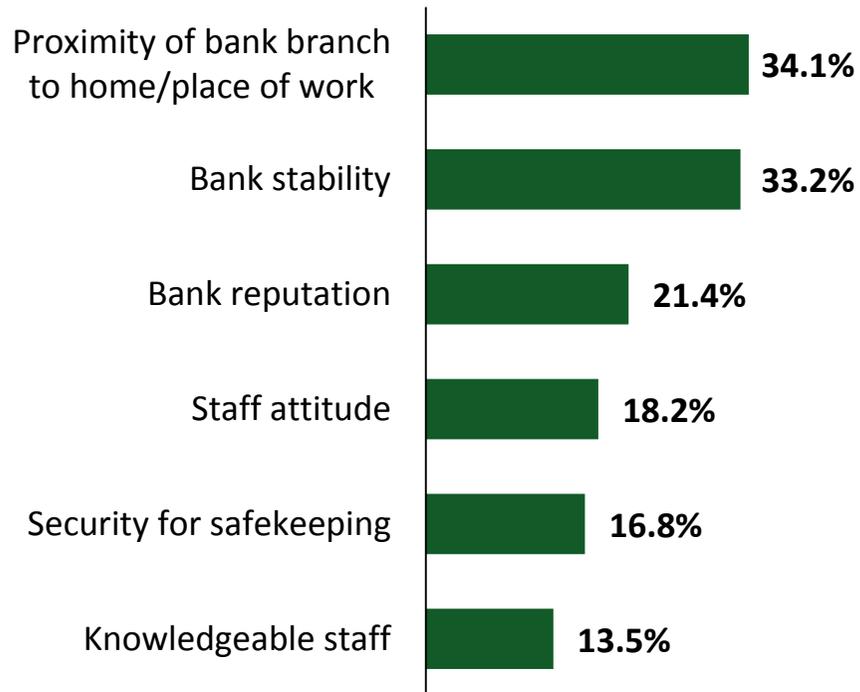
Summary

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

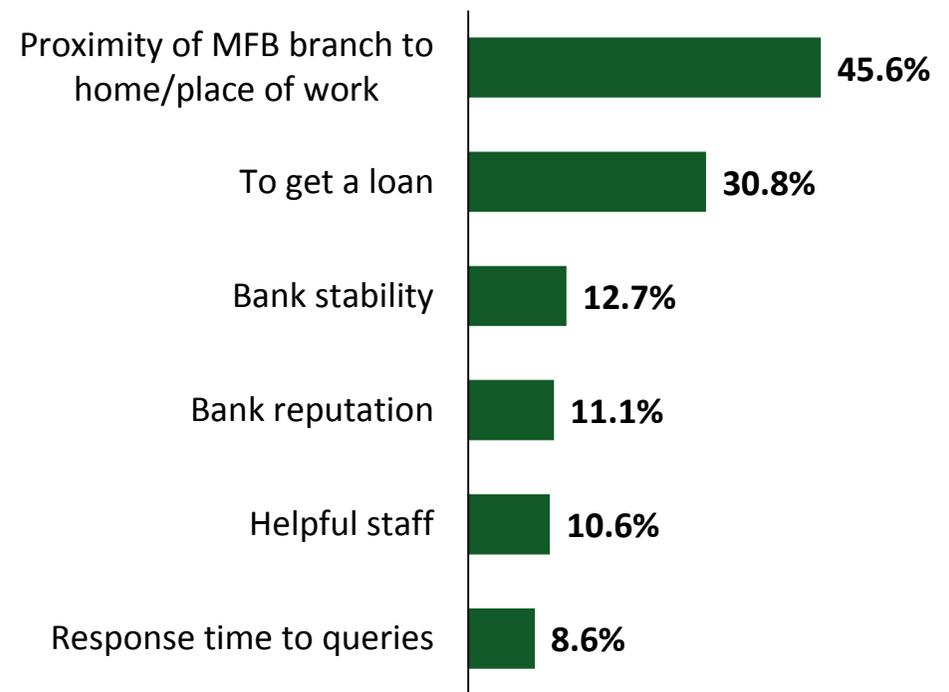
Top criteria for choosing main Deposit Money Bank

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

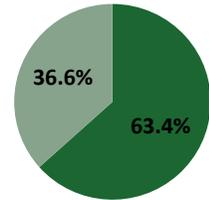


Closest Financial Access Point to Homes/Places of Work

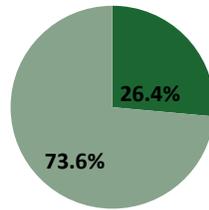
Awareness of location

Travel time

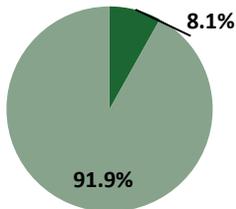
■ Know ■ Don't know



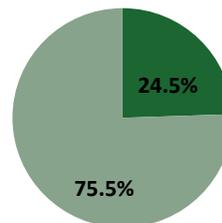
DMB branch



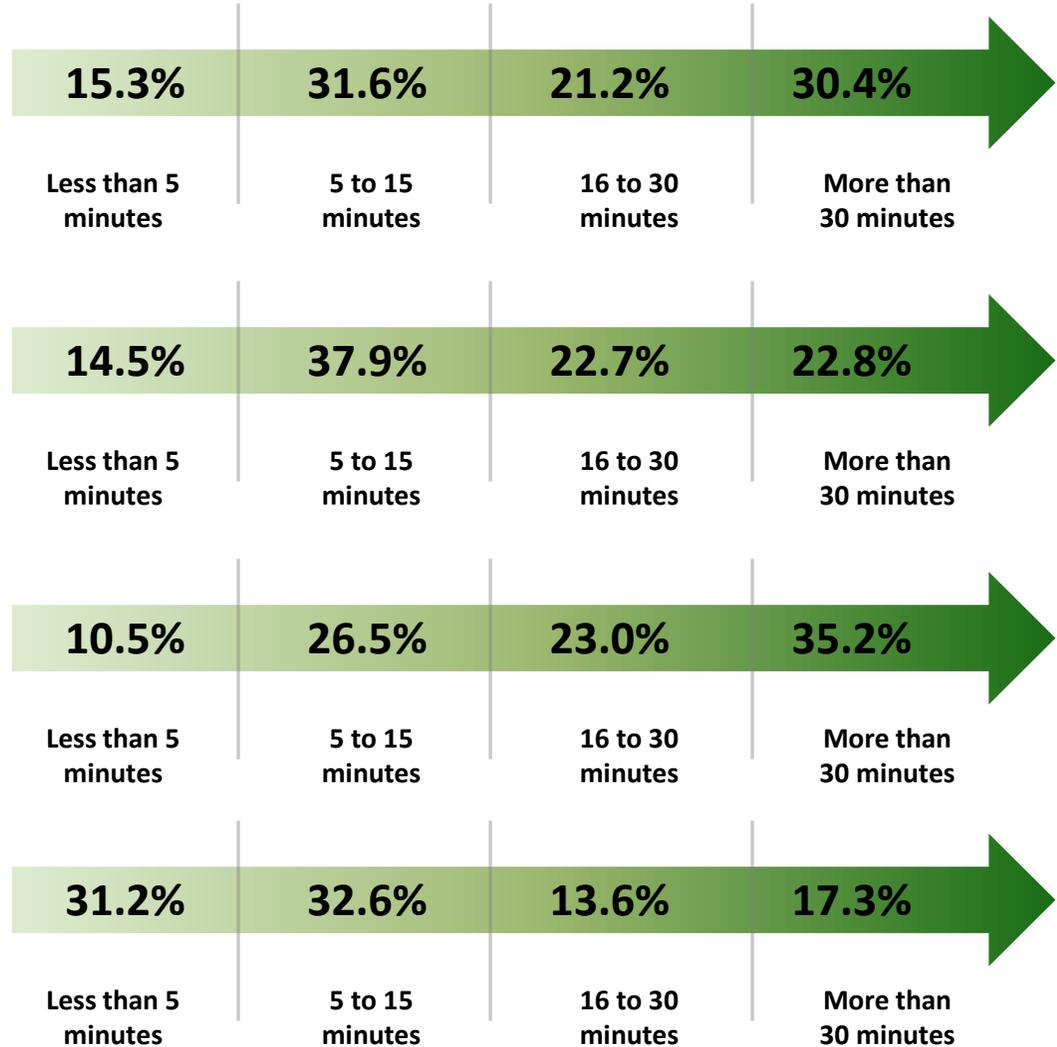
MFB branch



Insurance broker/agent



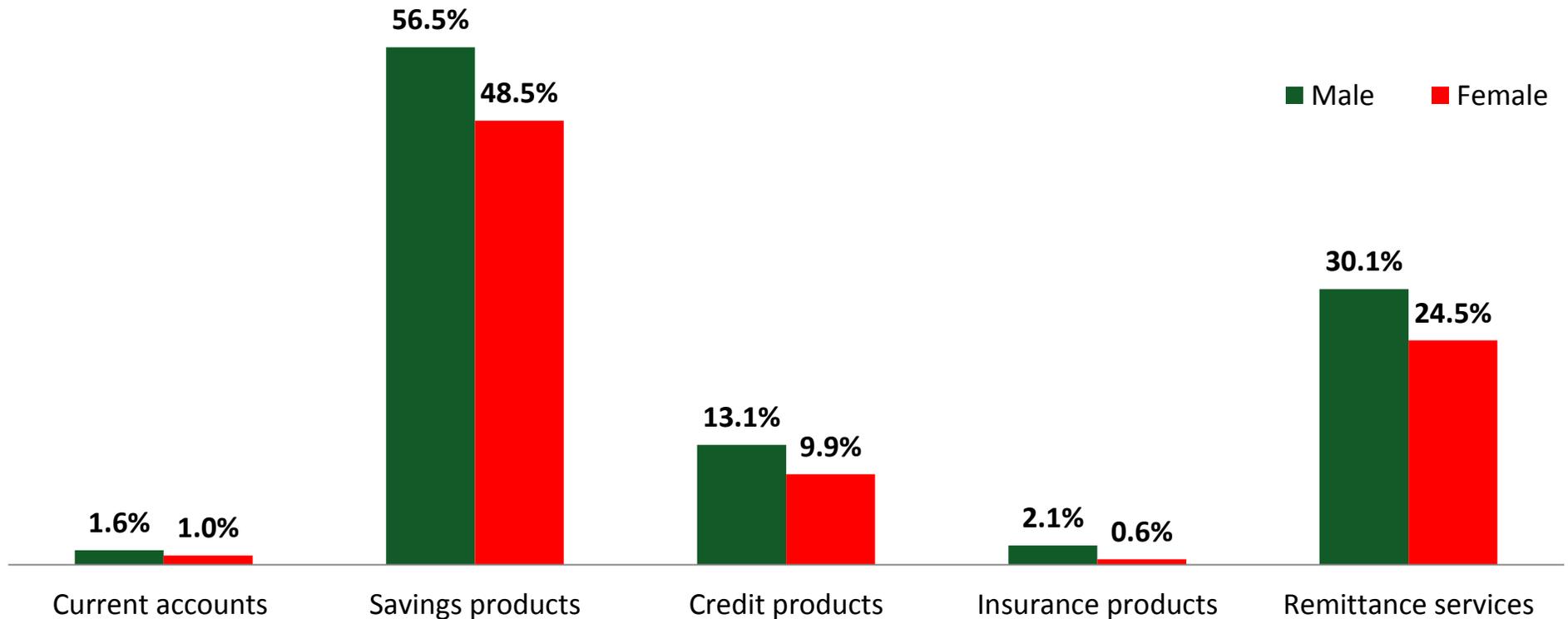
Mobile Money agent



□ 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

Uptake of Financial Products by Gender

☐ Across all product categories, male uptake is generally higher than for females

