

## **Pension and Financial Inclusion**

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# **EFInA Access to Financial Services in Nigeria (A2F) 2020 Survey**

**November 2021**

# Outline

- A** Nigeria at a Glance
- B** Pension & Financial Inclusion
- C** Challenges and Opportunities for action
- D** Conclusion/Key Take Outs
- E** Recommendations



## **Nigeria at a glance**

# Nigeria's high rural, female, youth, and dependent adult population has implications for financial inclusion

## Population dynamic



106.2 m adults (18+ years)



49.8% are male



55.2% are aged between 18-35 yrs



66% are rural dwellers

## Socio economic factors



81% Own a Mobile Phone



81% have Formal Education



1.6 average income earners per household



4.9 average household size

## Primary source of income



45.1 million business owners



8.3m work in the formal sector



8.7m earn salary from the informal sector



21.5 m are farmers



22.4m are dependents

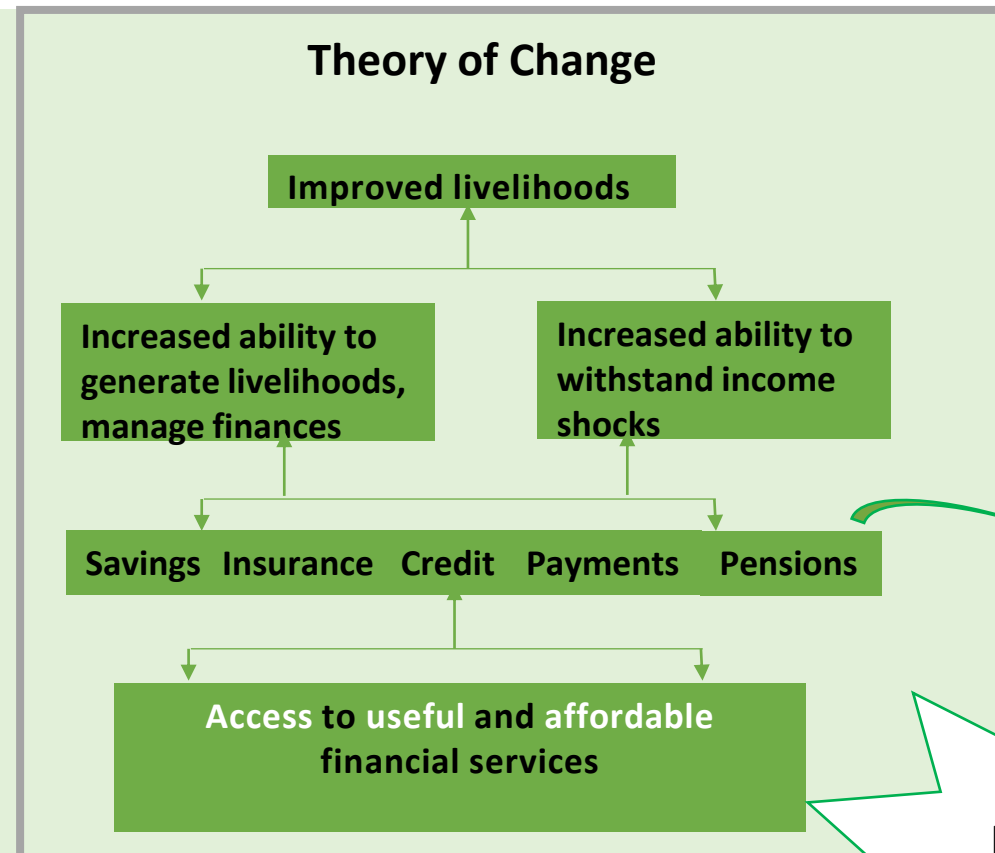


## **Pension and Financial Inclusion**

# Increased uptake/usage of pensions is needed to achieve the NFIS targets and improve livelihoods for Nigerians

\* The NFIS target is: *Increase adult population covered by a regulated pension scheme to 40% by 2020*

		% of adults	
	Focus Areas	Target by 2020	2020
% of Total Adult Population	Payments	70%	45%
	Savings	60%	32%
	Credit	40%	3%
	Insurance	40%	2%
	<b>Pension</b>	<b>40%</b>	<b>7%</b>
	Formally served	70%	50.5%
	<b>Financial Exclusion</b>	<b>20%</b>	<b>35.9%</b>



Mobilizes long-term funds for investment

## DEFINITION OF INDICATORS

- Payments:** Have a transaction account with a regulated financial institution and/or has made an electronic payment through a regulated financial institution in the last 12 months
- Savings:** Have a savings-related product at a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months
- Credit:** Have had a credit product through a regulated financial institution in the last 12 months
- Insurance:** Is covered by a regulated insurance policy
- Pension:** Is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme

## 3 in 5 Nigerian adults are putting money aside

- 64 million adult Nigerians are saving or putting money aside, up from 55 million in 2018
- 19 million adults save at home or carry their savings with them, of which 12 million rely exclusively on this form of savings
- In-kind savings (investments) remain a significant form of savings, even for those who do not put money aside

### Are you saving – putting money aside (% of adults)



■ Saving ■ Not saving

### How do you save?

(% of adults who save)

Saving with a bank	44%
Saving with other formal non-bank institution	20%
Saving with informal institution	40%
Saving at home	31%

### Top 3 in-kind savings

(investments)

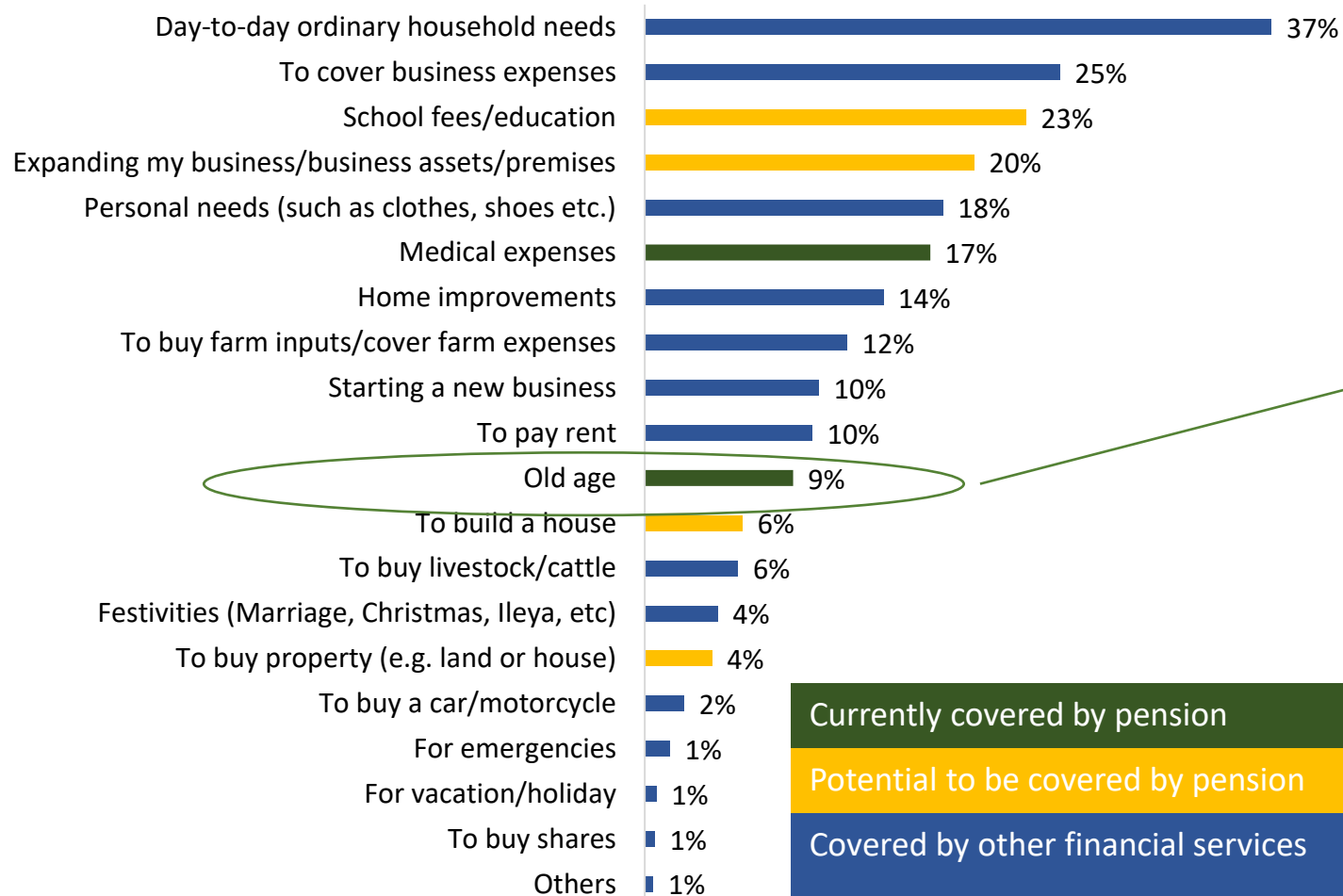
	% of the Adult population	% of the Non-savers
Property (building)	31%	27%
Land	36%	28%
Farming/agriculture/livestock	44%	43%

