

**Opportunities for promoting financial uptake through digital  
financial services**

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**Enhancing Financial Innovation & Access (EFInA)**

**August, 2021**

# Content of the presentation

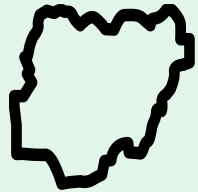
- A** Nigeria at a Glance
- B** Digital Financial Inclusion in 2020
- C** Challenges and Opportunities for action
- D** Conclusion/Key Take Outs
- E** Recommendations

## Coverage and methodology of the A2F 2020 Survey



### Design

- Provided by the National Bureau of Statistics (NBS)
- Sampling of respondents was based on equal representation (around 750 respondents) per state
- Allows for statistically robust headline indicators of financial access at the state, regional and national level



### Coverage

- Nationally representative sample of Nigerian adults (18+) across all 36 States and FCT Abuja
- Achieved 27,938 interviews (99% of target sample (28,380)), slightly high compared to 2018
- The survey also includes 2 booster samples for Kaduna state (4600 respondents) and the teen (15-17) population which are not covered in this report
- Household listing and data collection was conducted from November 2020 to February 2021 by the Research Firm - Ipsos Nigeria, with supervision from the National Bureau of Statistics (NBS)



### Questionnaire


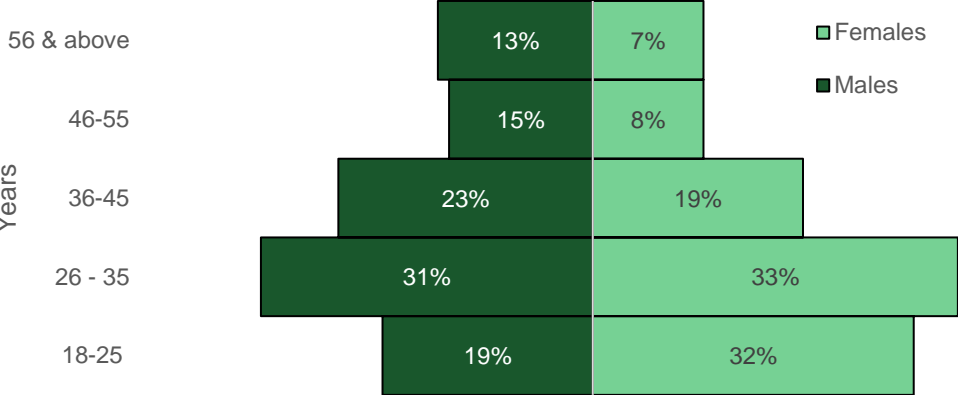










- The questionnaire (in English), was translated into and administered in Hausa, Yoruba, Igbo and Pidgin English



### Results

- Results were weighted by the NBS to provide for the total adult population
- Also benchmarked to national population estimates for verification

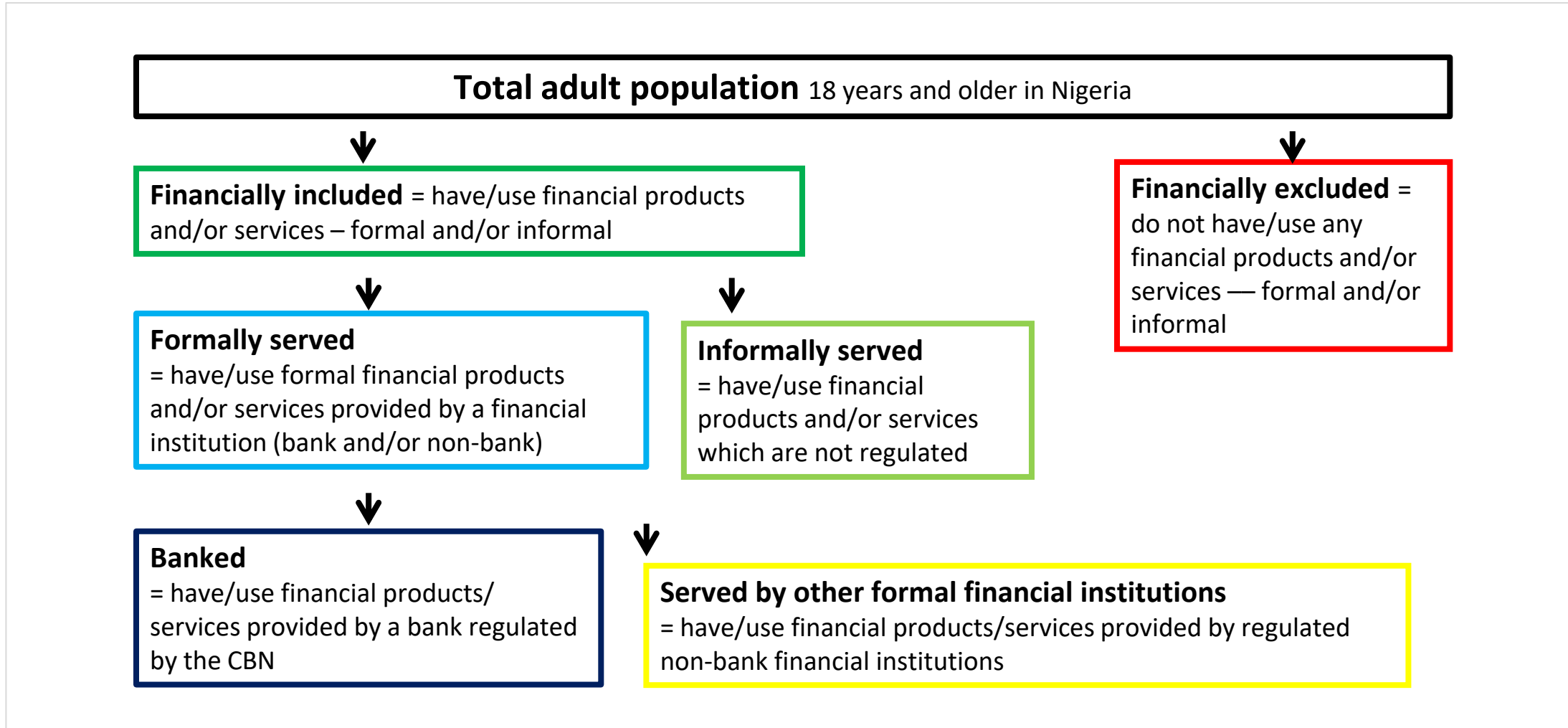
# Nigeria's high rural, female, youth, and dependent adult population has implications for financial inclusion

<p><b>Population dynamics</b></p>	 <p>106 m adults (18+ years)</p>	 <table border="1"> <thead> <tr> <th>Years</th> <th>Males</th> <th>Females</th> </tr> </thead> <tbody> <tr> <td>56 &amp; above</td> <td>13%</td> <td>7%</td> </tr> <tr> <td>46-55</td> <td>15%</td> <td>8%</td> </tr> <tr> <td>36-45</td> <td>23%</td> <td>19%</td> </tr> <tr> <td>26 - 35</td> <td>31%</td> <td>33%</td> </tr> <tr> <td>18-25</td> <td>19%</td> <td>32%</td> </tr> </tbody> </table>	Years	Males	Females	56 & above	13%	7%	46-55	15%	8%	36-45	23%	19%	26 - 35	31%	33%	18-25	19%	32%	 <p>66% are rural dwellers</p>
Years	Males	Females																			
56 & above	13%	7%																			
46-55	15%	8%																			
36-45	23%	19%																			
26 - 35	31%	33%																			
18-25	19%	32%																			
<p><b>Socio economic factors</b></p>	 <p>81% Own a Mobile Phone</p>	 <p>81% have <u>Formal</u> Education</p>	 <p>1.6 average income earners per household</p>	 <p>4.9 average household size</p>																	
<p><b>Sources of income</b></p>	 <p>45.1 million business owners</p>	 <p>8.3m work in the formal sector</p>	 <p>8.7m work in the informal sector</p>	 <p>21.5 m are farmers</p>	 <p>22.4m are dependents</p>																