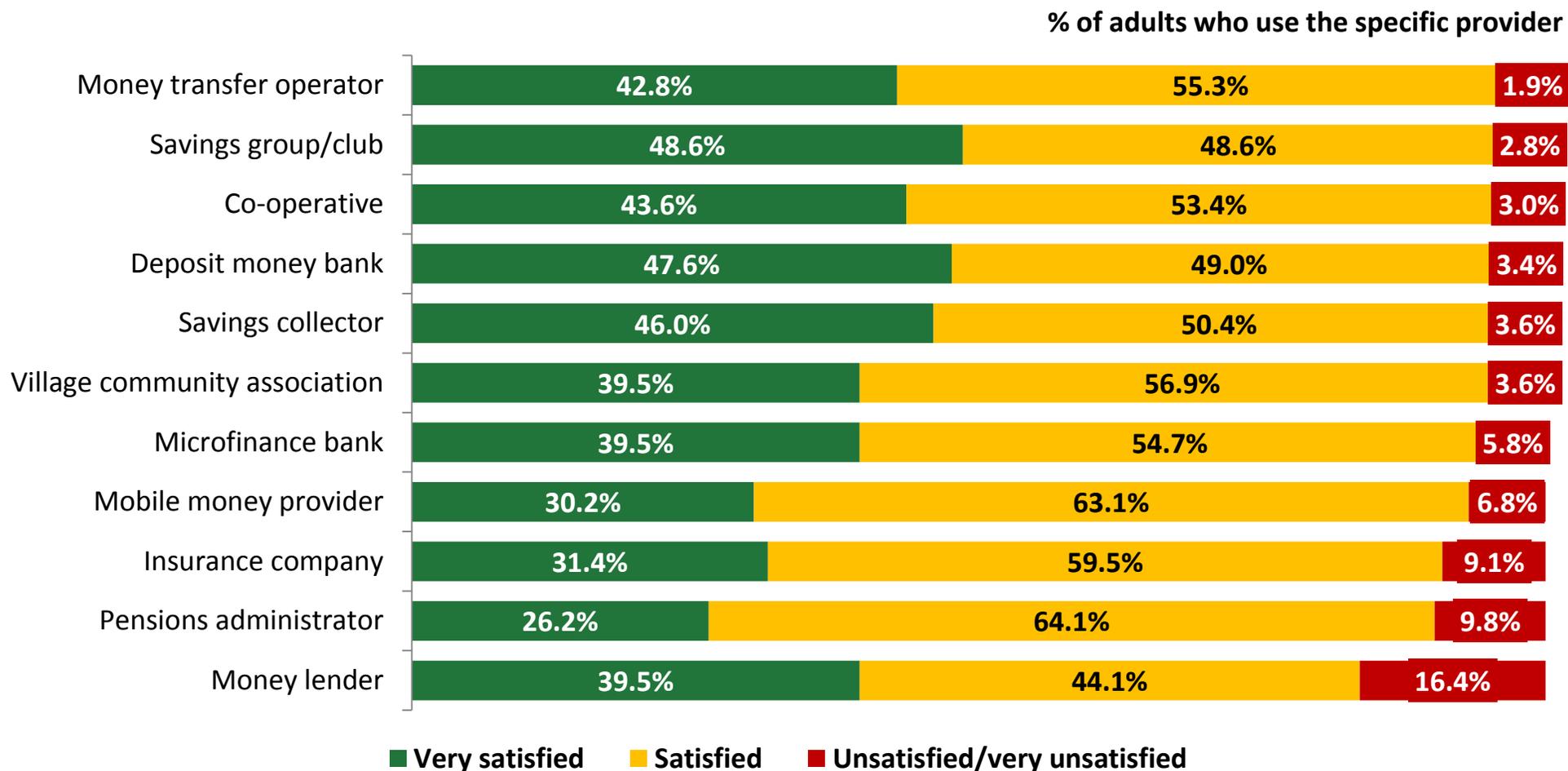


Note:

- Formal and informal products are included in all categories
- Savings products include basic savings accounts as well as long-term savings products such as fixed deposits, bonds & pensions

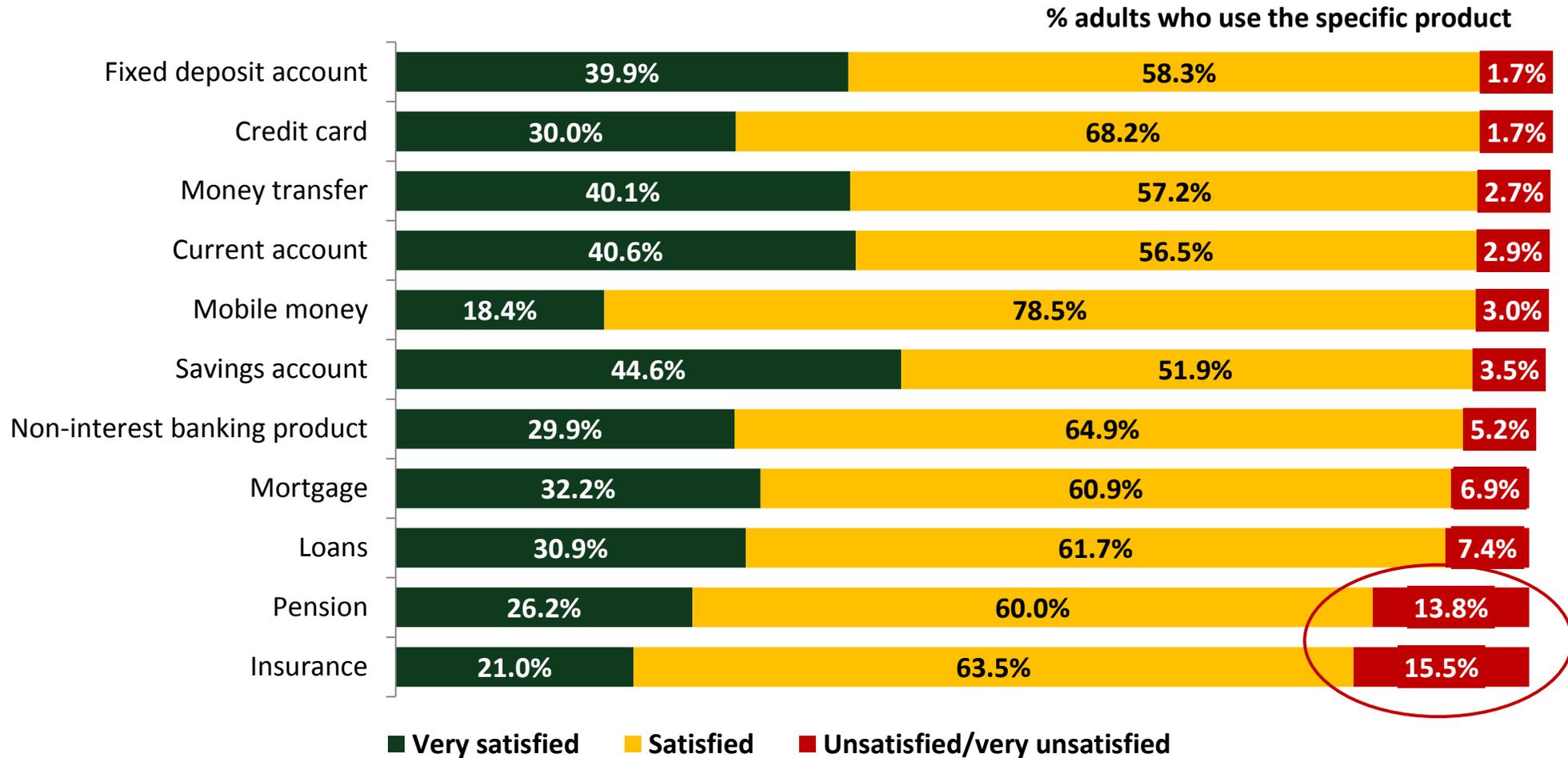
Level of Satisfaction with Financial Services Providers Used

- ☐ People generally seem satisfied with most financial services providers
- ☐ Users of money lenders have the highest level of dissatisfaction



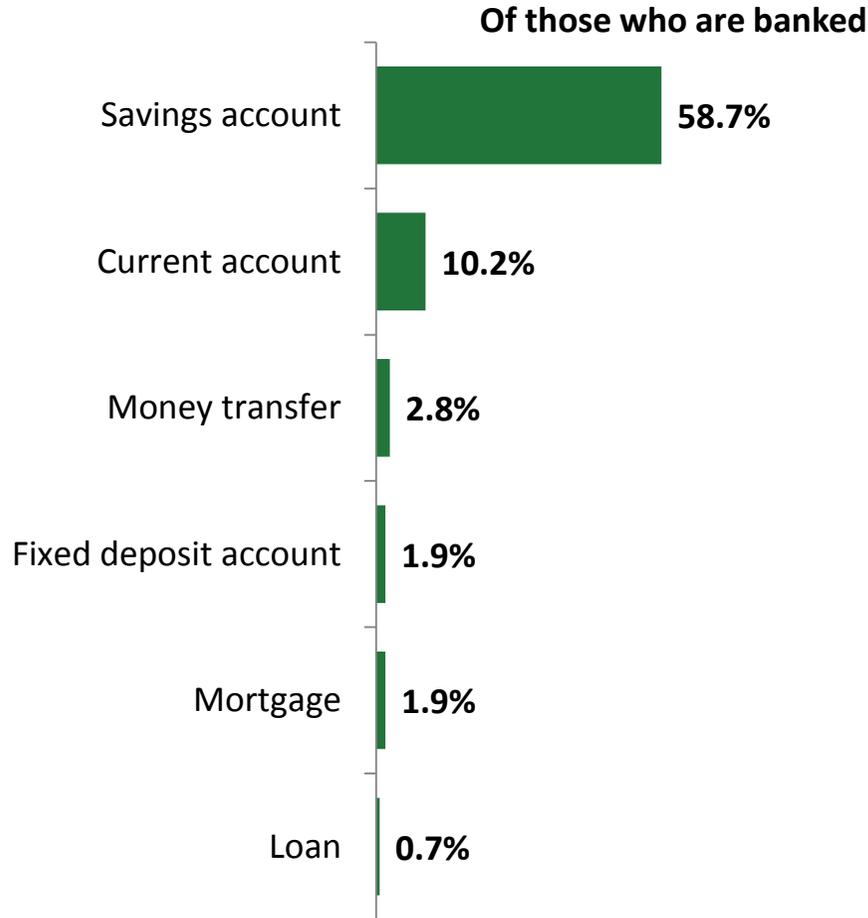
Level of Satisfaction with Financial Products Used