# Majority of adults are putting money aside to meet consumption and developmental needs

- Increased use cases for pension to meet more developmental needs could encourage increased uptake of the service

## Reason for saving

(% of adults who save)



## Which saving mechanisms suits you best

(% of adults who are saving for old age)

Commercial bank	57.4
Safe place at home or carry it around	15.1
Savings/thrift collector/merchant	7.8
Village/community association	6.9
Savings group (e.g. Meri-go -round)	5.3
Group such as a co-operative	3.2
Family/friends to keep safe	2.6

## Main reason for using the preferred

(% of adults who are saving for old age)

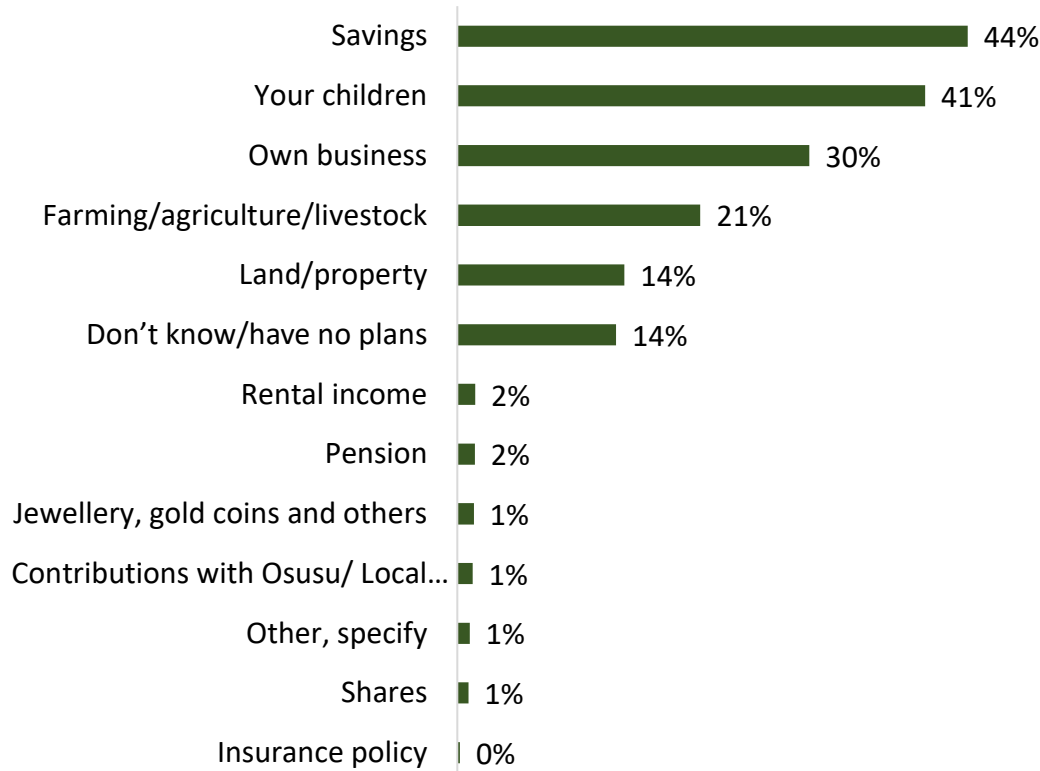
Easy/simple to use	34.8
Proximity – convenient access	20.9
Have quick access to savings	14.2
Trust them/know them	11.9
Know money is safe	8.9
No stringent requirements	2.8
Reliable technology/networks	2.1



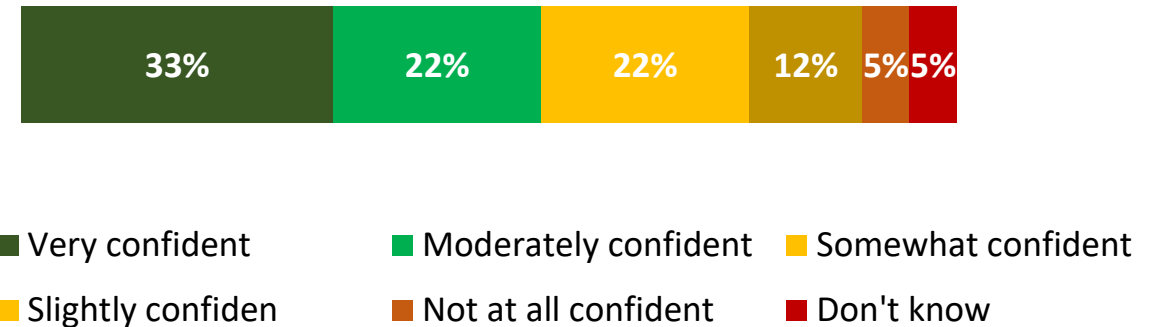
# Most adults below the age of 55 plan to rely on savings or their children when they are old

- 14% of adults under the age of 55 have not made financial plans for old age
- Only 2% of adults under the age of 55 plan to primarily rely on pension in old age
- Just one-third of adults below 55yrs are very confident in their ability to meet long-term life goals

**How will you ensure that you have money to meet your needs when you are old and cannot work**  
(% of adults below 55yrs)



**How confident are you that you will meet your long-term life goals**  
(% of adults below 55yrs)



# Just about 7% of Nigerian adults have pensions, including 1.8m micropension holders

## Population dynamics



7.2 m adults (18+ years) have pension



1.8m adults have a micropension scheme



72% are males

## Socio economic factors



96% Own a mobile phone



91% have secondary education and above



49% live in rural areas

## Primary source of income



72% work in the formal sector



12% business owners



6% work in the informal sector



5% are farmers



6% are dependents



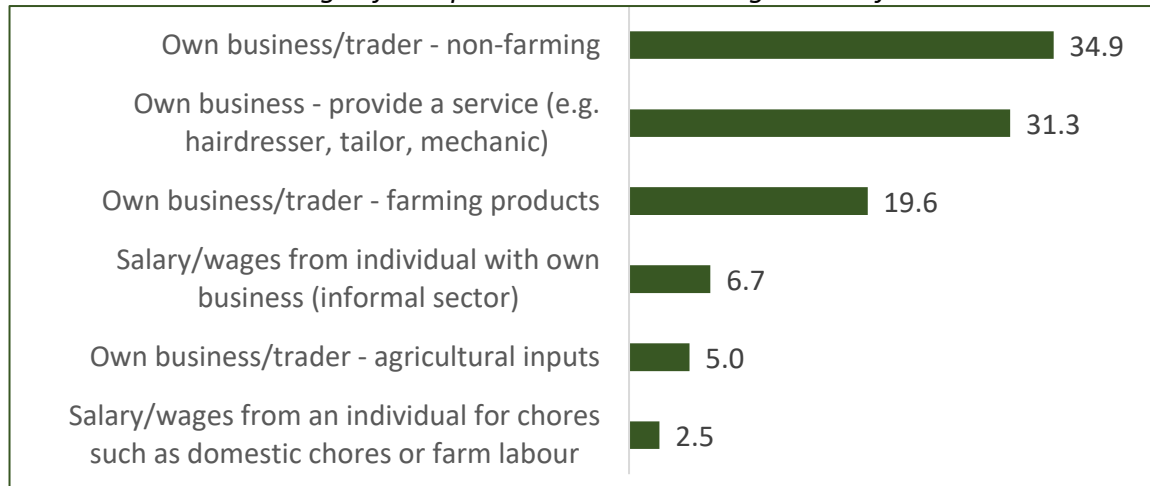
## **Challenges for increased pension uptake**