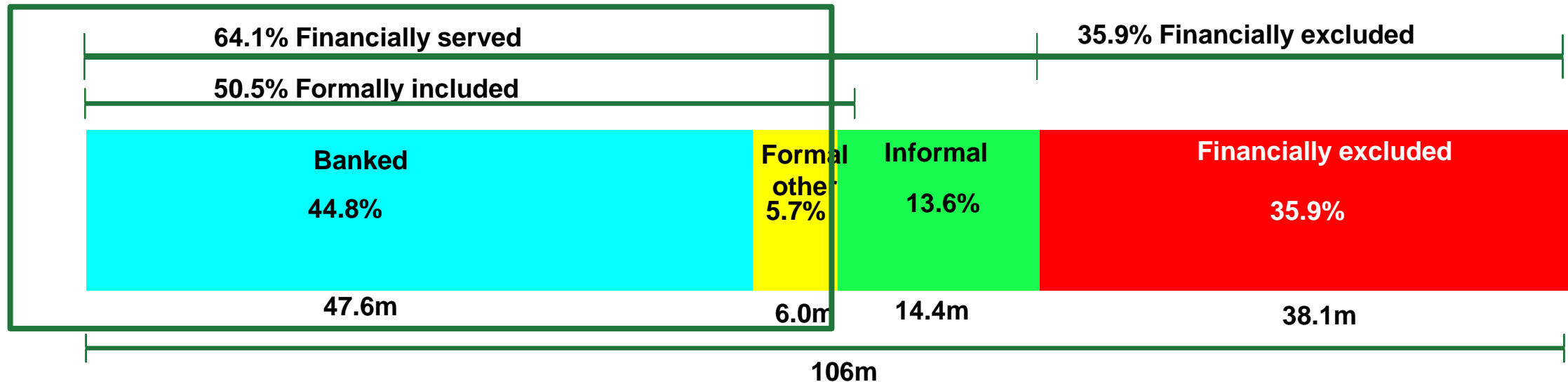
## **Levels of Financial Inclusion (Financial Access Strands)**

## Defining financial inclusion



## Just above half of adults (50.5% of adults, or 53.6 million adults) now use formal financial services, up from 48.4 million

- Nearly 1 in 2 Nigerian adults do not use any formal (regulated) financial services
- More than 1 in 3 Nigerian adults remain completely financially excluded



These four strands are mutually exclusive

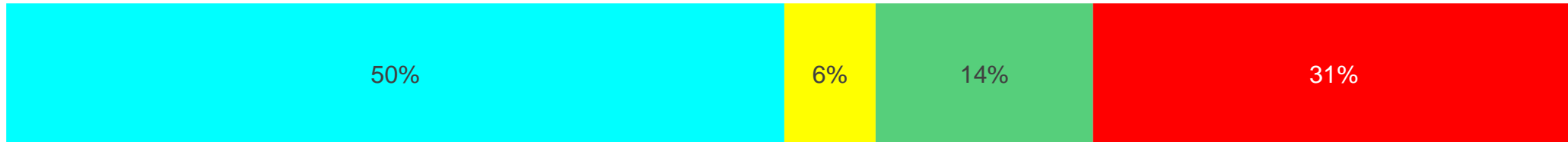
- ❑ **Banked:** adults who have access to or use of deposit money bank, in addition to having/using a traditional banking products such as ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank or Islamic banking products
- ❑ **Formal other:** all adults who have access to or use of other formal institutions and financial products not supplied by deposit money banks including insurance companies, microfinance bank, pension schemes or shares. It also include remittance through formal channels
- ❑ **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 money lenders; as well as remittance through informal channels such as transport service or recharge card
- ❑ **Financially excluded:** adults who are 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 family member or friend

# There is a strong correlation between access to mobile phones and access to financial products and services (financial inclusion)