- People seem satisfied with most products
- Users of insurance and pension products have the highest level of dissatisfaction

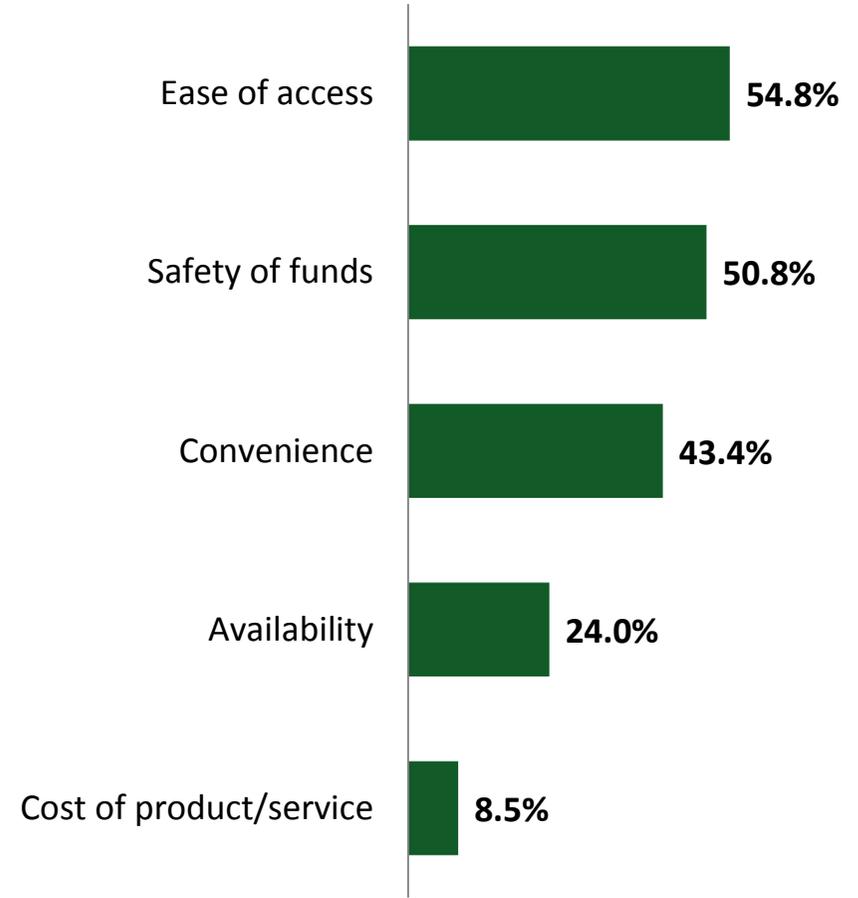


Most Important Product and Why

Top 5 most important products



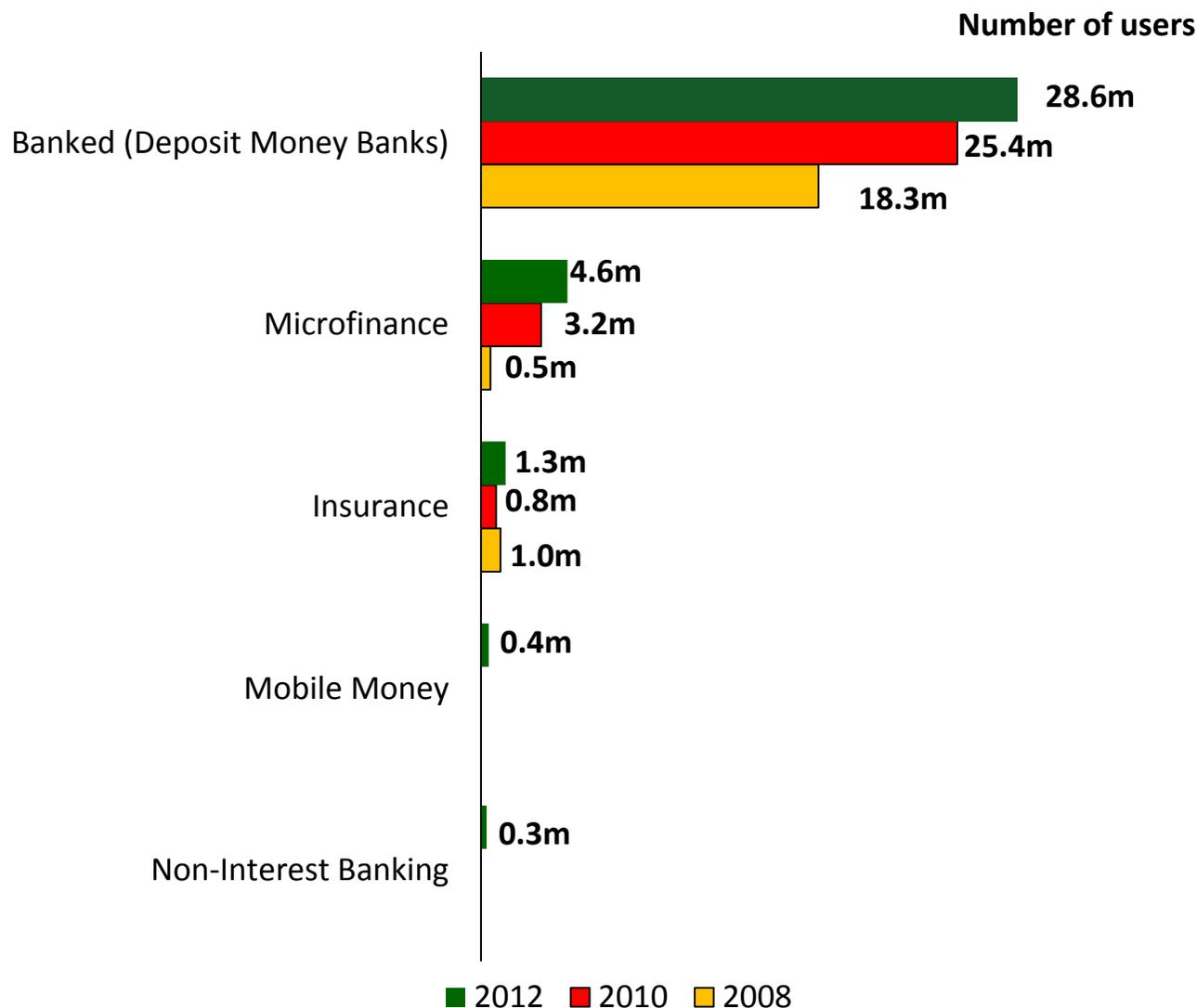
Top 5 ranking of why banking products are important



Source: EFInA Access to Financial Services in Nigeria 2012 survey

Trend Analysis from 2008 to 2012

Change in the Number of Users per Financial Segment from 2008 to 2012



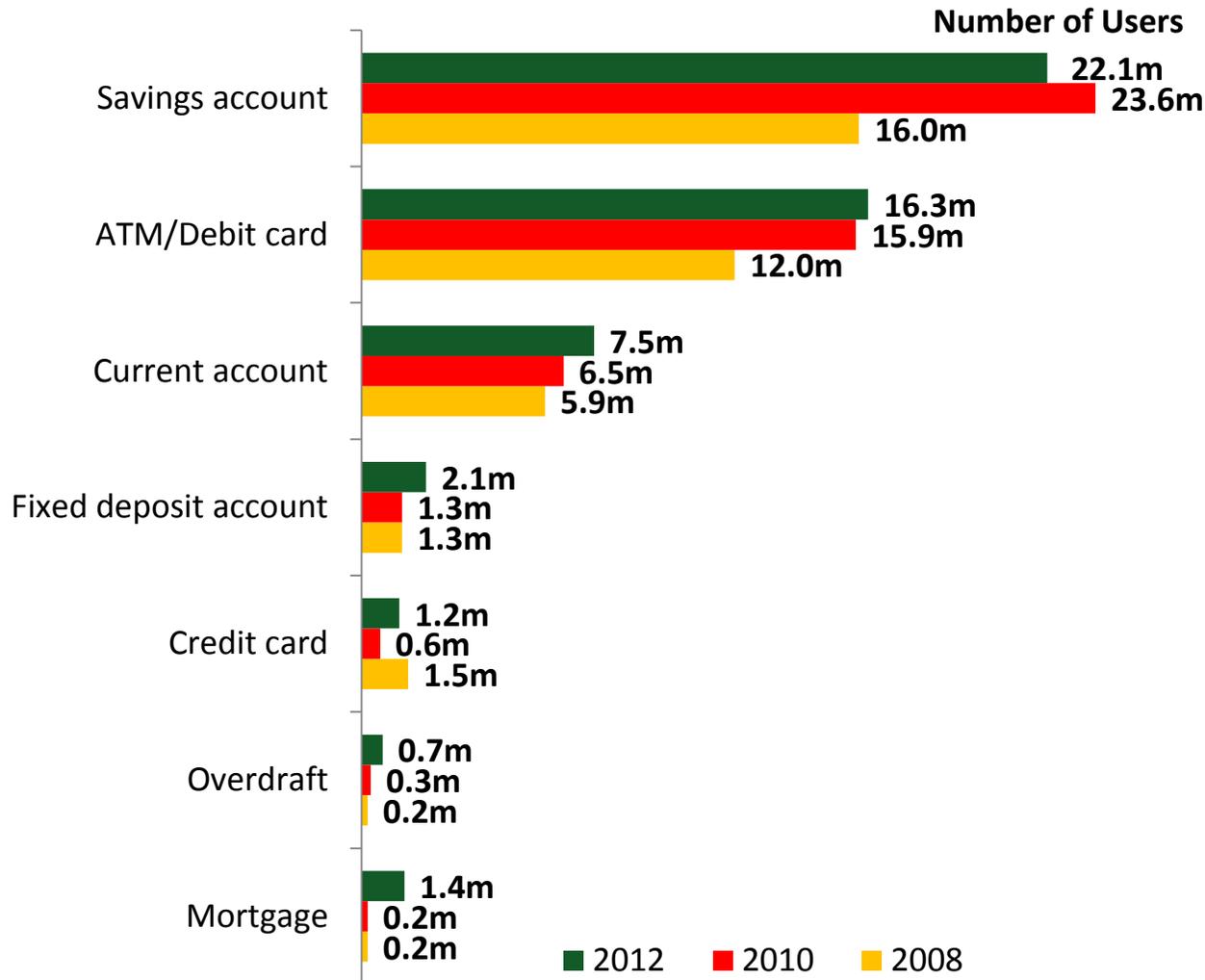
KEY COMMENTS

From 2008 to 2012:

- ❑ The number of banked adults increased by **10.3 million**
- ❑ The number of adults with a microfinance bank account increased by **4.1 million**
- ❑ The number of adults that have insurance increased by **0.3 million**

In 2008 and 2010, Mobile Money and Non-Interest Banking products had not been introduced in the market

Change in the Uptake of Banking Products from 2008 to 2012



KEY COMMENTS

From 2008 to 2012:

- The number of users of savings accounts increased by **6.1 million**
- The number of users of ATM cards increased by **4.3 million**
- The number of users of current accounts increased by **1.6 million**