# 98% (48.7m) of individuals working in the informal sector<sup>1</sup> are without pension

- Most receive income from their own businesses and earn N35,000 and below per month
- 95% receive their income in cash. 4 in 5 receive Income at least weekly income

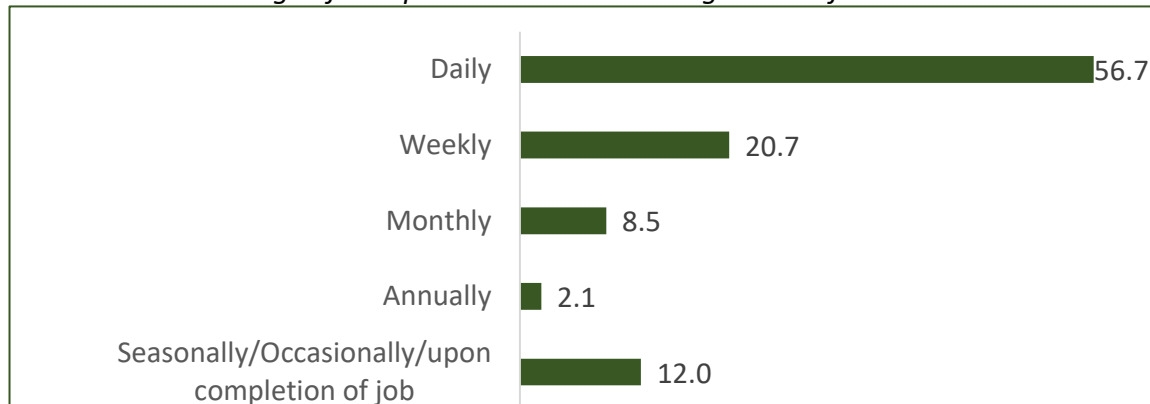
### Primary source of income

Percentage of non-pension holders working in the informal sector



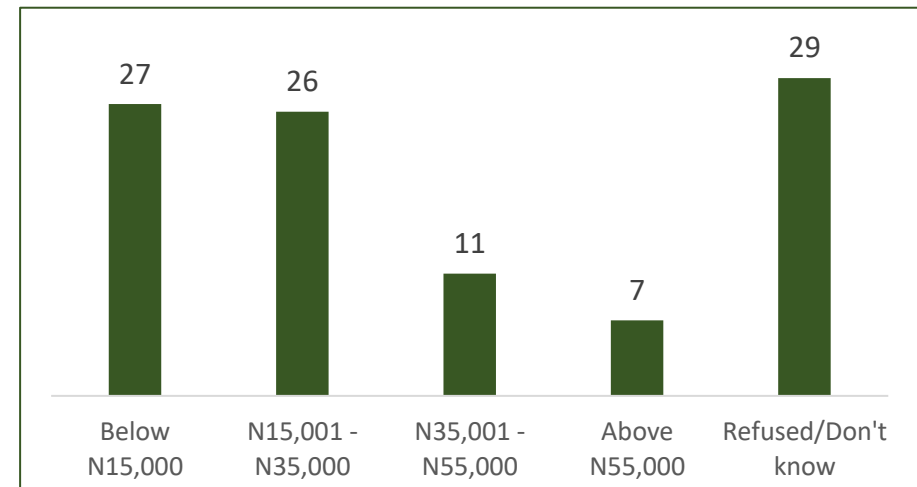
### Frequency of income

Percentage of non-pension holders working in the informal sector



### Average monthly income

Percentage of non-pension holders working in the informal sector

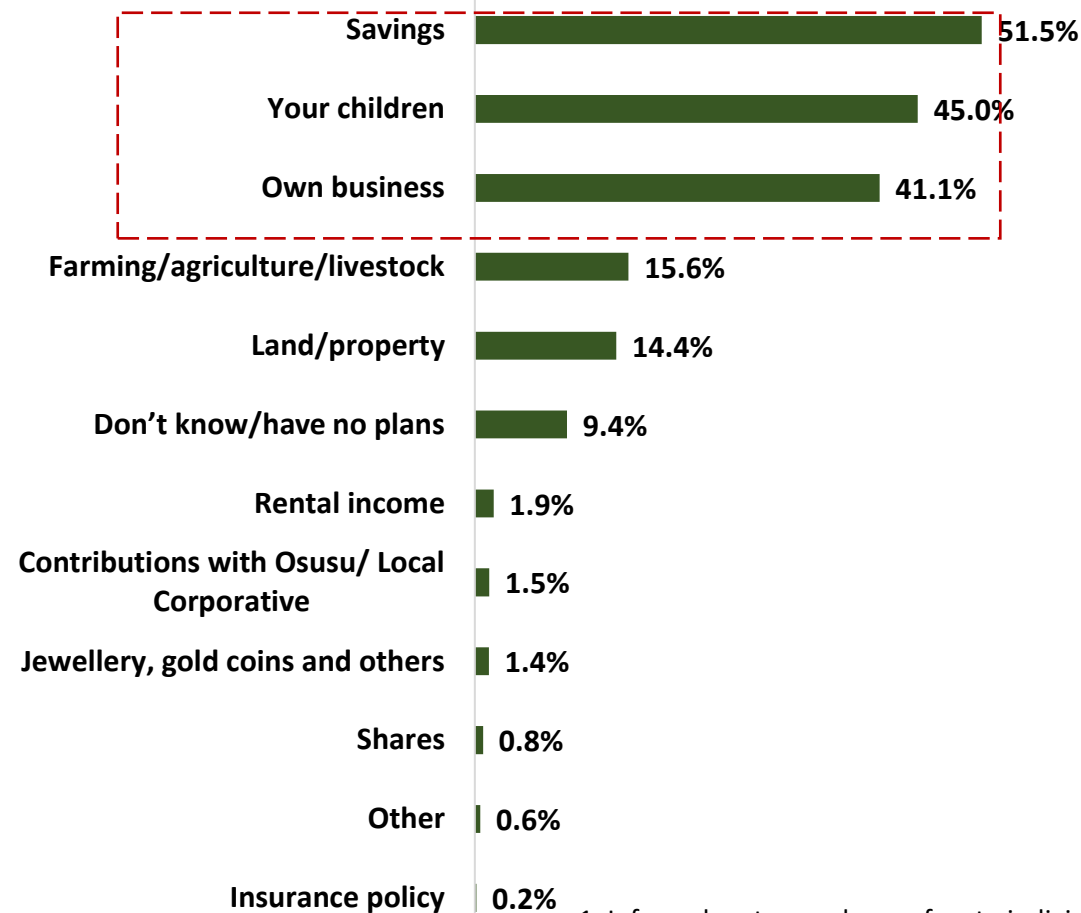


1. Informal sector workers refers to individuals who own business/trade in non-farming/farming products, agricultural inputs; provide a service or earn wages from individuals in the informal sector

# Most informal sector workers plan to rely on their savings, children or businesses in retirement

How will you ensure that you have money to meet your needs when you are old and cannot work?