No Phone access  
11.6m



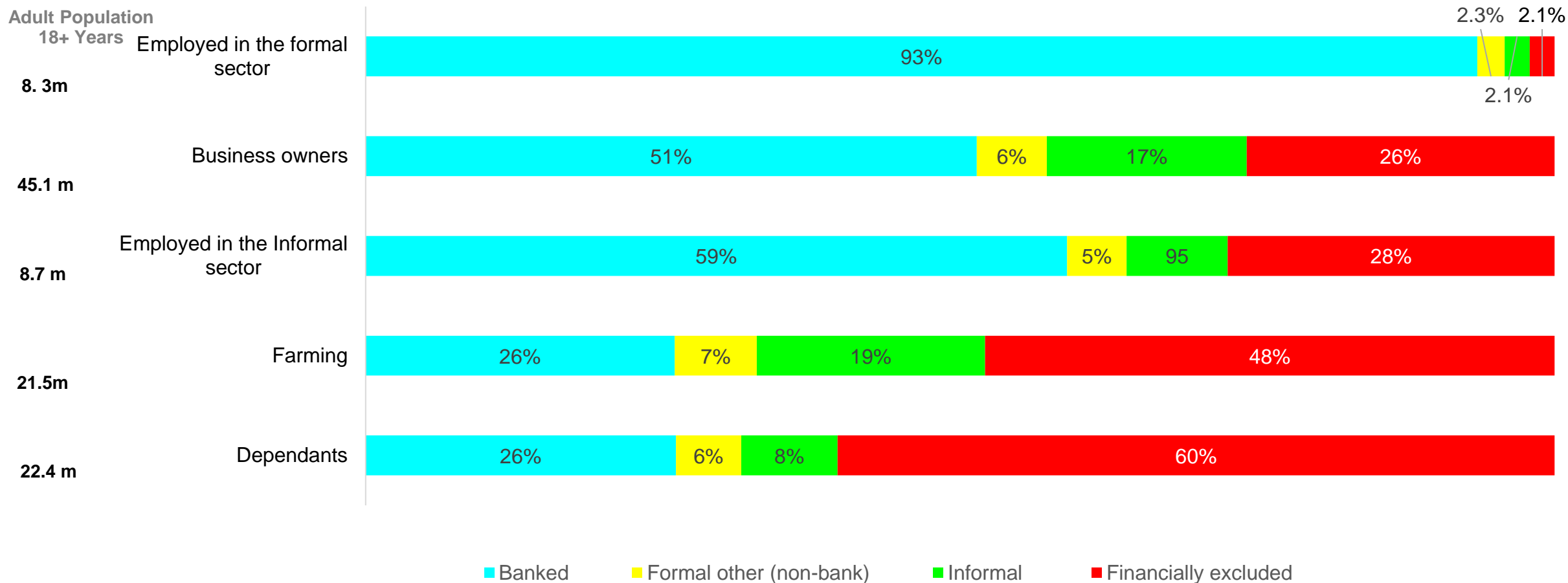
Phone access  
94.5m



■ Banked 
 ■ Other Formal (non-bank) 
 ■ Informal 
 ■ Excluded

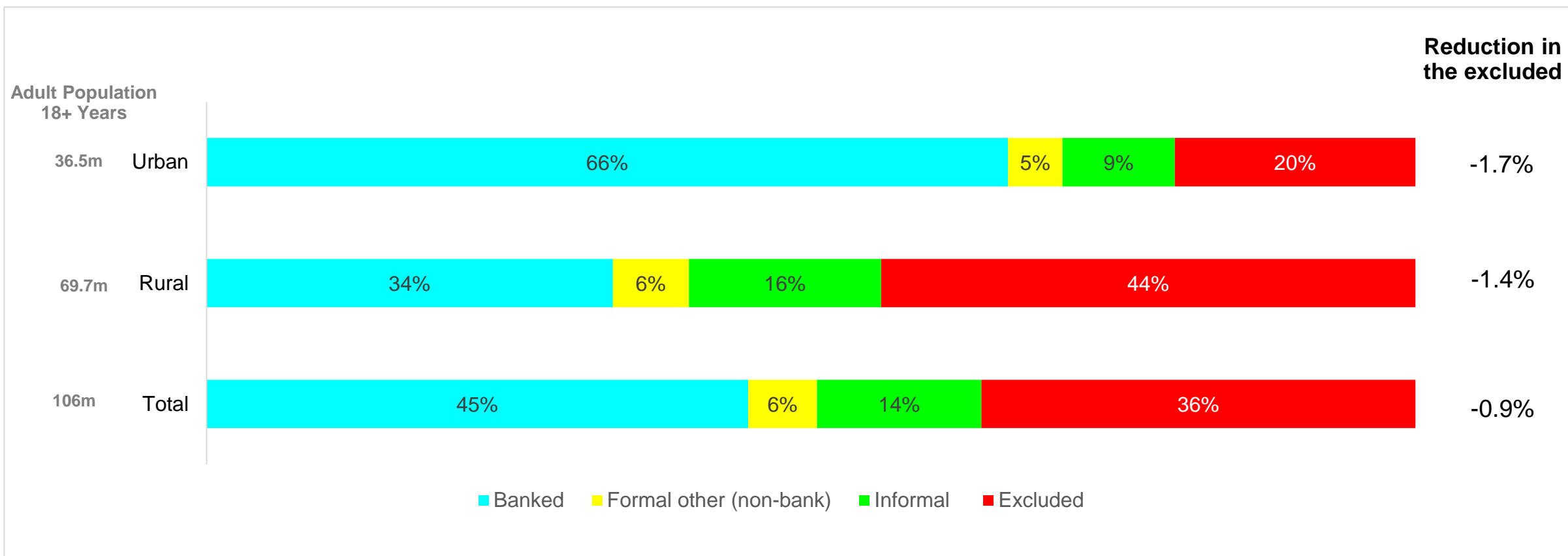


# The formally employed market is nearly saturated for banks



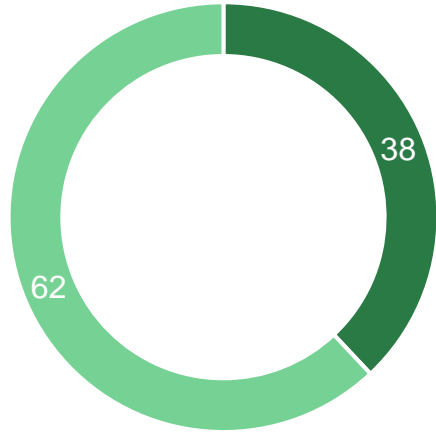
# Only one third of rural adults are banked, compared to two thirds of adults in urban areas

- Banking services are still not reaching all rural areas. However, the data show some increase since 2018
- Rural adults continue to be more likely than those in urban areas to rely exclusively on informal financial services

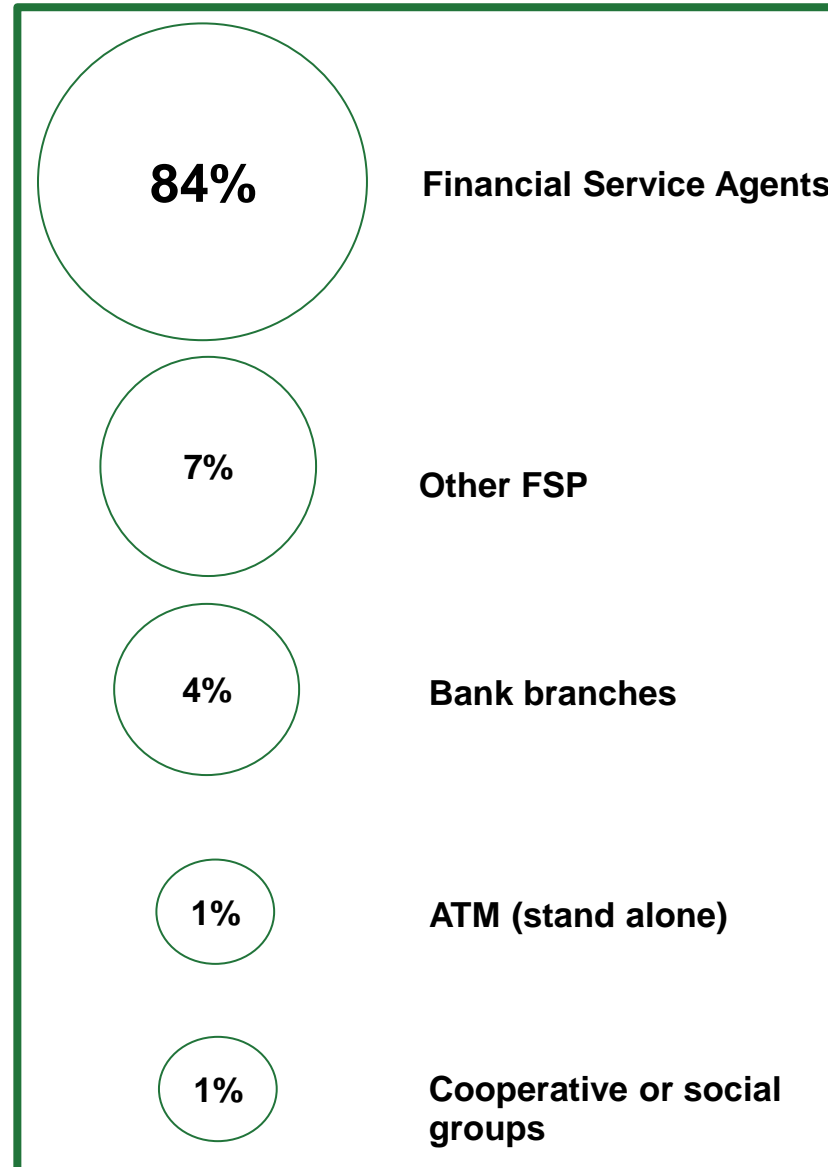


**Rural population:** Only 38% of adults in rural areas are within proximity of financial access points/financial service providers. Of the 38%, 84% are Financial Services Agents.