E. Financial Inclusion in Nigeria

Dimensions and Determinants of Financial Inclusion

Key Dimensions of Financial Inclusion

Uptake

- Dependent on individual choice – not all those with access take it up

Usage

- Usage behaviour/transaction profile of the financially included – some with uptake may not be active users
- Product will only be used if it meets needs of clients – quality dimension

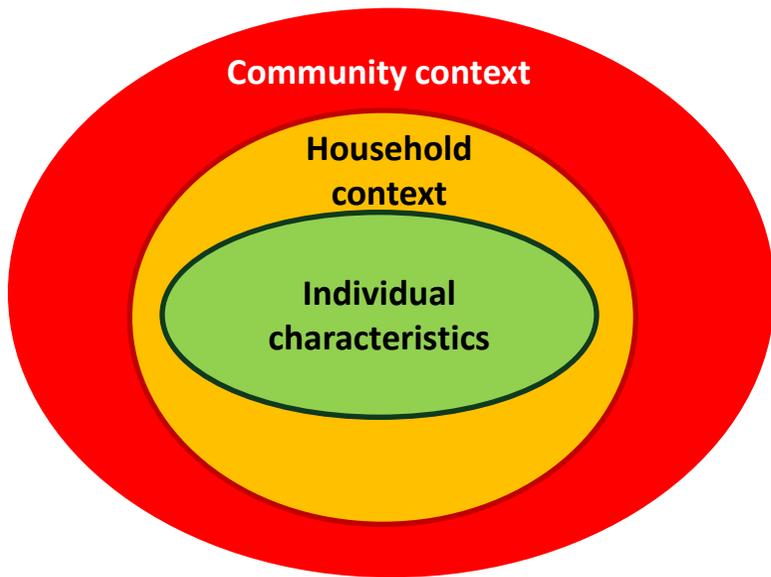
Access

- External factors that influence uptake of financial services, such as proximity, eligibility & affordability

Key Determinants of Formal Inclusion in Nigeria

- From the data, the factors that determine whether a person is formally included or not include the following:

Determinants of individual's behaviour



Determinants	
Individual attributes	<ul style="list-style-type: none"> Whether saving or not Level of education Connectivity (mobile phone ownership, Internet) Source of financial advice (credibility of source) Reason for saving (long term, luxury, short term)
Household attributes	<ul style="list-style-type: none"> Social economic status
Community attributes	<ul style="list-style-type: none"> Proximity of nearest mobile phone kiosk Informal savings institutions in the community

Drivers/Opportunities for Financial Inclusion in Nigeria

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** 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**

Opportunities for Deepening Other Products Segments

Insurance

- 35.9 million** adults (41.4% of those who don't have insurance) could be encouraged to use insurance products
- The top factors which would most likely encourage them to use insurance products are **understanding the benefits of insurance**, affordability, **understanding how insurance works** and **knowing where to get insurance**

Mobile Money

- 48.1 million** adults said they could be encouraged to use mobile money
- The top factors which would encourage them to use mobile money to use mobile money products are **understanding how mobile money works**, **having a mobile money agent close to residence/place of work**, **feeling mobile money is safe** and **when many people start using mobile money**
- 29.8 million** adults who own a mobile phone are unbanked
- 15.0 million** adults would consider using their mobile phones to send money, **14.1 million** adults to receive money and **9.4 million** adults to save money

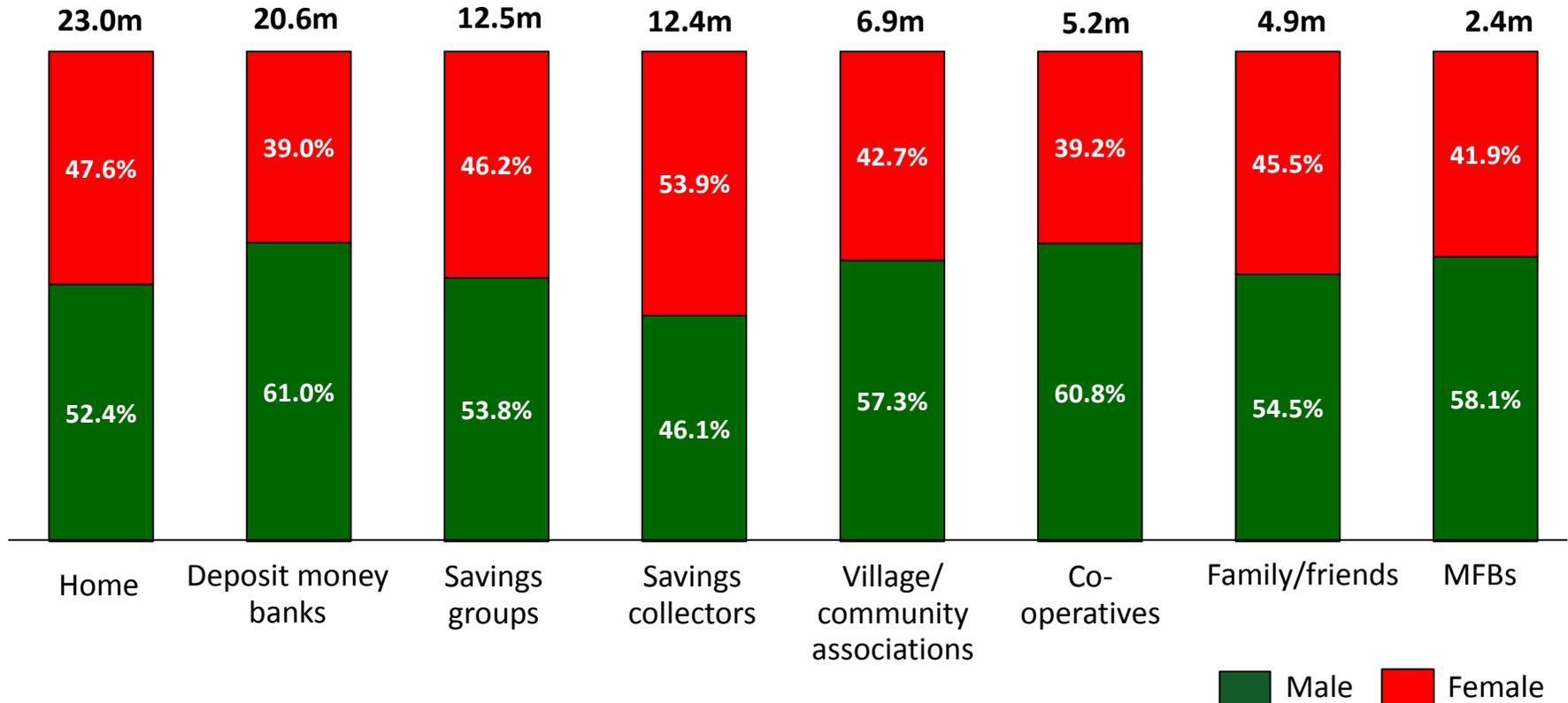
Non-Interest Banking

30.5 million adults (34.8% of the adult population) who do not use non-interest banking products stated that they were likely (somewhat likely/very likely) to take up such products, of which:

- 21.4 million** are interested in savings accounts, **14.1 million** are interested in loans, **7.5 million** are interested in current accounts and **4.1 million** are interested in insurance

Opportunities for Savings

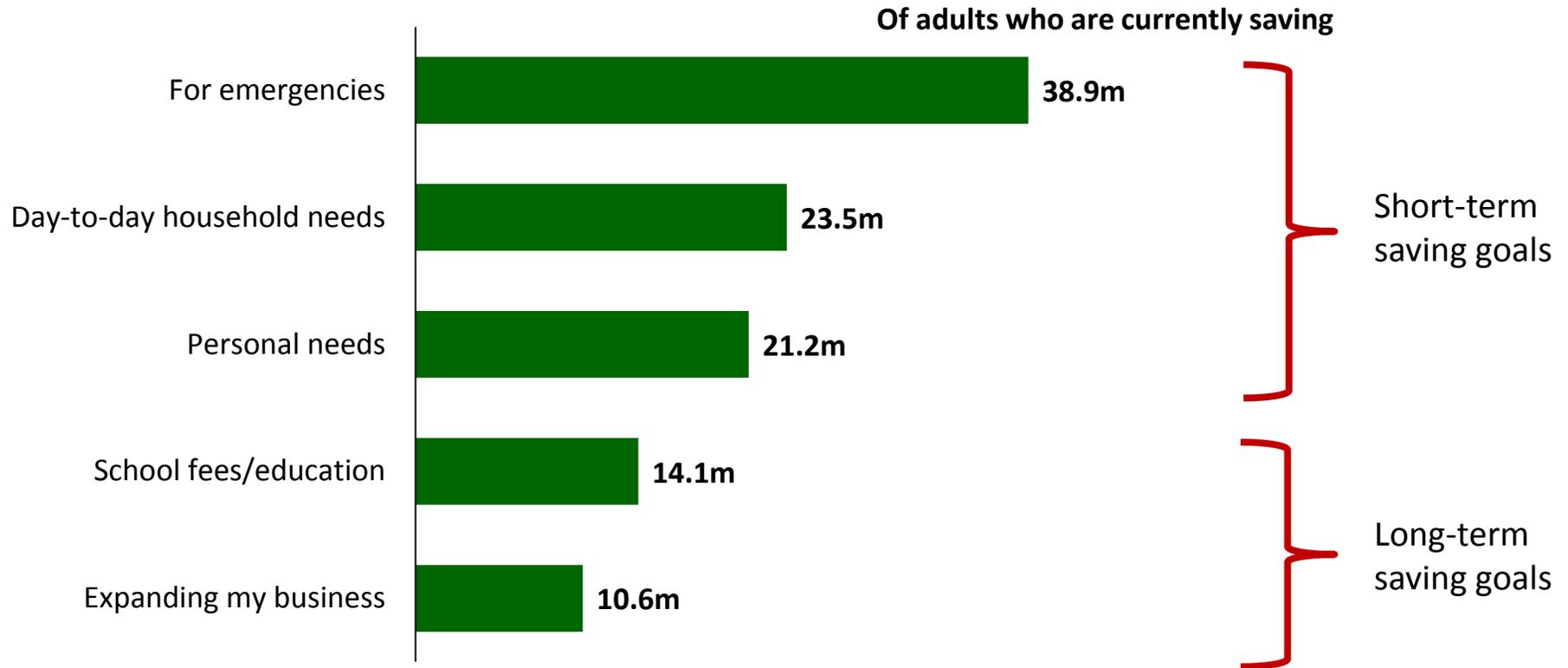
- ❑ 58.6 million adults (66.7% of the adult population) are currently saving
- ❑ The only category where the proportion of women saving is higher than men, is through savings collectors



- ❑ Banks have the opportunity to mobilise savings that are currently being saved at home or informally. For example, if 50.0% of the 23.0 million adults who currently save at home were to save ₦1,000 per month, then up to ₦138 billion could be mobilised annually