*Percentage of non-pension holders working in the informal sector*

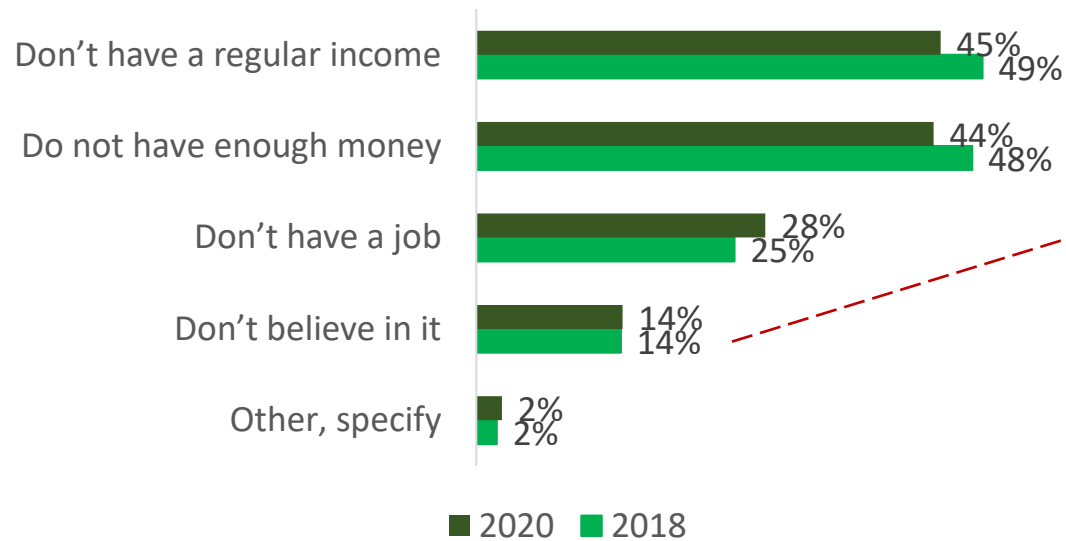


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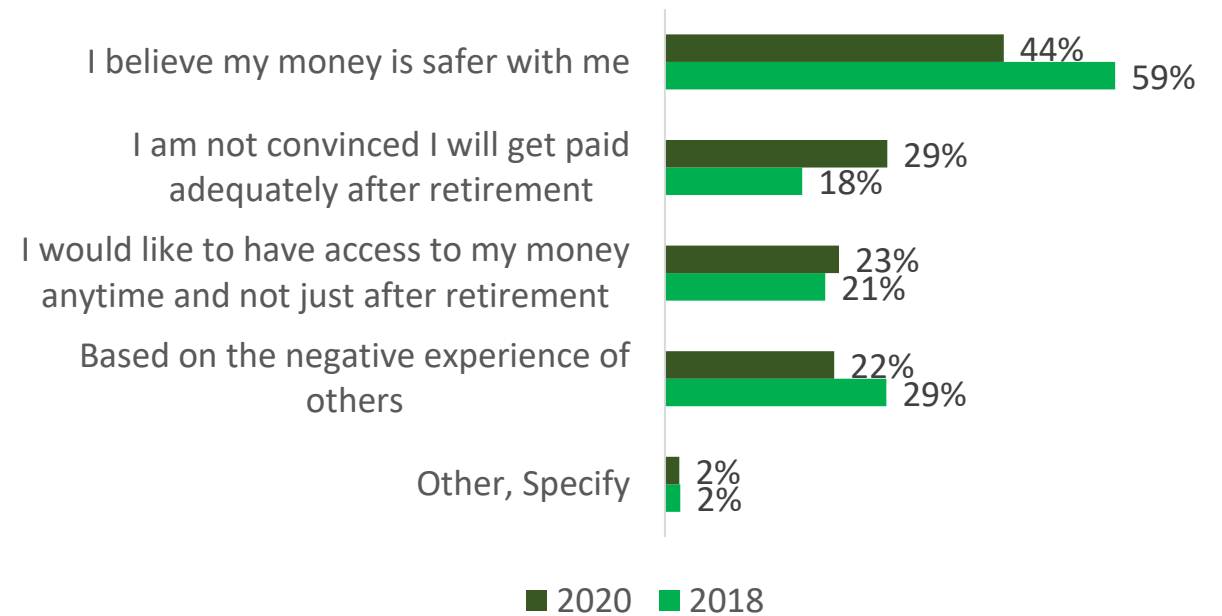
# Irregular income and not having enough money are the most frequent reasons given for not making regular retirement contributions

- Of those not making regular retirement savings, nearly half cite irregular income as a reason. This indicates that pension products with flexible contribution and timing could be useful in reaching those without pensions
- More efforts needed to educate the populace on the features, reliability and safety of Micro pensions

Why are you not making regular contributions to ensure you have money to meet your needs when you are old and cannot work (% of those not making contributions)



Why do you not believe in pension (% of those who do not believe)



## Low understanding of available services as well as lack of confidence in “eventual” disbursement at retirement



*Educate to motivate and deepen equity*

*Proffer timely & stress-free payment methods*

*Reconsider disbursement after retirement.*

*“Pension is for those that are highly paid, you do not expect me to be making fifteen thousand monthly from my business and still be doing pension...for what!? How do I feed the family and do other things?...There is no other pension apart from saving for the children since we are not working for the government...”*