Proportion of EAs (communities) with financial access points (%)



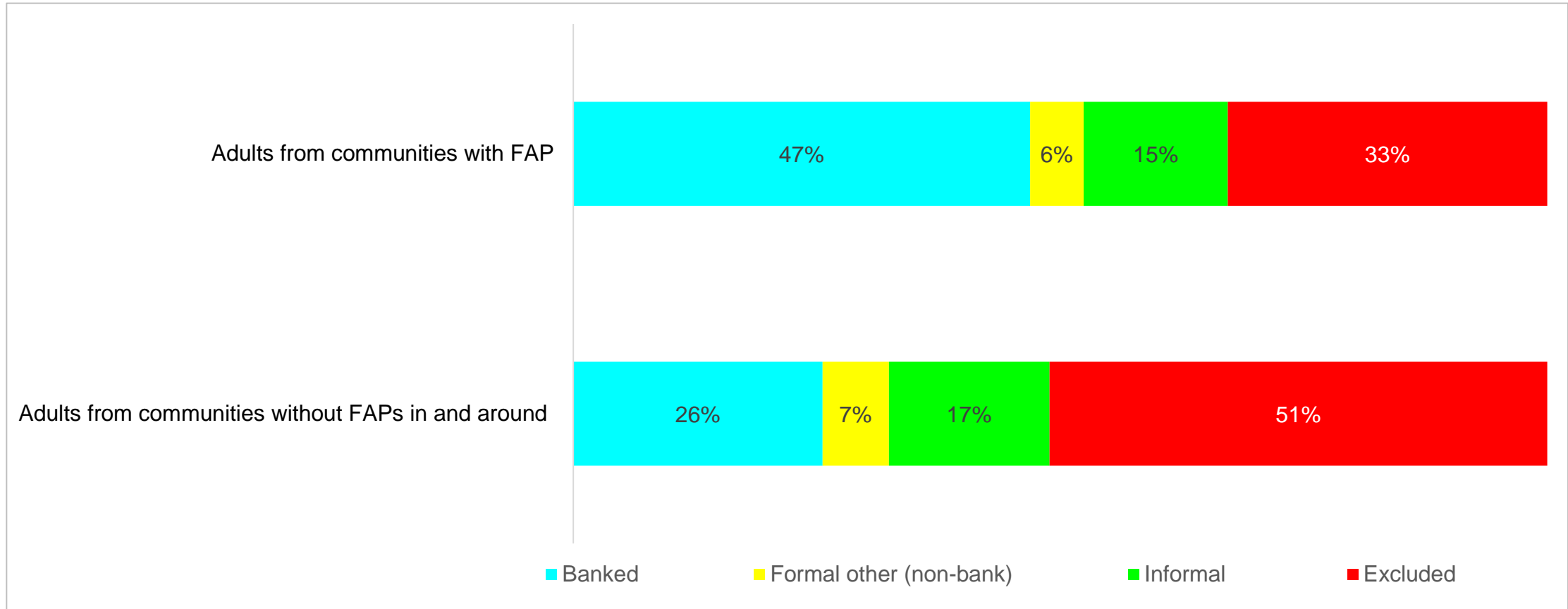
- % of sampled communities that have financial access points
- % of sampled communities without financial access points



**Type of financial service agent (Drivers)**

Banking agents (45%)
Other formal (30%)
Other & non licensed (26%)
MNO (13%)

## Rural populations with financial access points (FAP) in their communities are more likely to be financially included





## **Digital Financial Inclusion in 2020**



## **Digital payments**

# 29.8 million Nigerians are making or receiving digital payments, mostly secondary education completed, business owners or from the South West



90% have completed secondary education or higher adults are making digital payments



44% adults living in rural areas are making digital payments



41% business owners are making digital payments



24% formally employed adults are making digital payments



14% of dependents are making digital payments



13% adults working in the informal sector are making digital payments



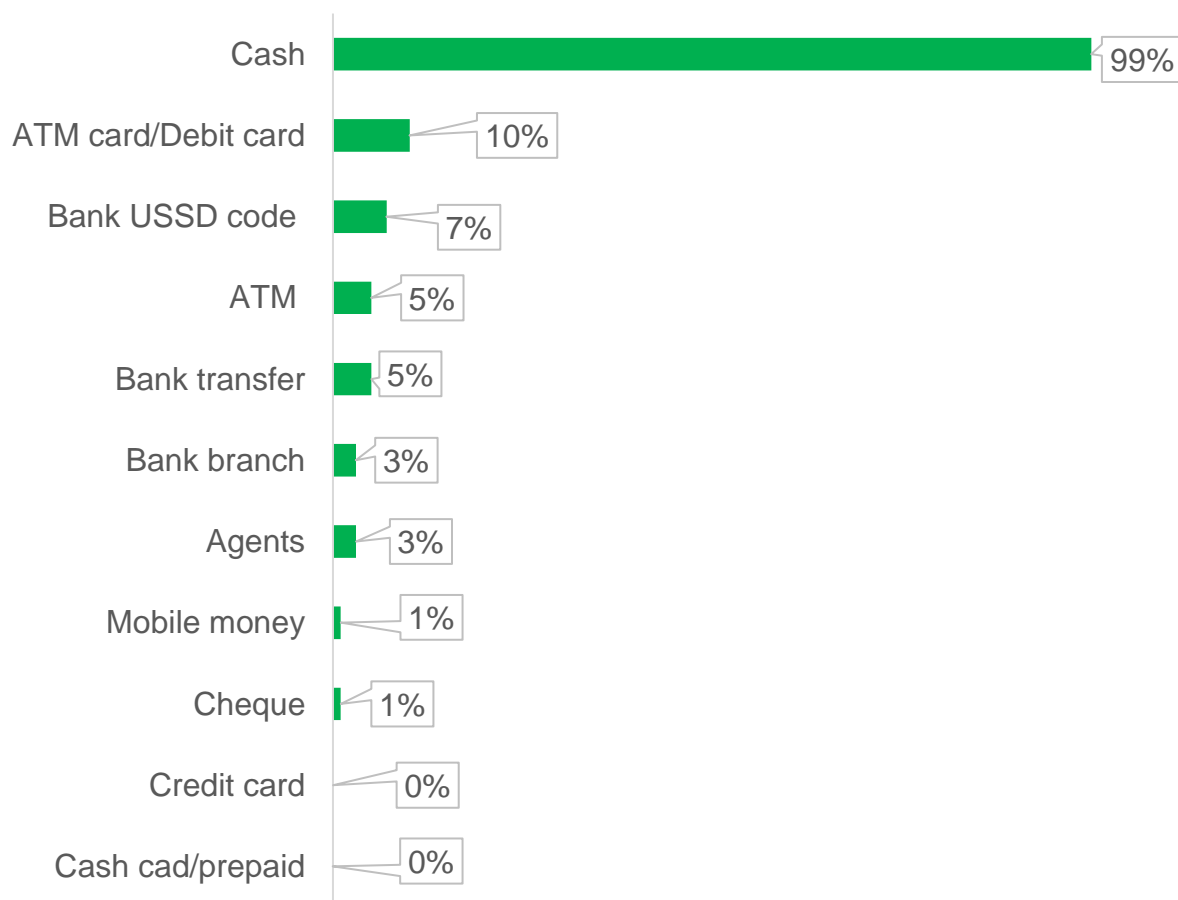
8% of farmers are making digital payments