Opportunities: Reasons for Saving

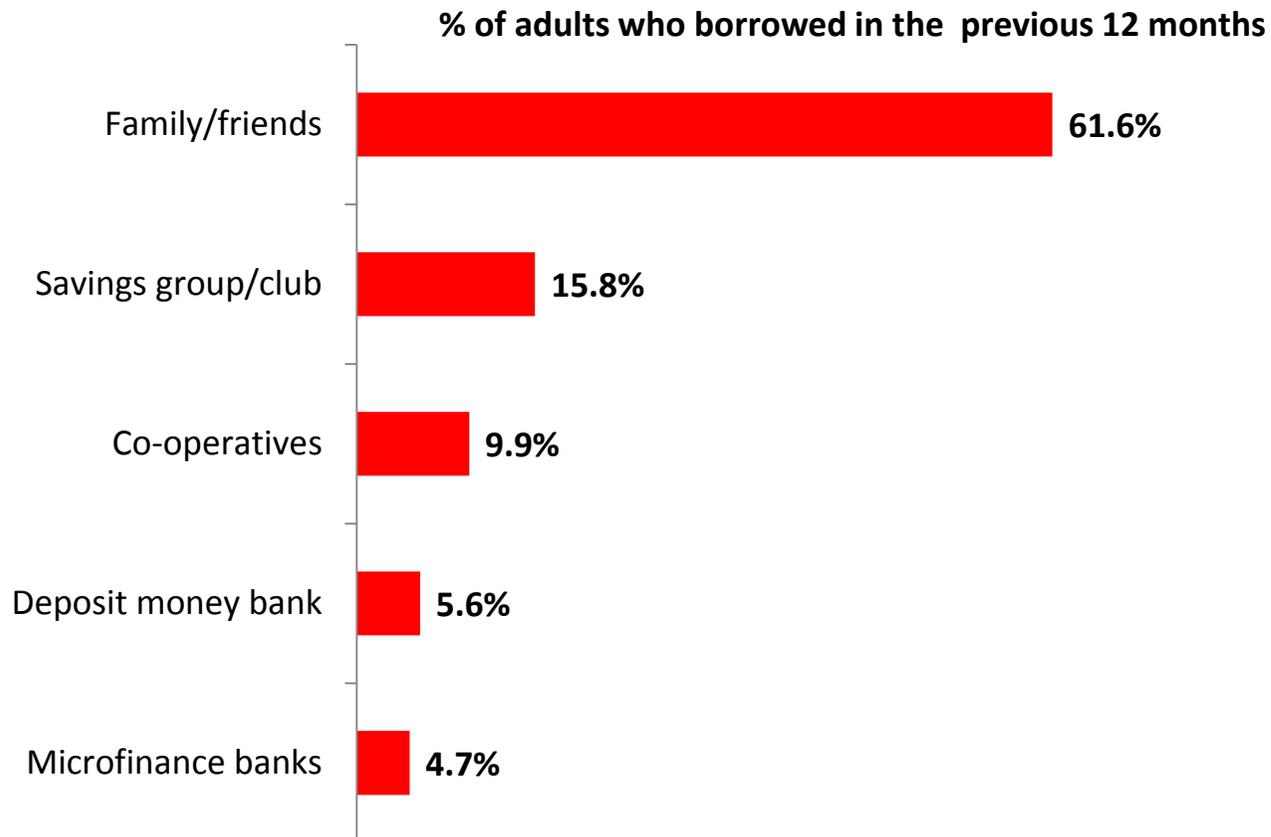
- ❑ 38.9 million adults are currently saving for emergencies



- ❑ People need to be able to save small amounts of money frequently and have easy access to their money when necessary
- ❑ There is an opportunity to create savings products targeted at the **14.1 million** adults currently saving for education/school fees
- ❑ In terms of desired financial knowledge – **54.9 million** adults would like information on how to save regularly and **51.3 million** adults on how to save for old age

Opportunities for Loans and Credit

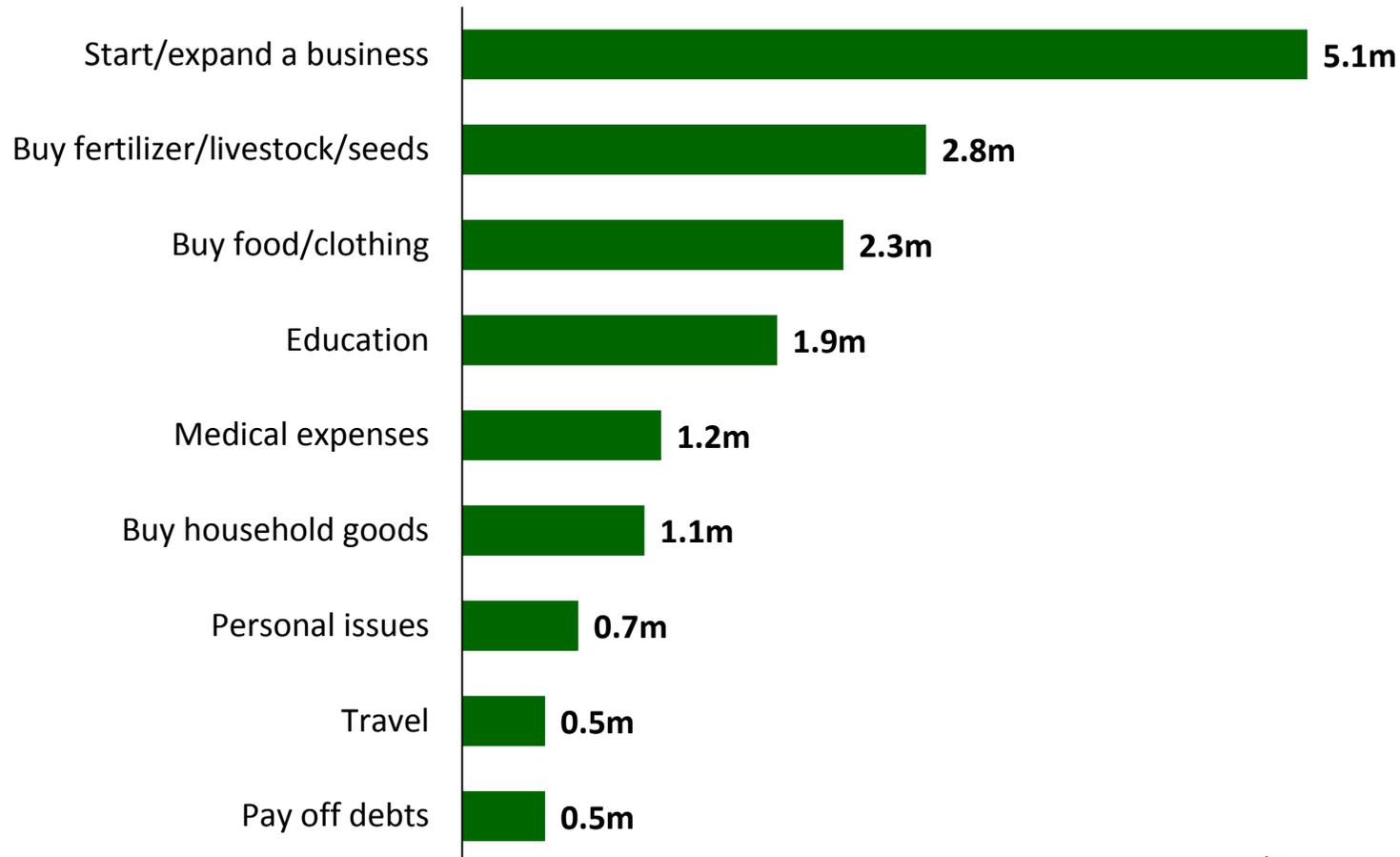
- ❑ There is a latent demand for credit, of the 15.9 million adults who have borrowed money in the previous 12 months, 9.8 million borrowed from family/friends compared to only 0.9 million that got a loan from a Deposit Money Bank and 0.7 million that got a loan from a Microfinance Bank
- ❑ In addition, 12.4 million adults bought goods/services on credit in the previous 12 months



Opportunities: Reasons for Taking a Loan

- ❑ Banks need to tailor loan products to suit the specific needs of consumers. Factors to consider should be quick access, repayment period, low interest rates and no collateral requirements
- ❑ 5.1 million adults got a loan to start/expand their business

Of adults who have taken a loan in the previous 12 months

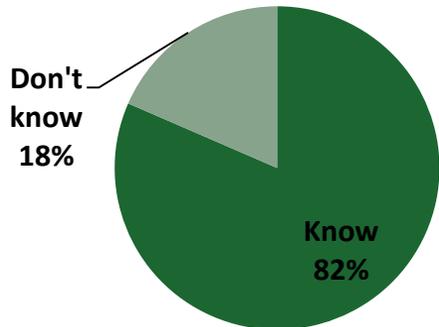


Other Potential Access Points for Financial Services

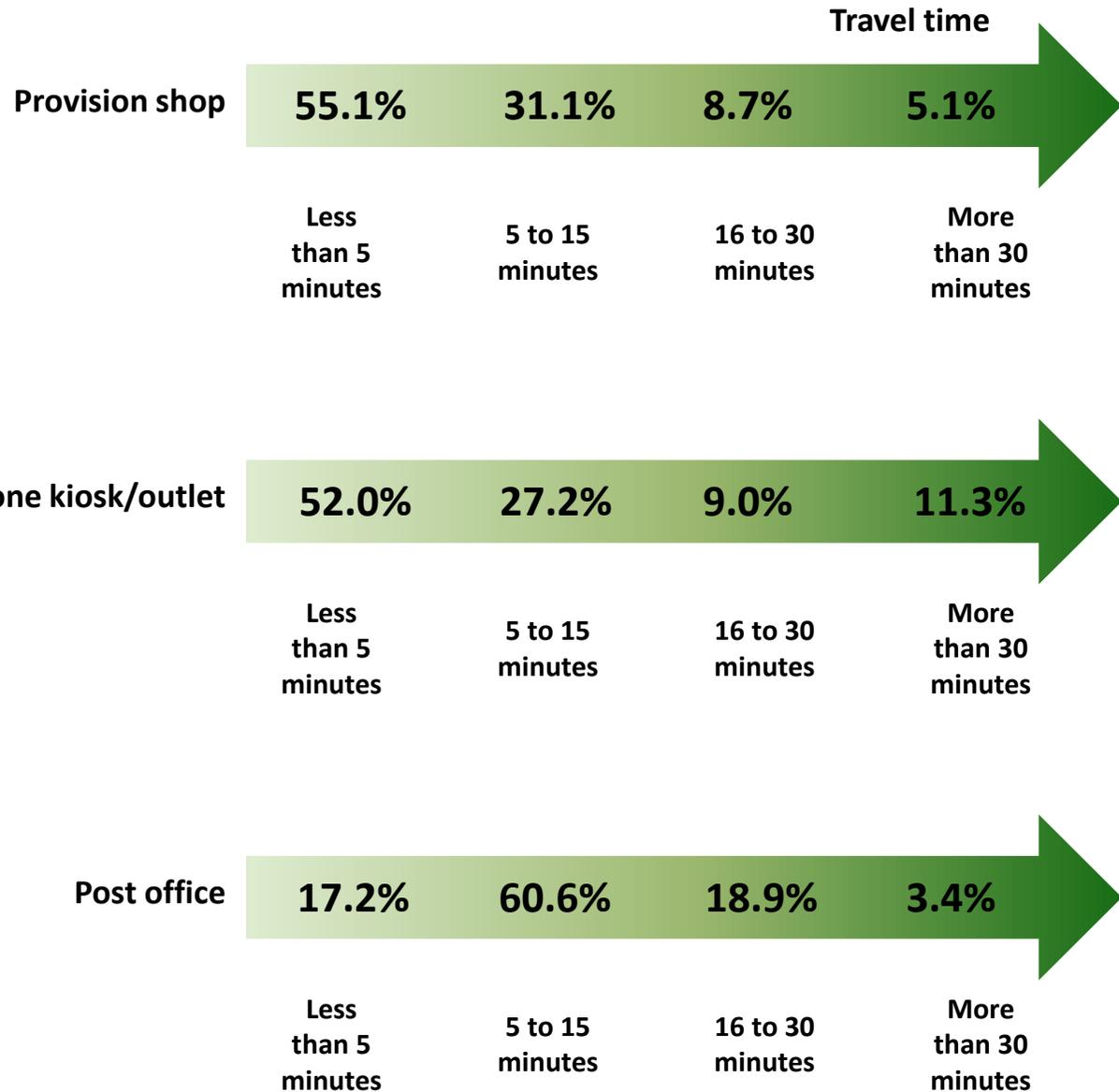
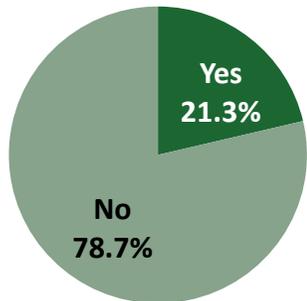
Awareness of location

- ☐ 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?"