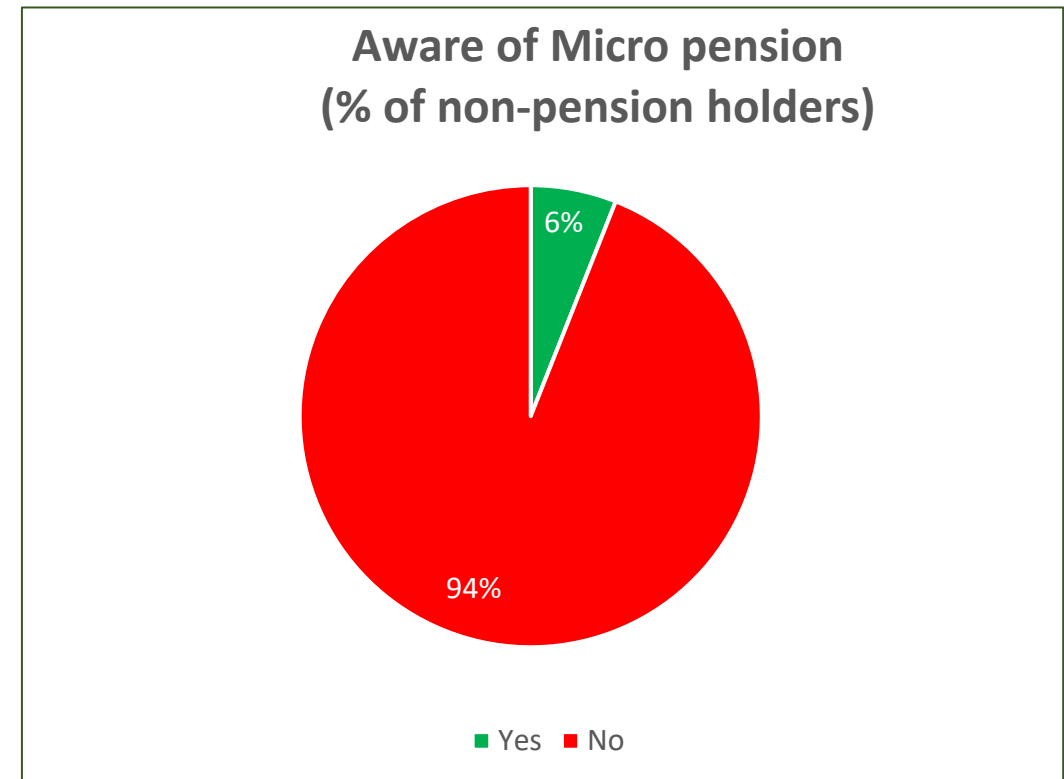
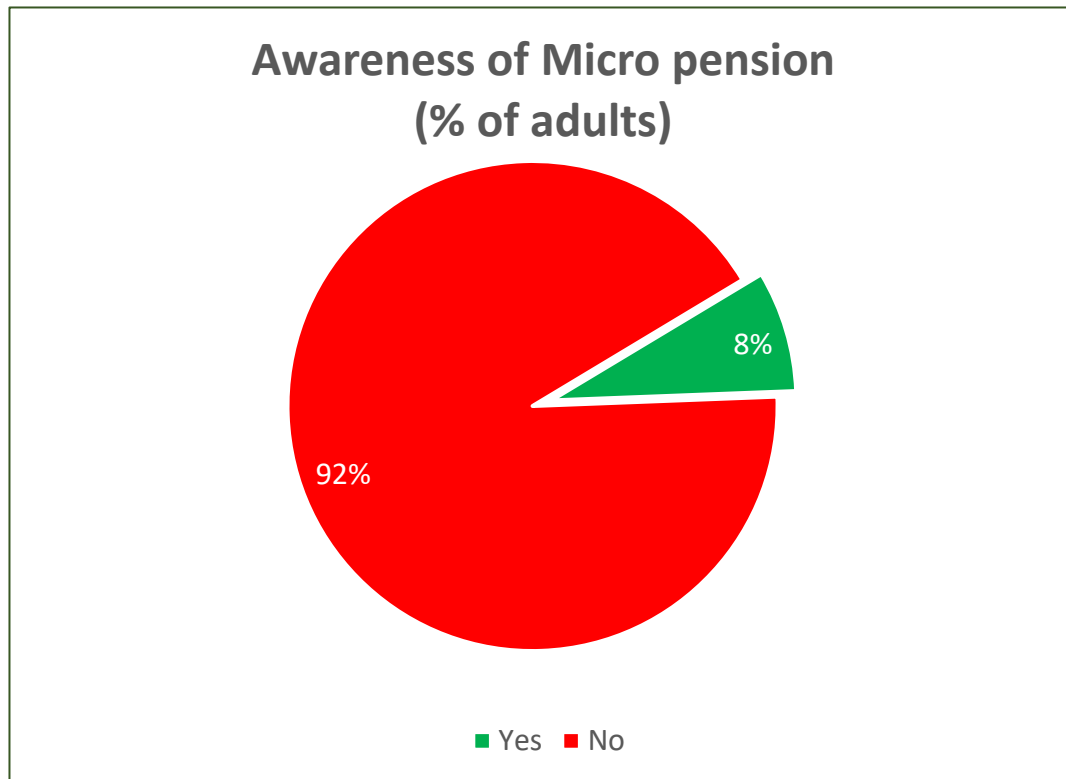
*We listen to news and hear how retirees suffer and sometimes are unable to access their pension savings...not good at all...I like the idea of pension because I have seen people that collect their money and use it to start a good life after retiring from government work – mentioned across the groups*

*As a government worker I have peace that my old age is guaranteed because I am already saving towards it...” F1 Male, 30 – 45yrs, Kano*

*As a government worker I wish I could stop this pension...most of us don’t like that our opinion are not sought, government simply enforced it & the processes...when money is given in trickles, it can’t be useful towards achieving set goals / plans...” F1, 30 – 45yrs, Ebonyi*

## Lack of awareness is a major barrier to uptake and usage of Micro pension. 94% of adults without pensions are unaware of the service

- 62% of individuals with pension have not heard of Micro pensions – lost opportunity for testimonial marketing
- One-third of adults who have heard of Micro pensions have a pension account
- Nigeria lacks wide variety of distribution channels for Micro pension
- Distribution is concentrated in a handful of PFAs/PFCs as well as agents and brokers
- Mobile network operators are a key distribution channel that is missing in Nigeria














# Wide gender disparity in access to education, mobile phone ownership and formality of primary income source have implication for gendered gap in pension uptake









**Socio economic factors**

-  85% own a mobile phone
-  61% have complete secondary education and above
-  49% have the required documentation to open an account
-  11% earn their primary income from the formal sector
-  51% work in the informal sector or are self employed  
29% are farmers

-  77% own a mobile phone
-  51% have completed secondary education and above
-  34% have the required documentation to open an account
-  5% earn their primary income from the formal sector
-  51% work in the informal sector or are self employed  
32% are dependants

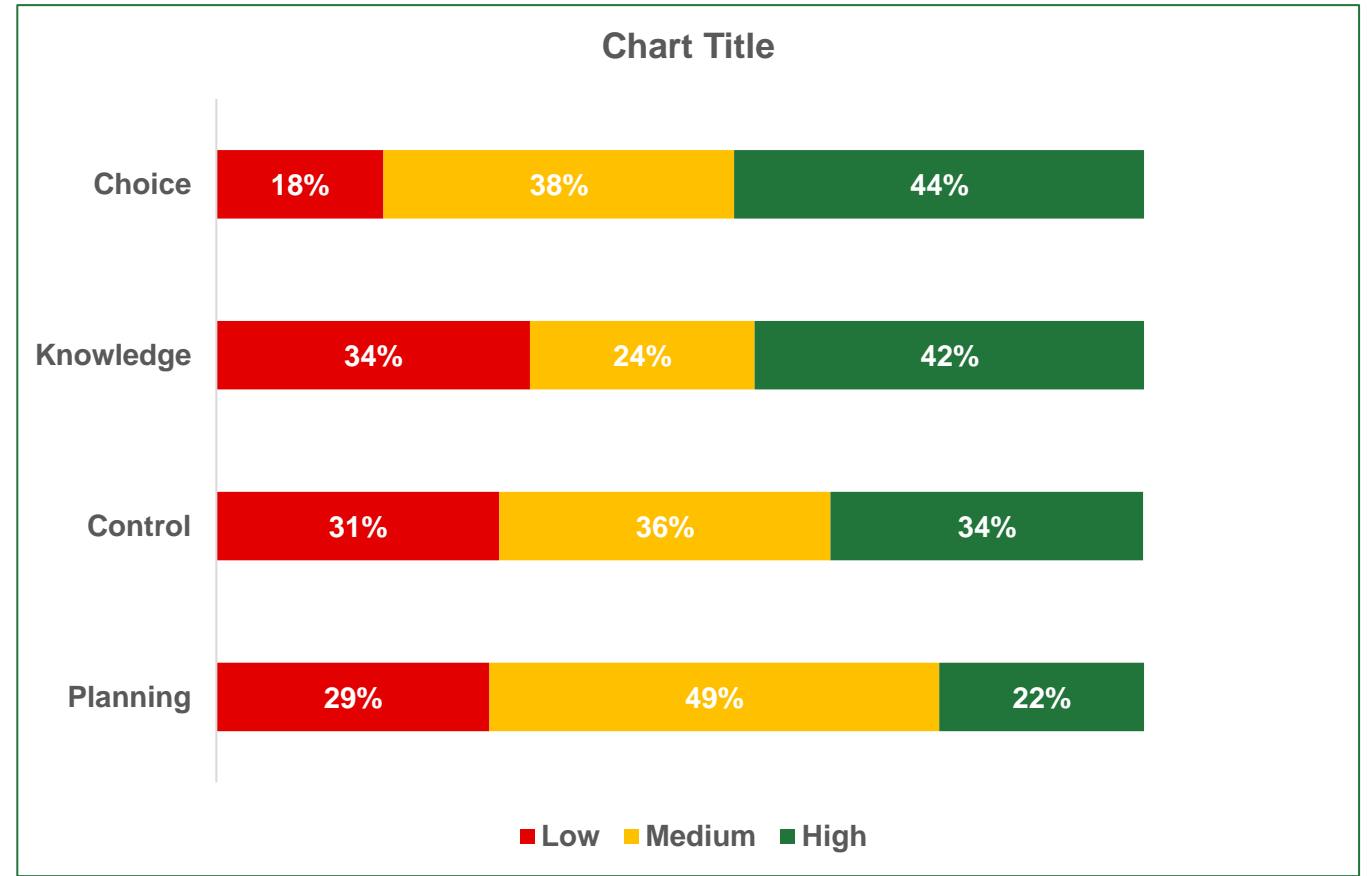
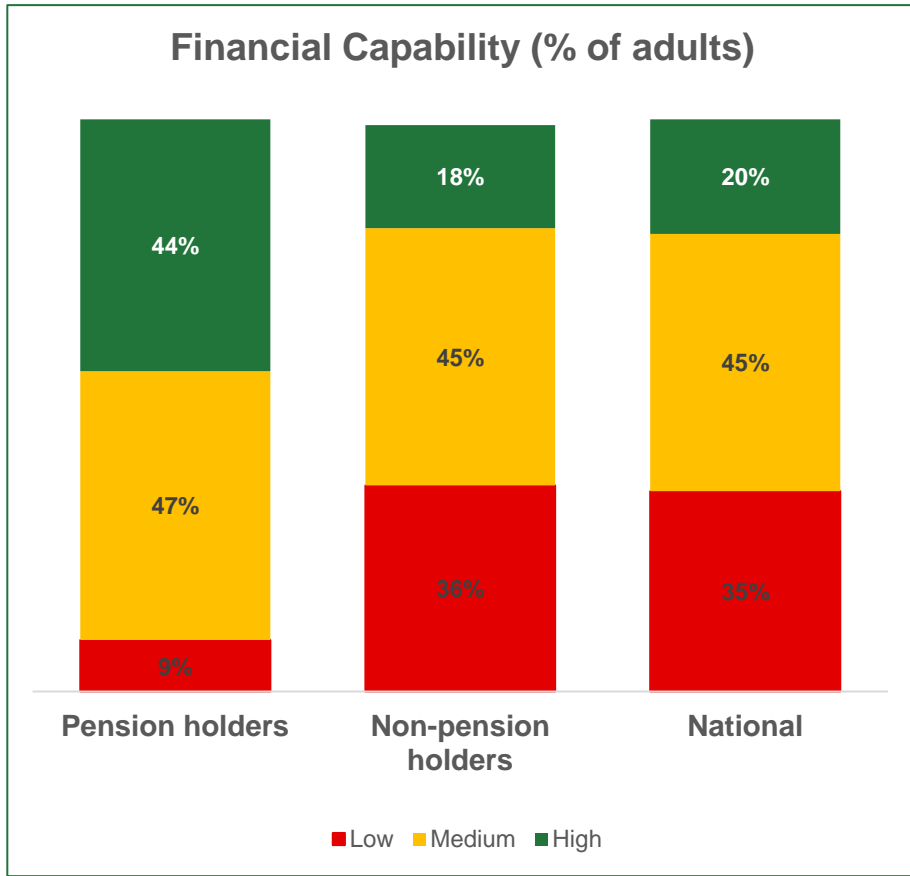
**Financial decision making**