NW-9%	NC-16%	NE-9%
SW-32%	SS-19%	SE-15%

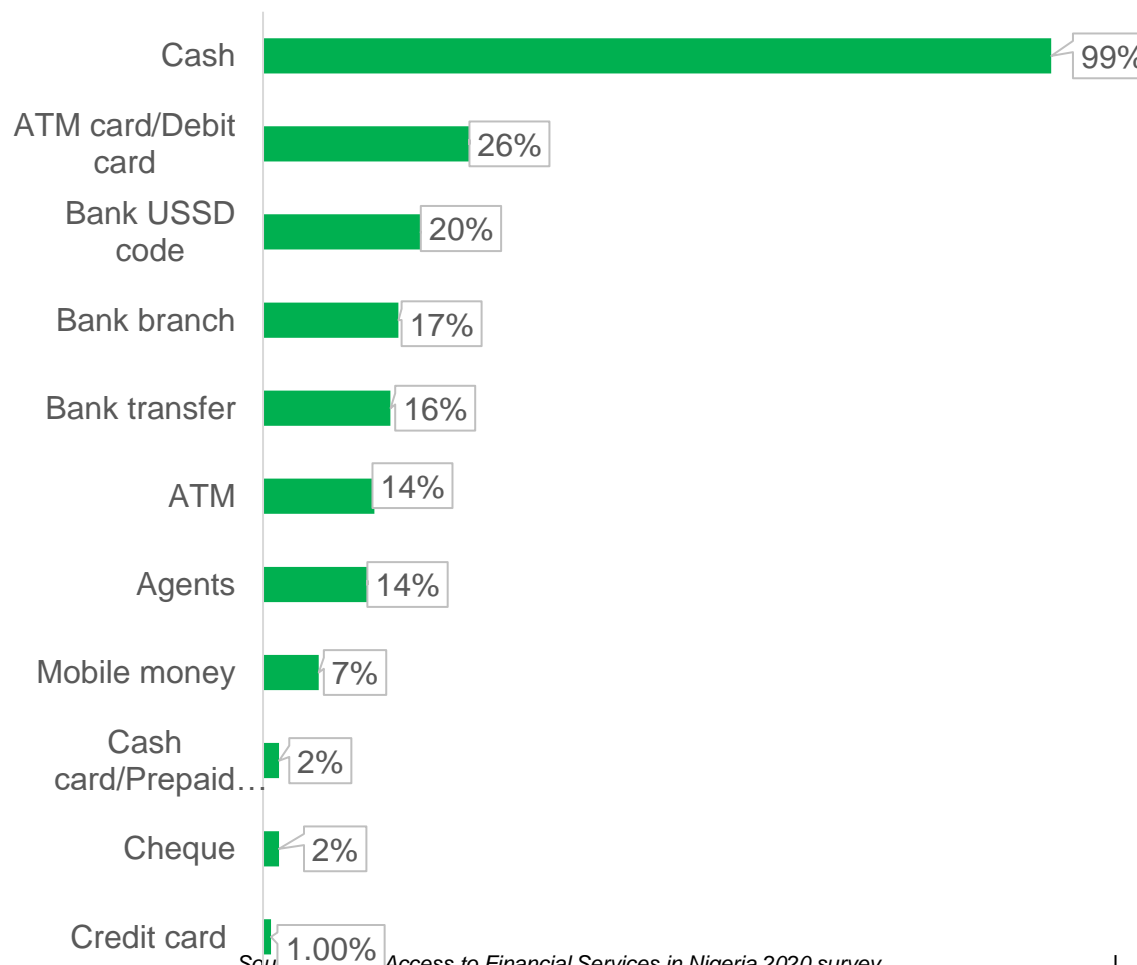
# “Cash is king” for payment of either goods, services or utility bills.

## While the ATM debit card and Bank USSD codes were is most regular form of digital payment

Used for payment for goods (such as food, clothes e.t.c) and/or services (such as school fees, airtime) etc












Used for payment of utility bills such as water, electricity/PHCN, goTV, DSTV, etc.





**All adults mentioned that within the last 12 months they had a need to make a payment, receive income or remit money. However, majority of the population relied on cash and only 1 in 3 used a digital channel to meet this need**

Transfer of value	Cash transactions	Digital transactions
 <p>Every adult had made a payment transaction</p>	 <p>All adults cited making cash payments</p>	 <p>24% of adults are using digital channels to make payments</p>
 <p>86% of adults received income</p>	 <p>80% are receiving their income through cash</p>	 <p>13% are receiving their income through digital channels</p>
 <p>45 % of adults are remitting money</p>	 <p>44% are remitting through cash</p>	 <p>7% are using digital channels for remittance</p>

# Significant increase in digital usage shows positive moves in embracing digitization. About 60% of adults with digital accounts use digital services

Use of digital stored value accounts provided by commercial banks, microfinance banks and mobile money account	A2F 2018	A2F 2020
Ever used a digital stored value account	40%	42%
Actively use a digital stored-value account	34%	36%
Poor who actively use a digital stored-value account	18%	22%
Women who actively use a digital stored-value account	28%	31%
Poor women who actively use a digital stored-value account	13%	19%

\*Digital stored value account refers to accounts with commercial banks, microfinance banks, non-interest finance institutions or mobile money providers; OR accounts with either a mortgage bank, microfinance institution or cooperative society which offers at least one of the following (savings, money transfer, credit, insurance, investment) services electronically

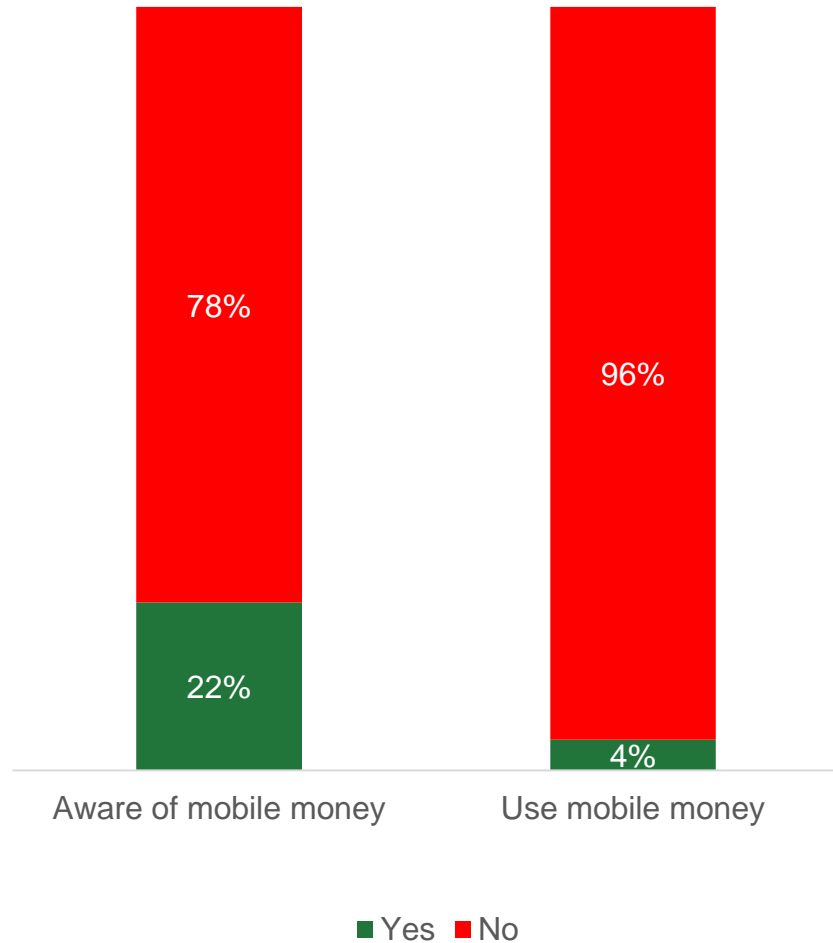
# Significant increase in digital usage shows positive moves in embracing digitization.