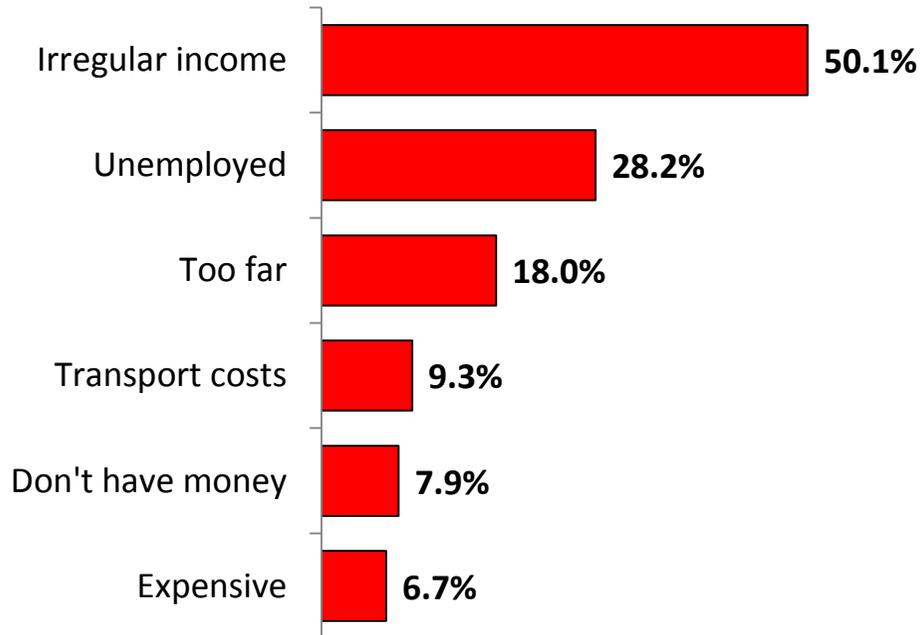
Challenges to Achieving Financial Inclusion in Nigeria

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 distance to the bank

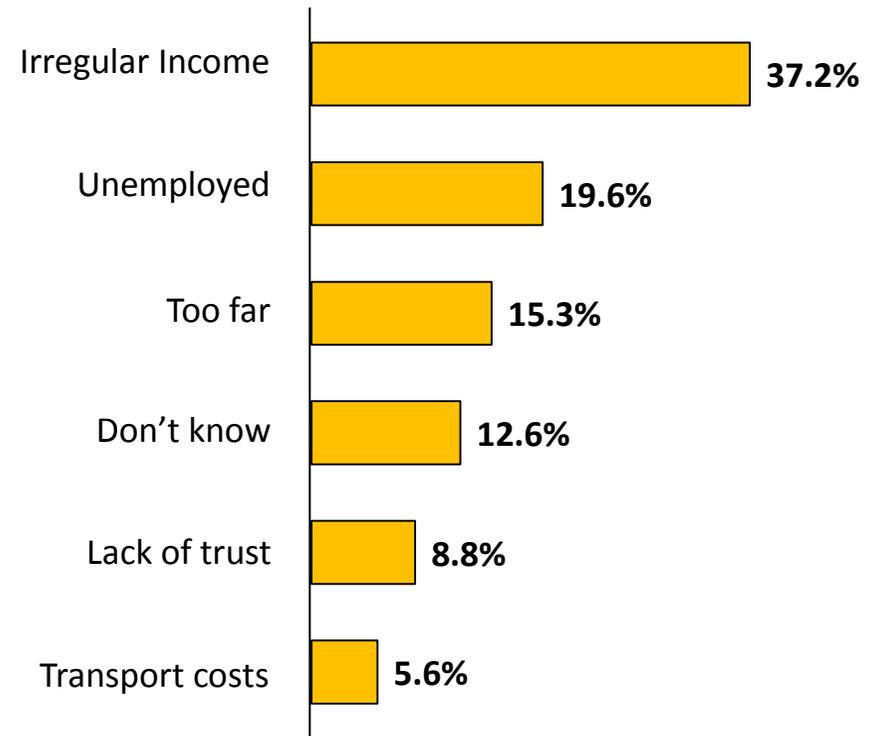
Banking (Deposit Money Banks)

% of adults that don't have a bank account



Banking (Microfinance Banks)

% of adults that have never had MFB accounts

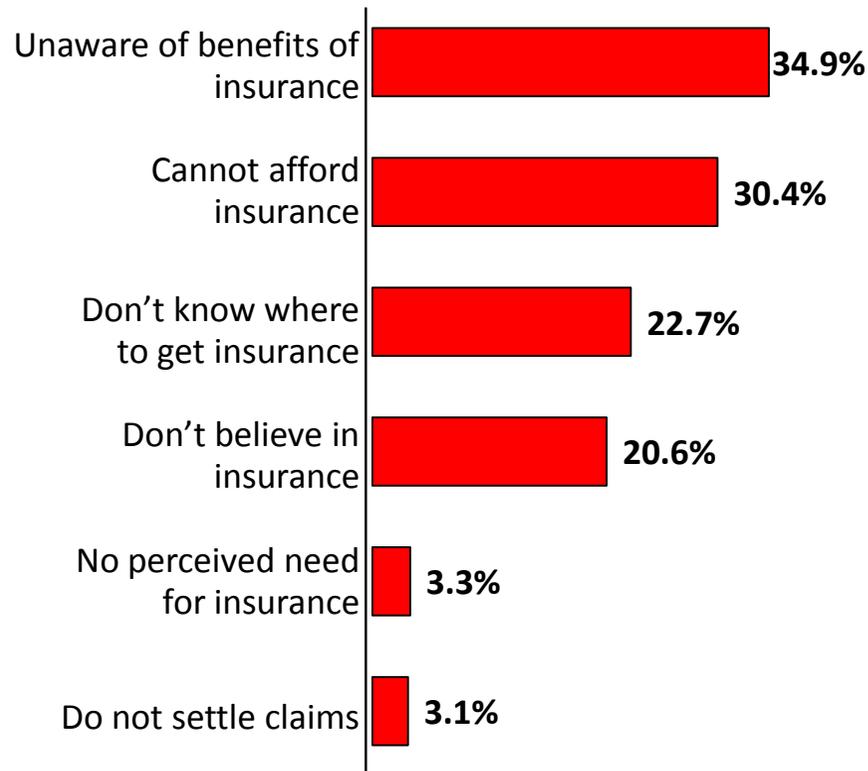


Barriers to Access for Different Financial Segments

- ☐ The top three barriers to having insurance are lack of understanding, affordability and don't know where to get insurance
- ☐ The top three barriers to using non-interest banking products are lack of awareness, lack of interest and lack of understanding