-  10% have pension
-  30% are saving towards retirement
-  97% of those working in the informal sector are without pension

-  4% have pension
-  23% are saving towards retirement
-  99% of those working in the informal sector are without pension

## Relatively low financial capability among non-pension holders presents a barrier to uptake

- Nearly half do not understand the terms and conditions in a contract, do not know what to do for recourse when not satisfied with a financial service, are not confident to make a complaint against a financial service provider

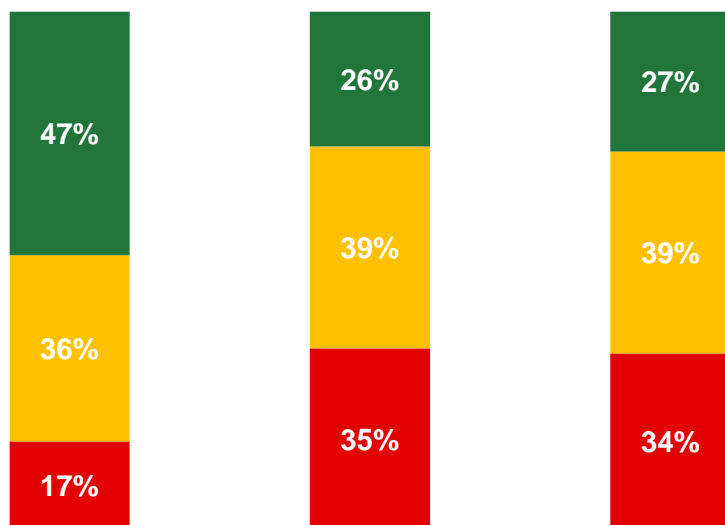


Financial capability is an average of the financial planning, financial control, knowledge and skills and making financial choices dimensions.

## Relatively low financial health among non-pension holders presents a barrier to uptake

- Only about 1 in 4 are spending, saving, planning, and managing risks in a way that will allow them to be resilient and pursue opportunities over time

FinHealth (% of adults)



Pension holders

Non-pension holders

National

■ Low ■ Medium ■ High

### FinHealth dimensions

(% of non-pension holders)

#### Ability to manage day to day (spend score)

No trouble making money last, plan for allocating money, never went without food

61%

11%

28%

#### Build and maintain reserves (save score)

Save money, invest in assets

24%

59%

17%

#### Planning and prioritising (Plan score)

Plan ahead financially

34%

46%

21%

#### Ability to manage risks

Never went without medicine, could raise N45,000 for emergency in 7 days, could recover from financial shock

45%

25%

30%

## Beyond low income, awareness and confidence constraints, other supply side challenges further hinder uptake of Micro pension products in Nigeria

### Cost of providing Micro pension schemes

- High cost of serving the low-income population

### Inadequate/inefficient distribution channels

- There are few effective distribution channels to reach adults who are not near financial institutions

### Insufficient market information to aid product design

- Insufficient profiling and understanding of the potential market for Micro pensions

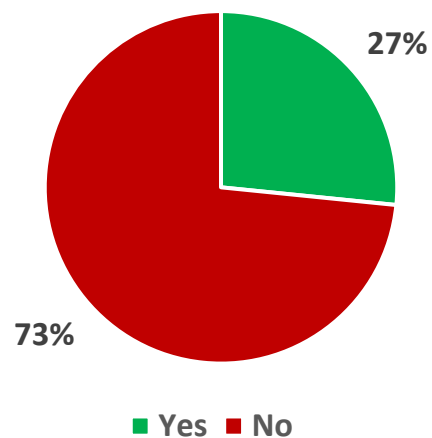


## **Opportunities for action**

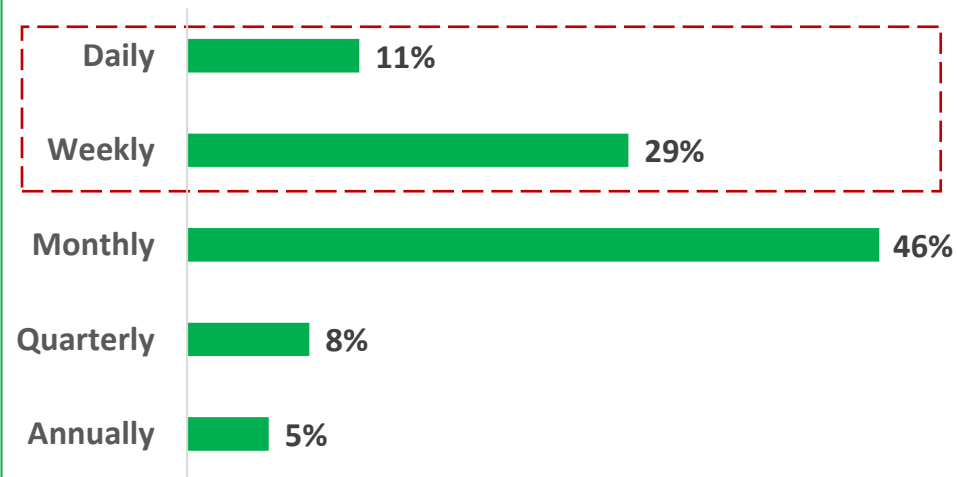
## 21m adults who do not currently have pension are making regular contributions for old age