<b>Advanced use of Digital stored value accounts beyond basic wallet and person to person transactions)</b>	<b>A2F 2018</b>	<b>A2F 2020</b>
Actively use a digital stored-value account and have used at least one advanced financial service	25%	26%
Poor who actively use a digital stored-value account and have used at least one advanced financial service	12%	14%
Females who actively use a digital stored-value account and have used at least one advanced financial service	20%	22%
Poor women who actively use a digital stored-value account and have used at least one advanced financial service	8%	12%
Rural women who actively use a digital stored-value account and have used at least one advanced financial service	10%	14%

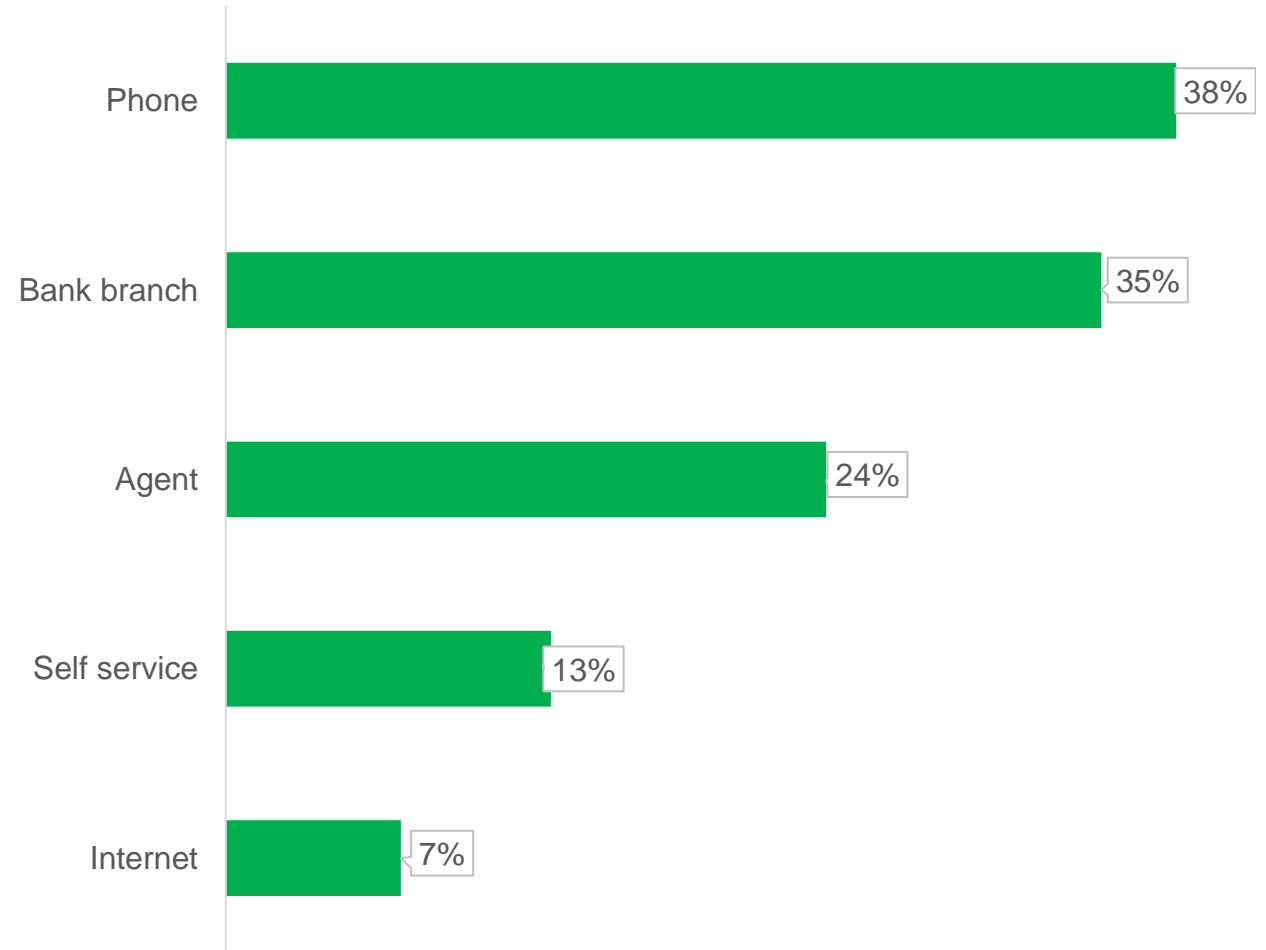
# Mobile money



# Only 4% of Nigerians use mobile money services and majority registered through either their phones or bank branches

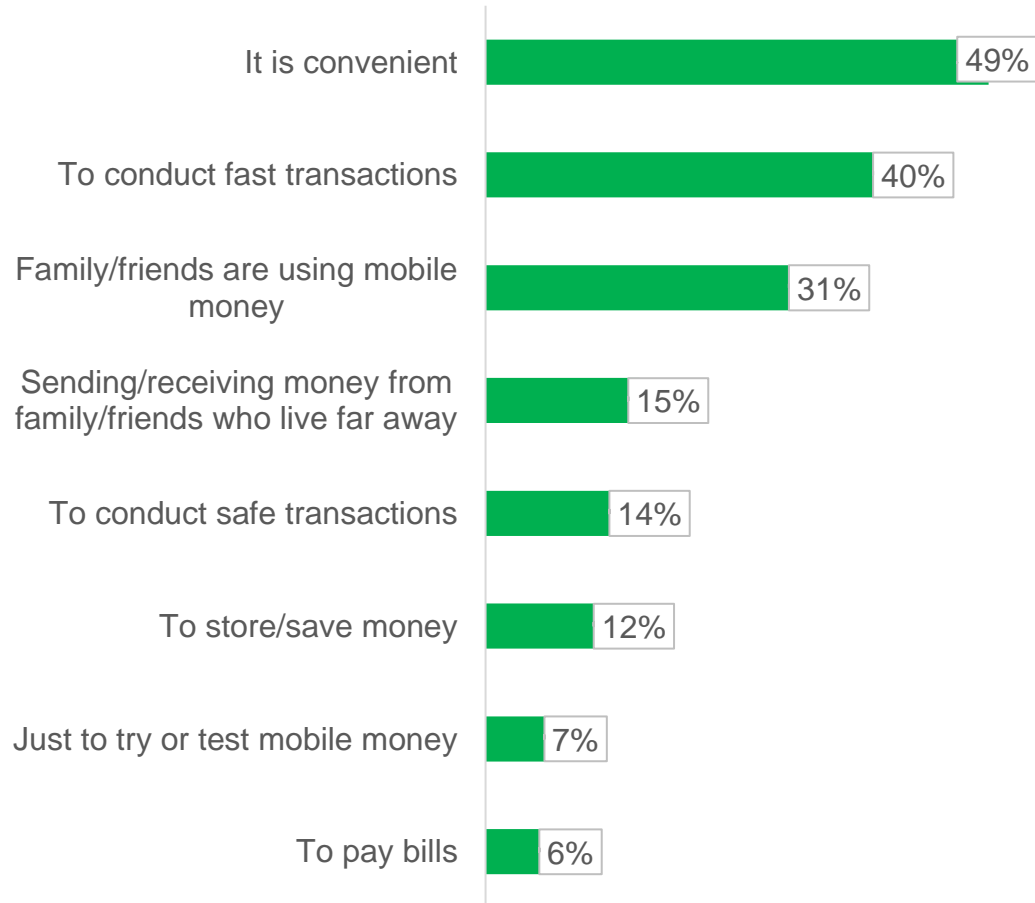


How did you register for mobile money?