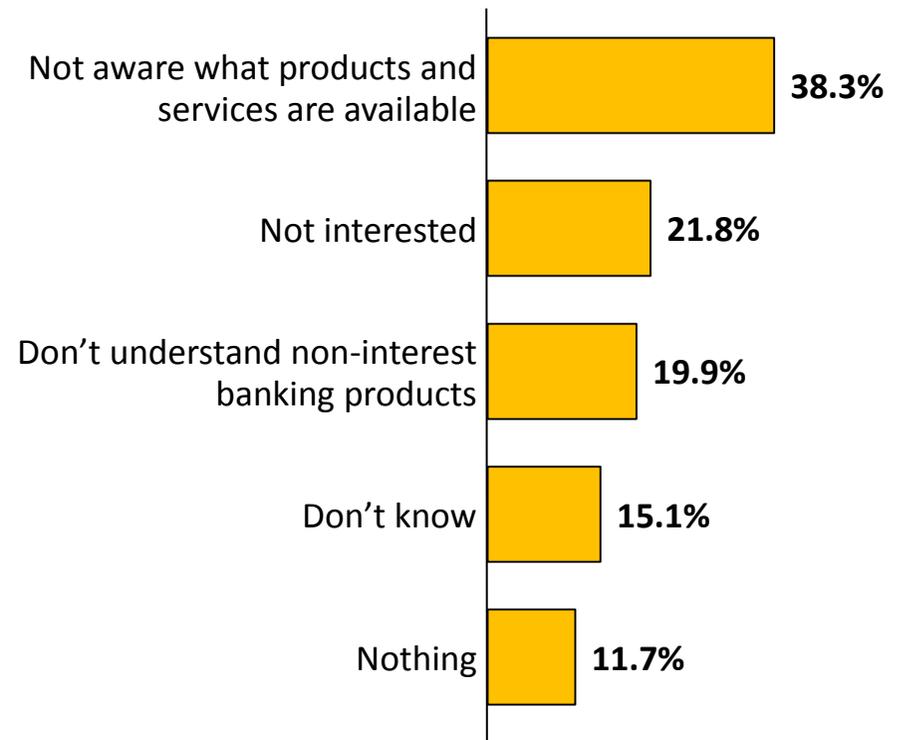
Insurance

% of adults who do not have insurance



Non-Interest Banking

% of adults who do not have non-interest banking products

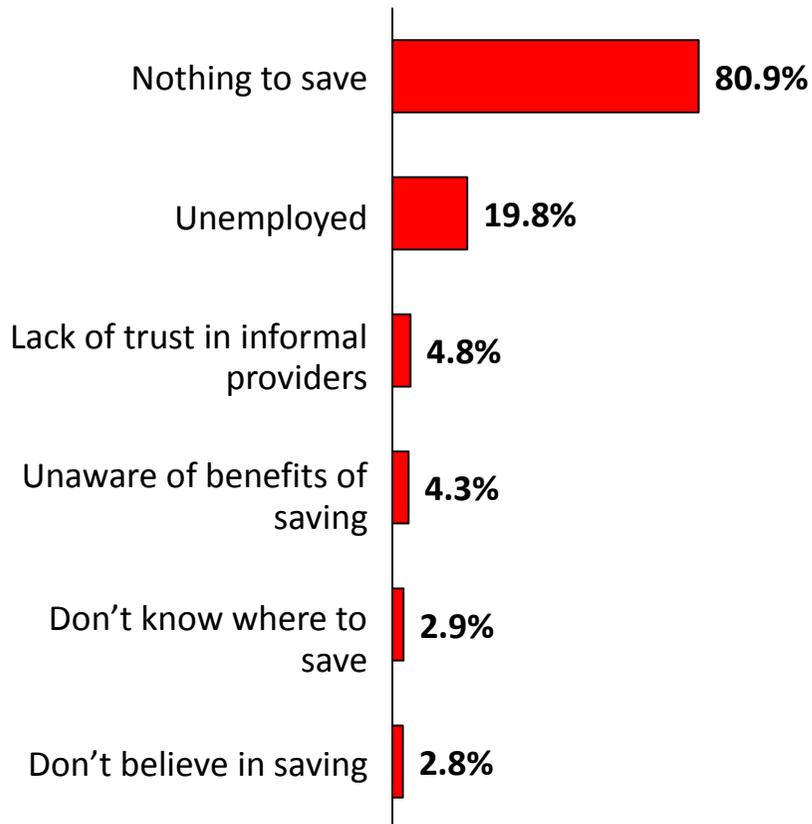


Barriers to Access for Savings and Loans

- ❑ The top three barriers to saving are nothing to save, unemployment and lack of trust in informal providers
- ❑ The top three barriers to taking out a loan are no perceived need, self discipline and don't know where to get a loan

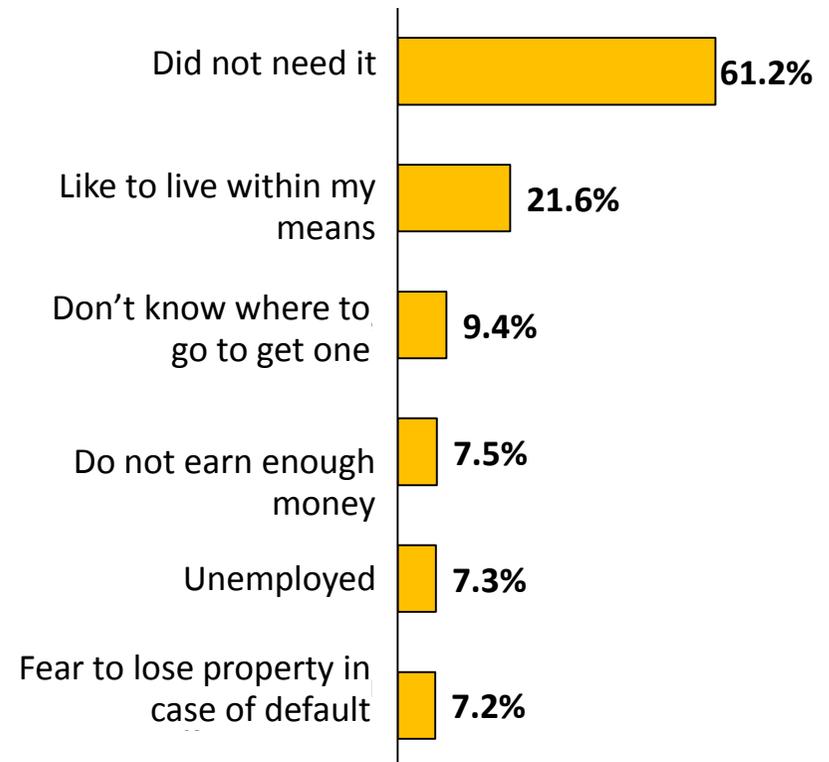
Savings

% of adults who don't save



Loans

% of adults who have not taken a loan in the past 12 months



What Documentation do People Have?

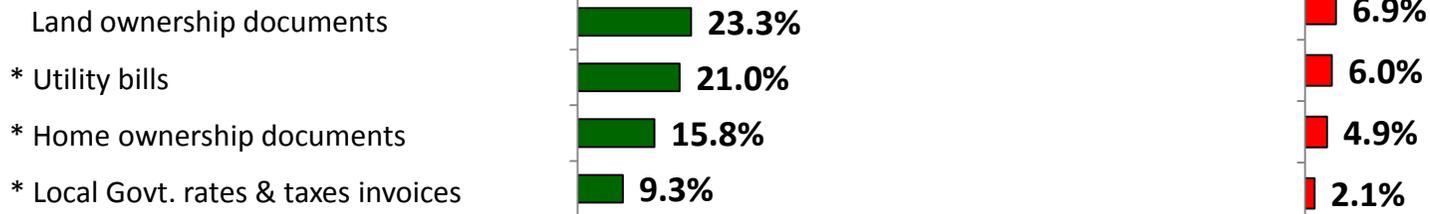
- ❑ The Central Bank of Nigeria (CBN) Know Your Customer (KYC) documentary evidence for account opening is based on proof of address and personal identity (ID)
- ❑ The most common form of ID amongst the banked and unbanked is a Voters' registration card – held by 91.7% of the banked vs. 77.1% of the unbanked