- 11.5m adults making daily and weekly savings suitable for micropensions

Making regular contributions to meet financial needs in old age (% of adults)



Frequency of contribution (% of adults making contributions for old age)



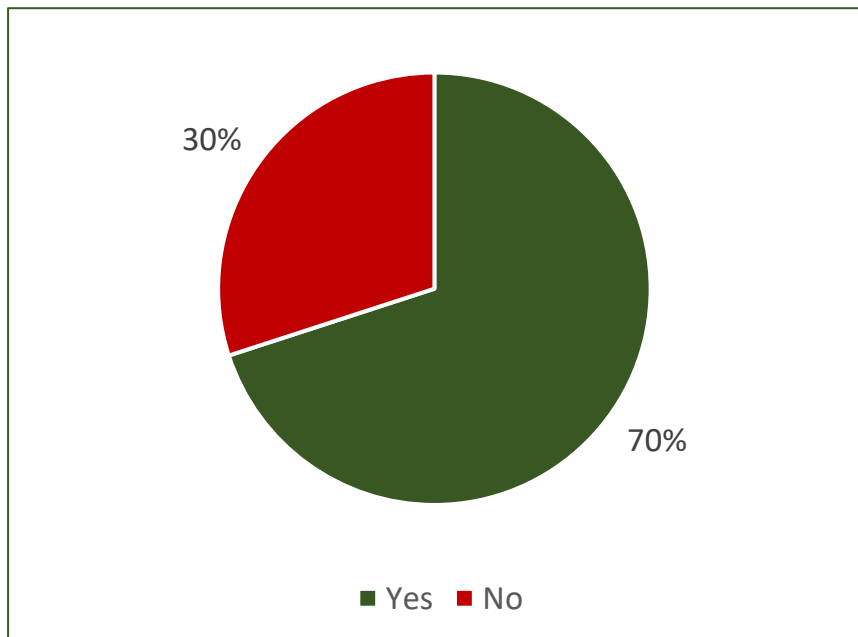
Quick wins for micropension

## Majority of non-pension holders working in the informal sector have saved money in the last 12 months

- 53% (26 million) are banked and an additional 6% and 16% use other formal and informal financial services respectively
- 70% (34 million) informal sector workers, have saved money in the past 12 months
- Two thirds save weekly or monthly

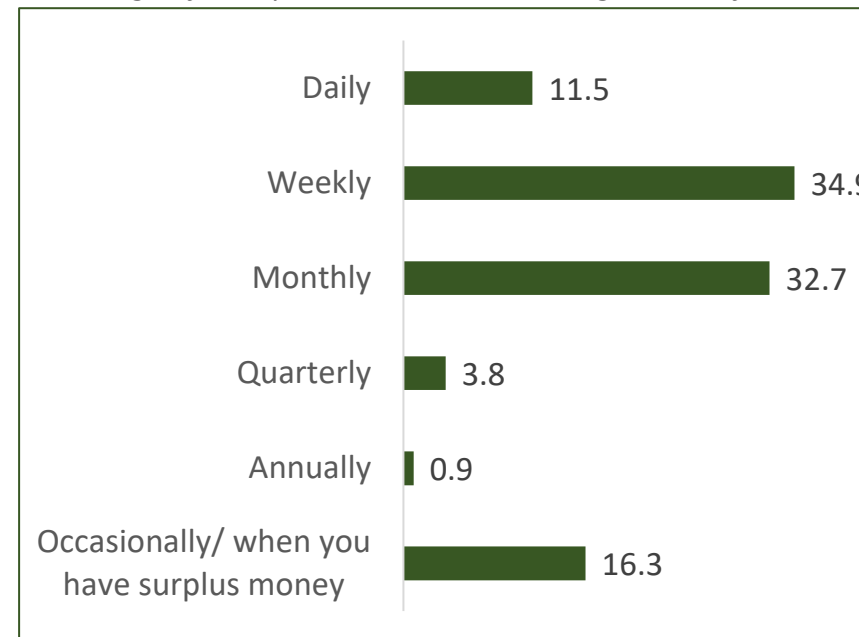
### Saved money in the past 12 months

Percentage of non-pension holders working in the informal sector



### How often do you mostly save?

Percentage of non-pension holders working in the informal sector

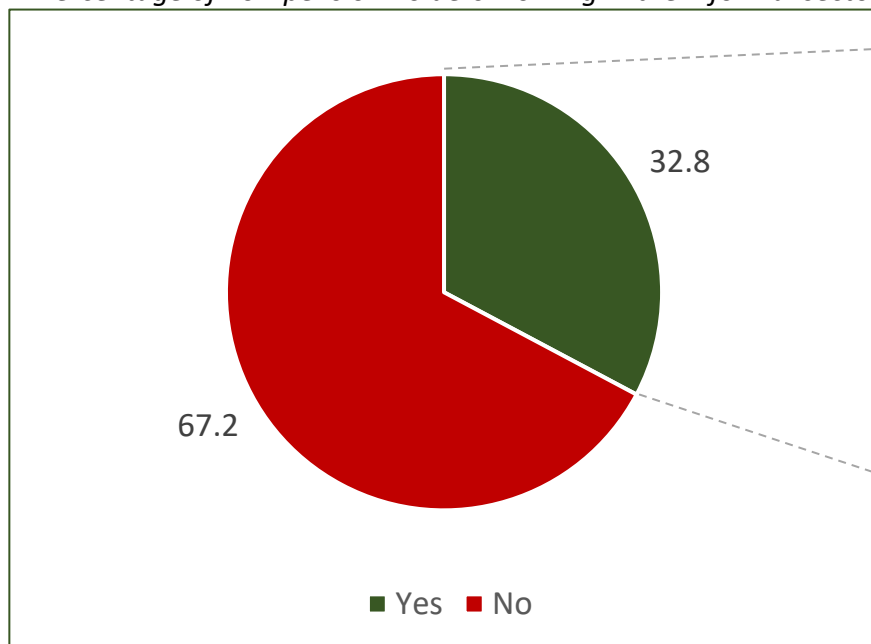


# About 16 million non-pension holders in the informal sector are making regular savings/contributions for retirement

- 11.7 million are making contributions weekly or monthly
- 68% (11 million) are banked

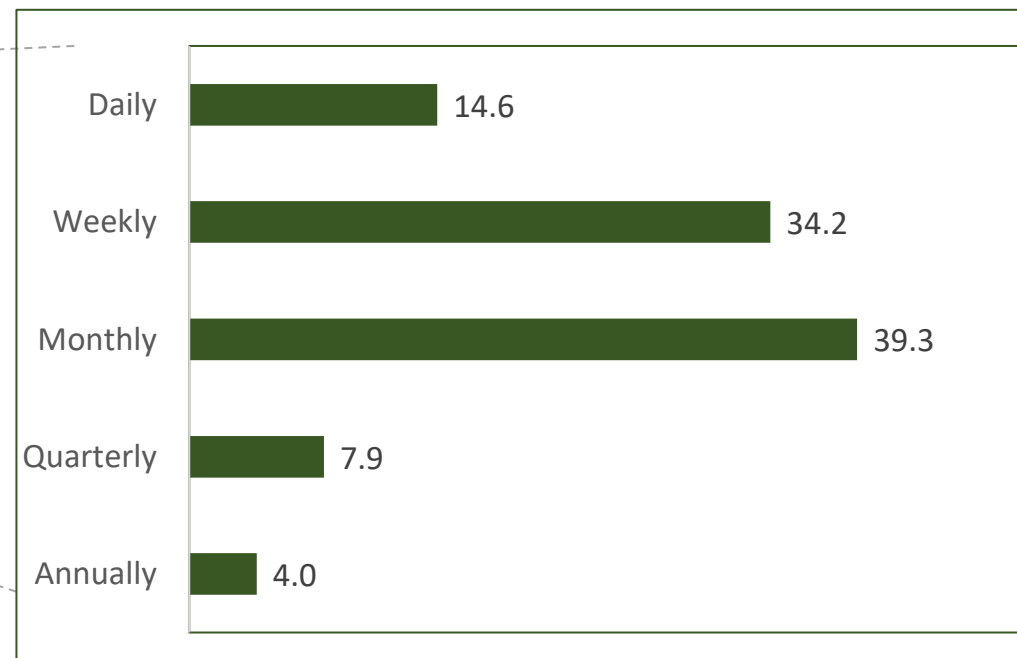
**Are you making regular contributions to ensure that you have money to meet your financial needs when you are old and cannot work?**