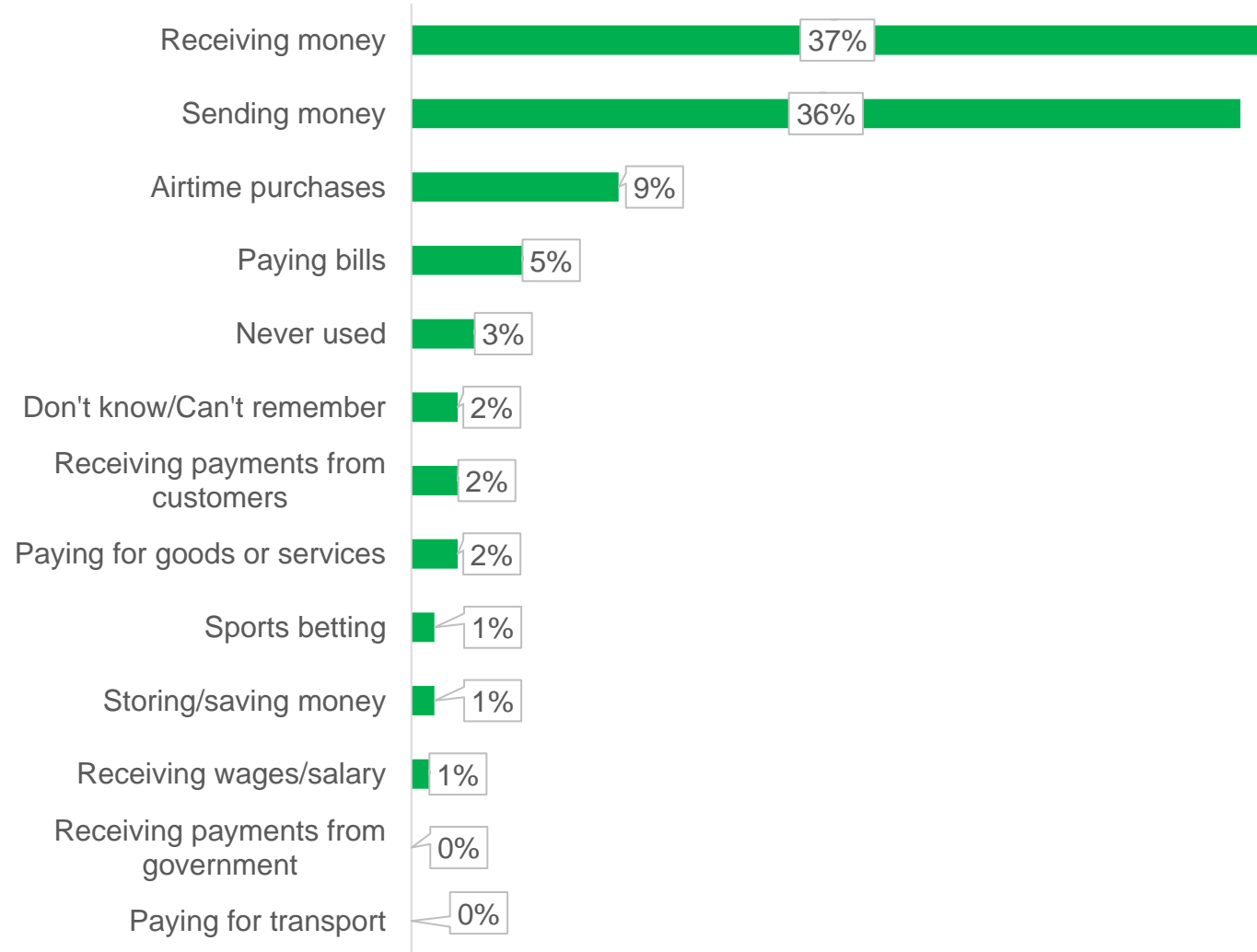


# Convience, speed of transactions were the most recorded reasons people started using mobile money. Sending and receiving money was the most mobile money service used

**What encouraged you to start using mobile money**

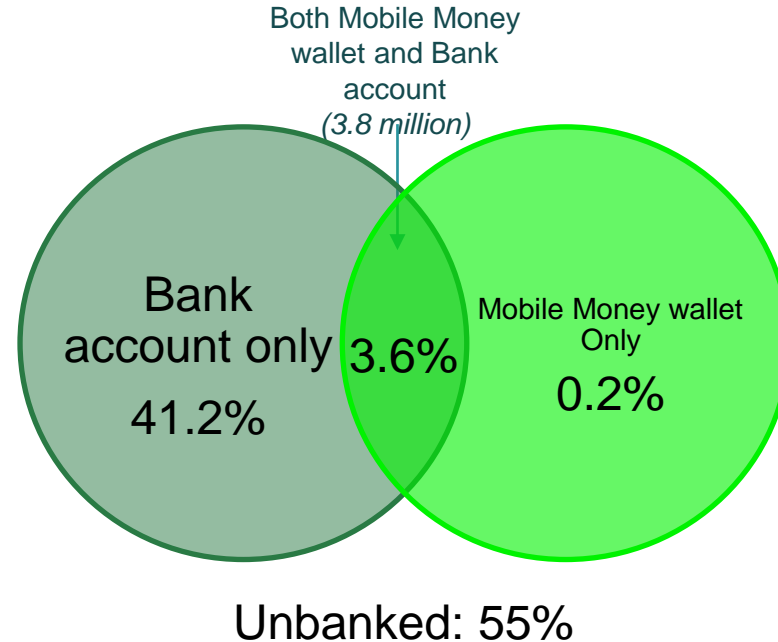


**Which mobile money service do/did you use most often**



## Mobile Money currently deepening rather than expanding inclusion levels, as Mobile Money services are being taken up by the banked population

Total population: 106 million



- 41.2% (43.8m) adults use bank account only
- 3.6% (3.8m) adults have both mobile money and bank account
- 0.2% (252k) adults have mobile money wallet only
- 54.9% (58.3m) neither have mobile money nor banking account