CBN KYC requirements

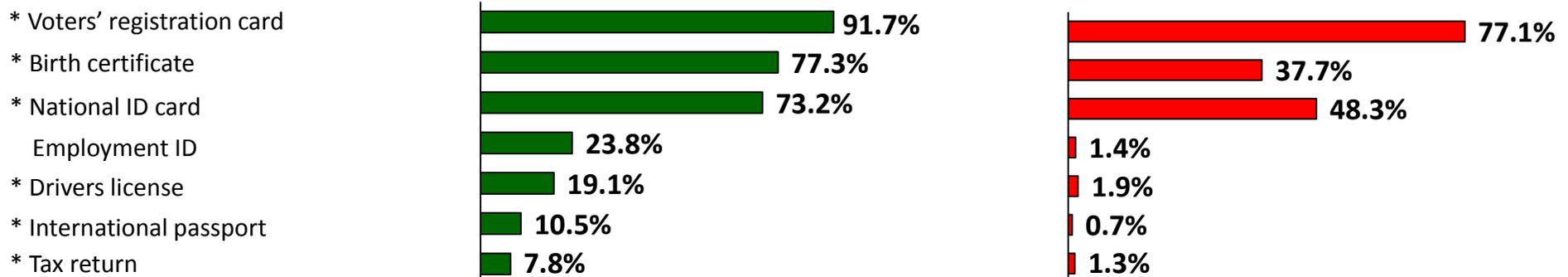
Of those currently banked

Of the unbanked

Documentary Evidence of Address



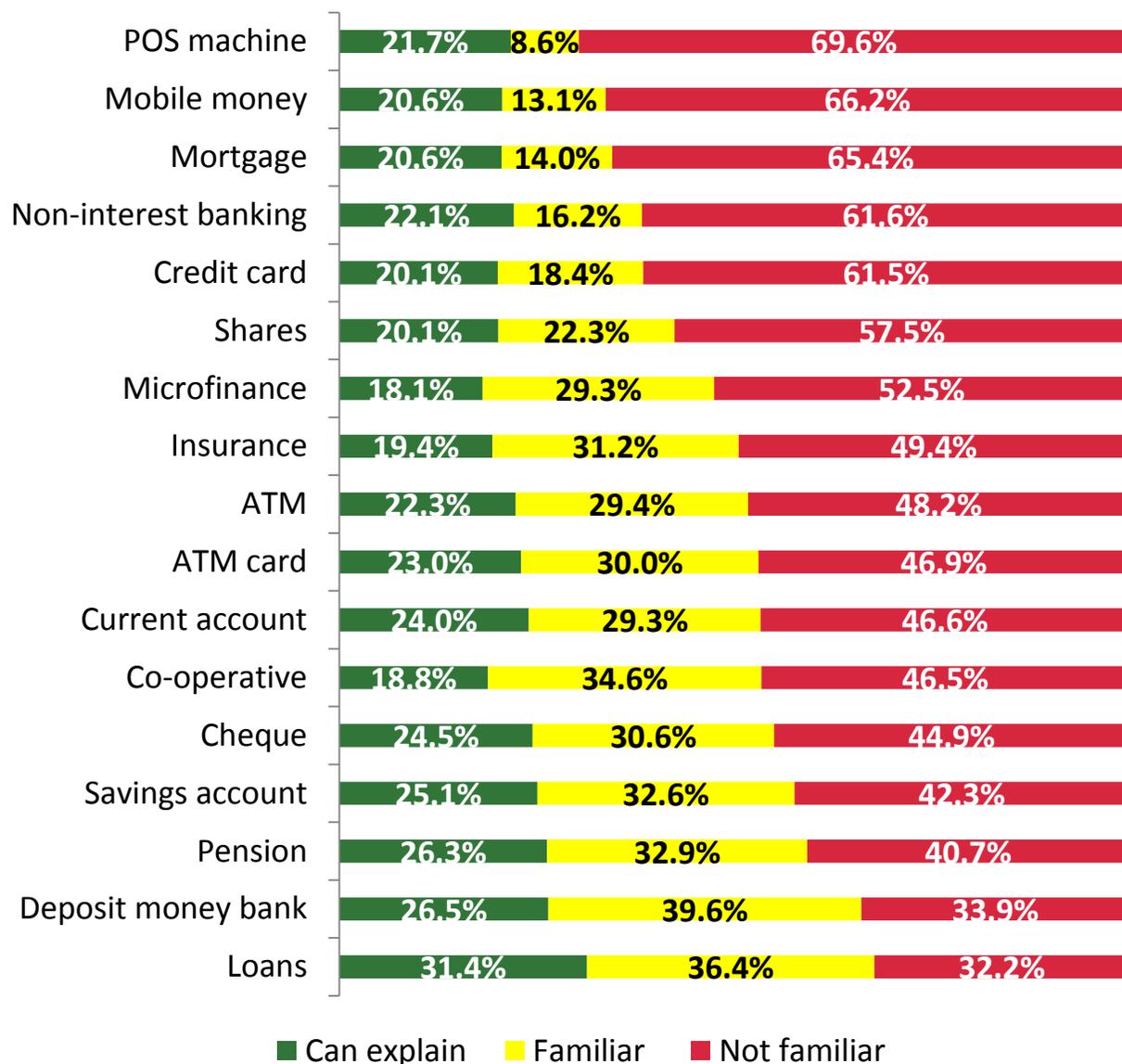
Personal Identity Documents



* CBN acceptable le documentation

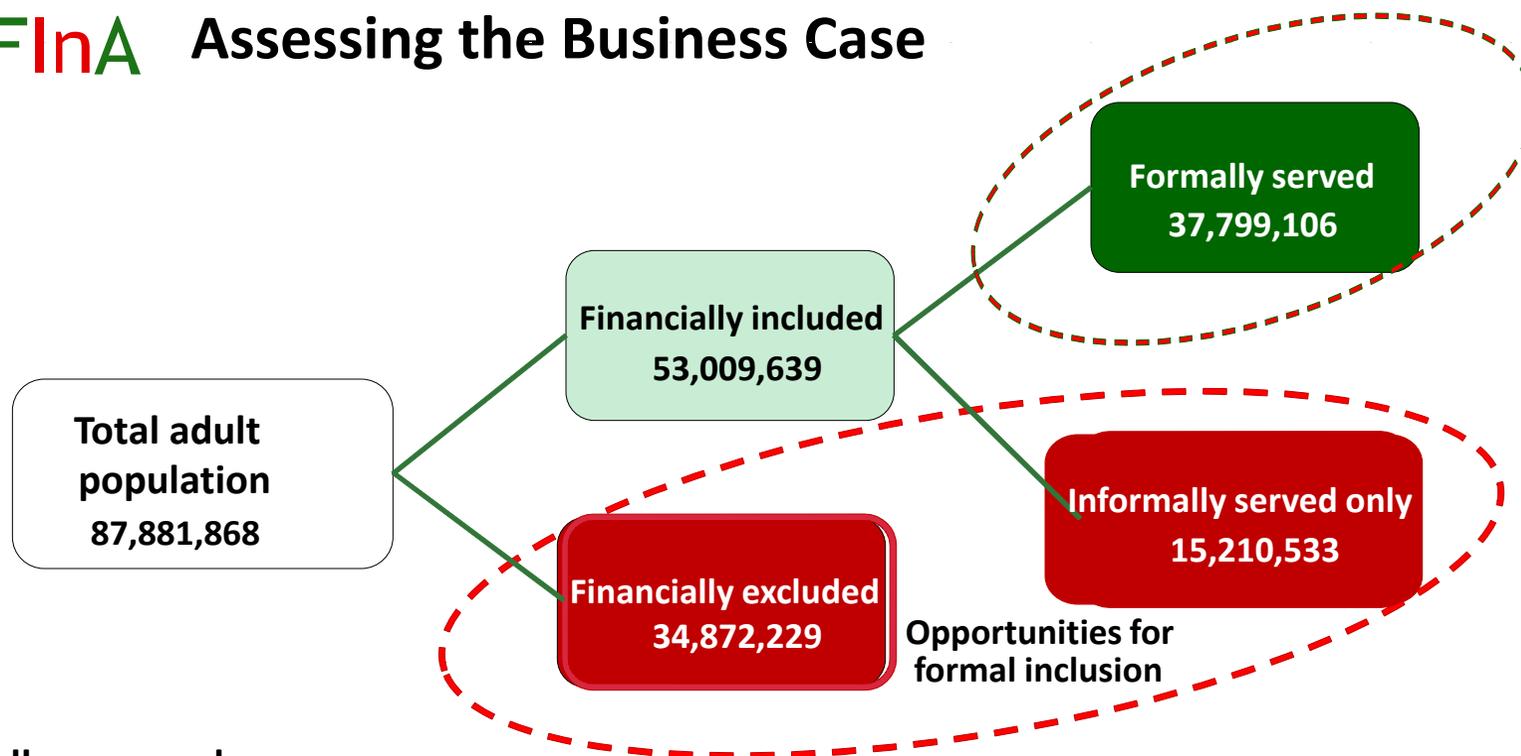
☐ Low levels of awareness of financial terms/products could hinder the uptake of products such as mobile money, non-interest banking and microfinance

☐ However, high levels of awareness does not necessarily result in high levels of uptake. For example, almost 50% of the adult population state that they are familiar with insurance or are able to explain what it is, yet penetration is still very low

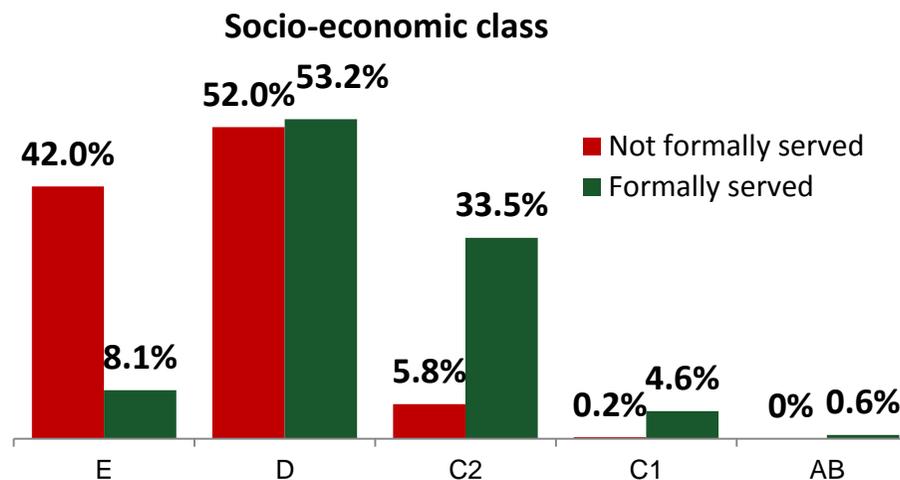
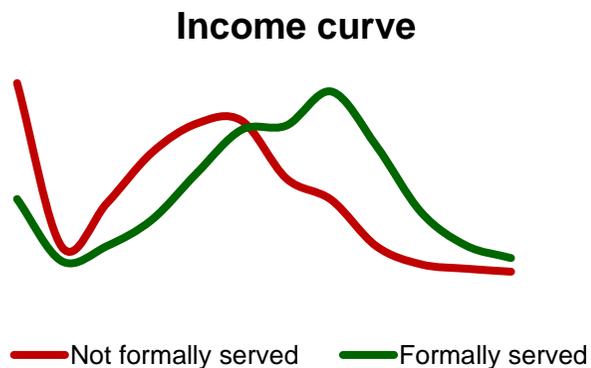


The Business Case/Segmentation Analysis

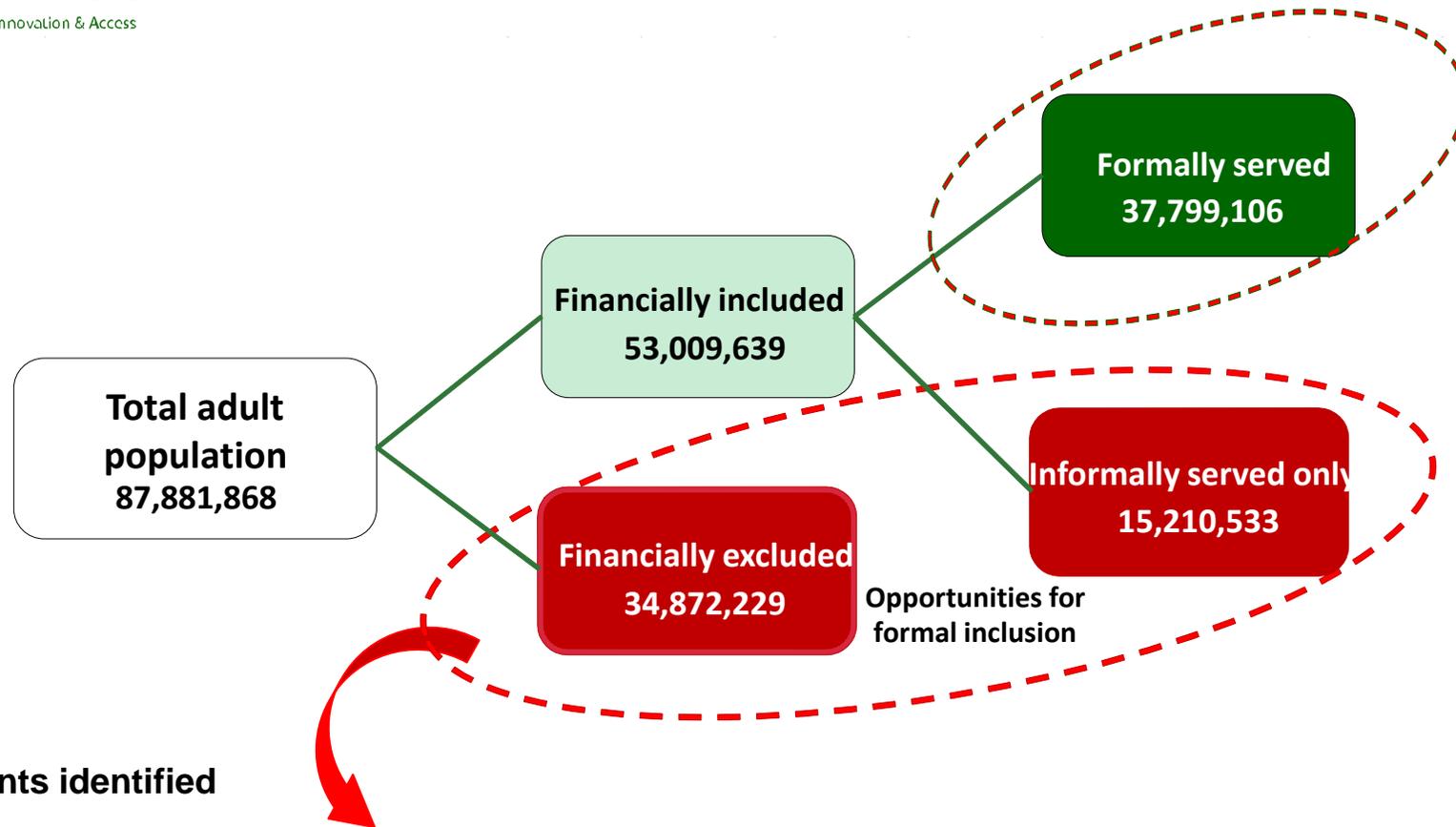
Assessing the Business Case



The formally unserved represents the BOP



Quantifying the Segments



4 segments identified



Profiling the Segments

Quick win

- Salaried or traders/business owners with higher income and socio-economic status
- Secondary education
- High levels of connectivity
- Savings orientation more long term
- Use credible sources of financial information such as financial institutions
- High levels of informal activity such as belonging to savings groups, using savings collectors/money lenders

Second frontier

- Dependents from households with higher income/socio-economic activity
- Secondary education
- High levels of connectivity
- Use credible sources of financial information
- Not saving/low levels of informal activity (younger - do not generate an income themselves)

Profiling the Segments

Maybe someday

- Farmers, rural traders/business owners with lower income and socio-economic status
- Low levels of education
- Low levels of connectivity
- Not using credible sources of information
- Savings orientation long term but financial situation necessitates short term savings
- Some informal activity

Unlikely

- Farmers - with lowest income and socio-economic status
- Low levels of education
- Low levels of connectivity
- Not using credible sources of information
- Not saving / very little informal activity

Strategies for Realising the Opportunities

Quick win

18.3m savers
6.1m borrowers
5.3m sending remittances

Second frontier

2.2m borrowers
2.2m receiving remittances

Potential Touch points

- More than 60% own a mobile phone
- More aware of where bank access points are
- More aware of where mobile phone outlets are
- Closer to bank access points
- Closer to mobile phone outlets

Maybe someday

7.9m savers
2.0m borrowers
1.0m receiving remittances

Unlikely

1.5m borrowers
0.8m receiving remittances

F. Data Dissemination Options

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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