*Percentage of non-pension holders working in the informal sector*



**How often do you make these retirement contributions?**

*Percentage of non-pension holders working in the informal sector who are making regular retirement contributions*



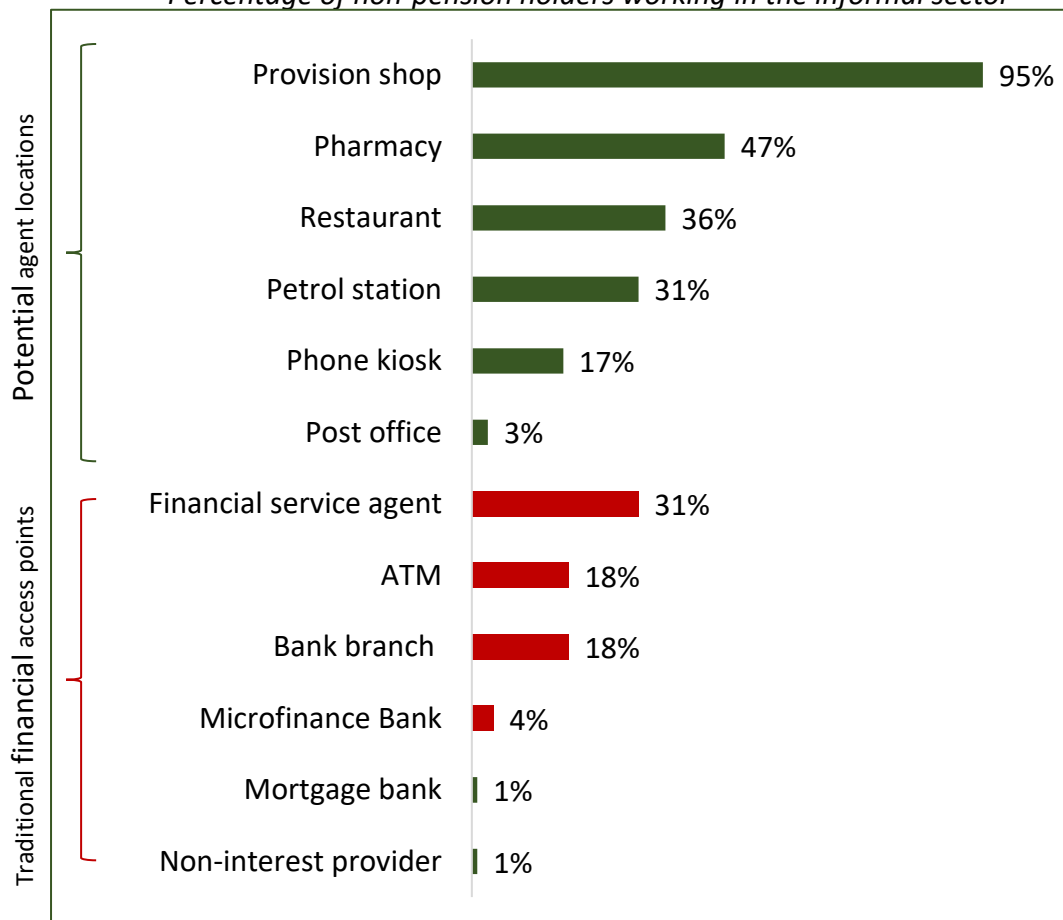


## Access channels for reaching informal sector workers

- More than 90% of informal sector workers either have or use a mobile phone
- 29% are making digital payments
- 31% are aware of a financial services agent close to where they live

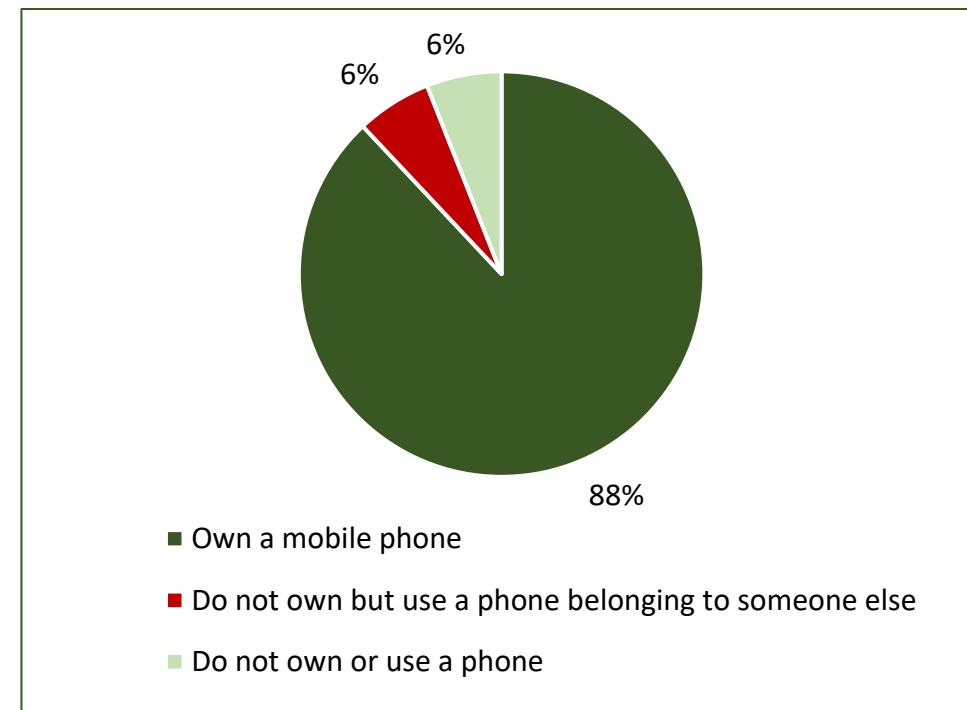
### Percentage of informal sector workers aware of the following locations close to where they live

Percentage of non-pension holders working in the informal sector



### Phone ownership and use

Percentage of non-pension holders working in the informal sector



## Conclusion & Recommendations

- **Increased value proposition of pension** – including expanding the use-cases to meet critical developmental goals as well as bundled services
- **Concerted industry-wide effort to leverage technology** – particularly in tackling the infrastructural and cost barriers in serving the target group
- **Regulation for innovation** - open the market for a range of innovative providers, business models and solutions that have the potential to expand pension coverage in Nigeria while protecting against key risks
- **Work to promote awareness** of pensions, Micro pensions, and protections put in place for pension holders
- **Non-traditional financial access points should be leveraged** in driving awareness, educating the populace and building trust among the low-income populations.

**These Key Findings are just the tip of the iceberg. The A2F dataset can be used for in-depth analysis of a variety of topics.**

### Reports and datasets are available to the public

- Access to Financial Services in Nigeria Survey website: [www.a2f.ng](http://www.a2f.ng)
- EFInA website: [www.efina.org.ng](http://www.efina.org.ng)

### Want specific insights? Let us know

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Thank you!