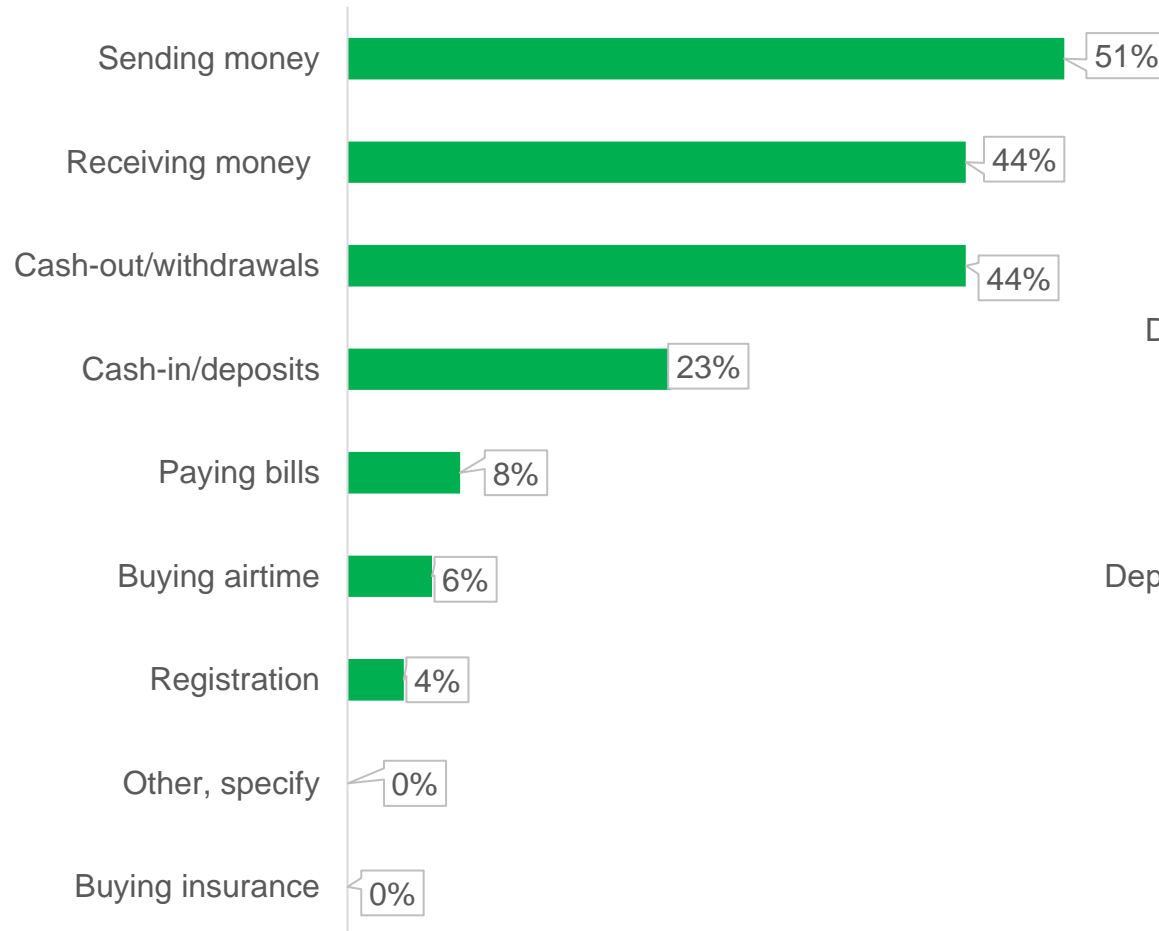
# Financial service agent (Bank/Mobile Money/Super-agent)



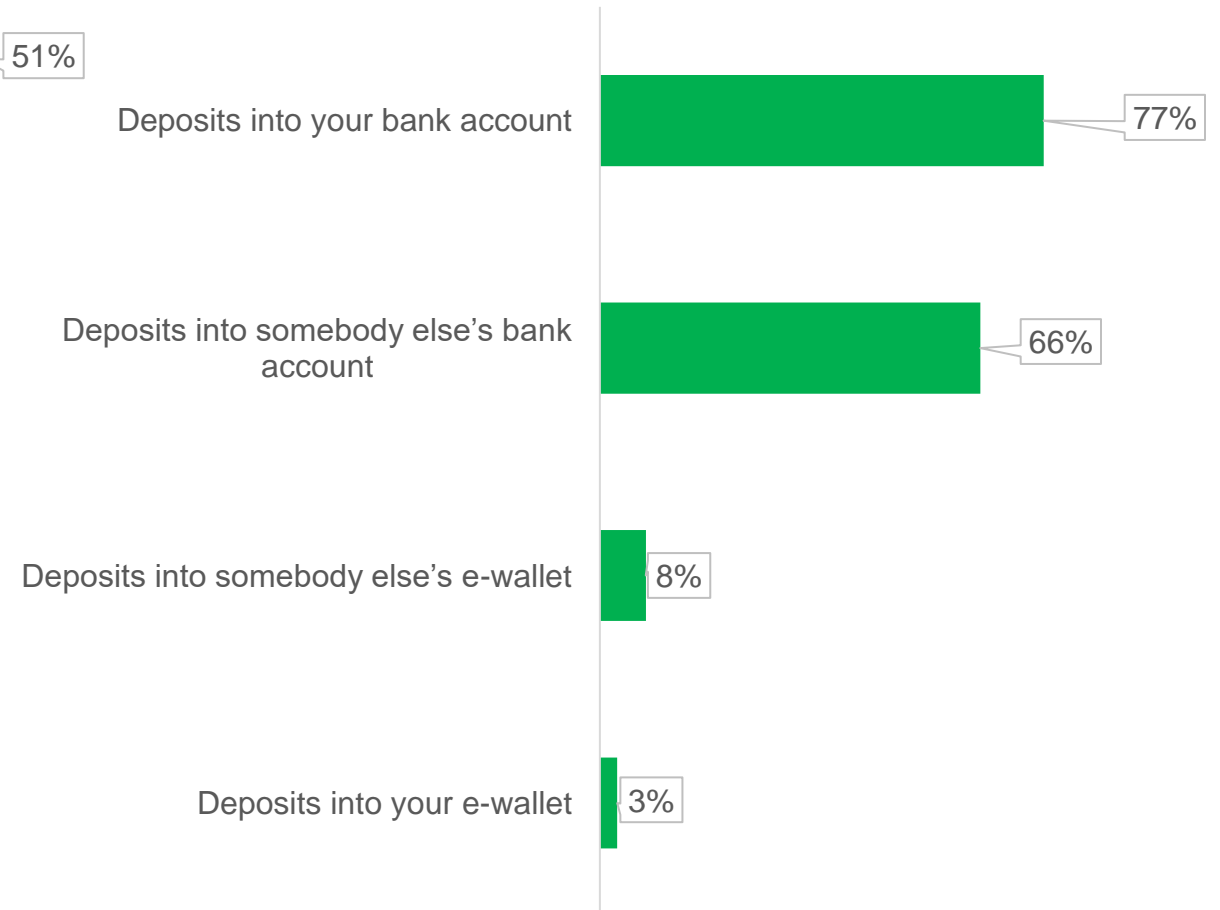


# 26m adults are using financial service agents, majority used these agents to send and receive money and withdrawals. In addition, most people were depositing into either their bank account or somebody else's account

Services provided by financial services agents



Types of cash deposits conducted with agents



## Although there is a minimal gender difference in access to mobile phones. There is wide gender disparity in the use of digital financial products and services

51% men have access to phones

49% women have access to phones

59% men use mobile money services

41% women use mobile money services

60% men are making digital payments

40% women are making digital payments

56% men using digitally stored value accounts

44% women using digitally stored value accounts

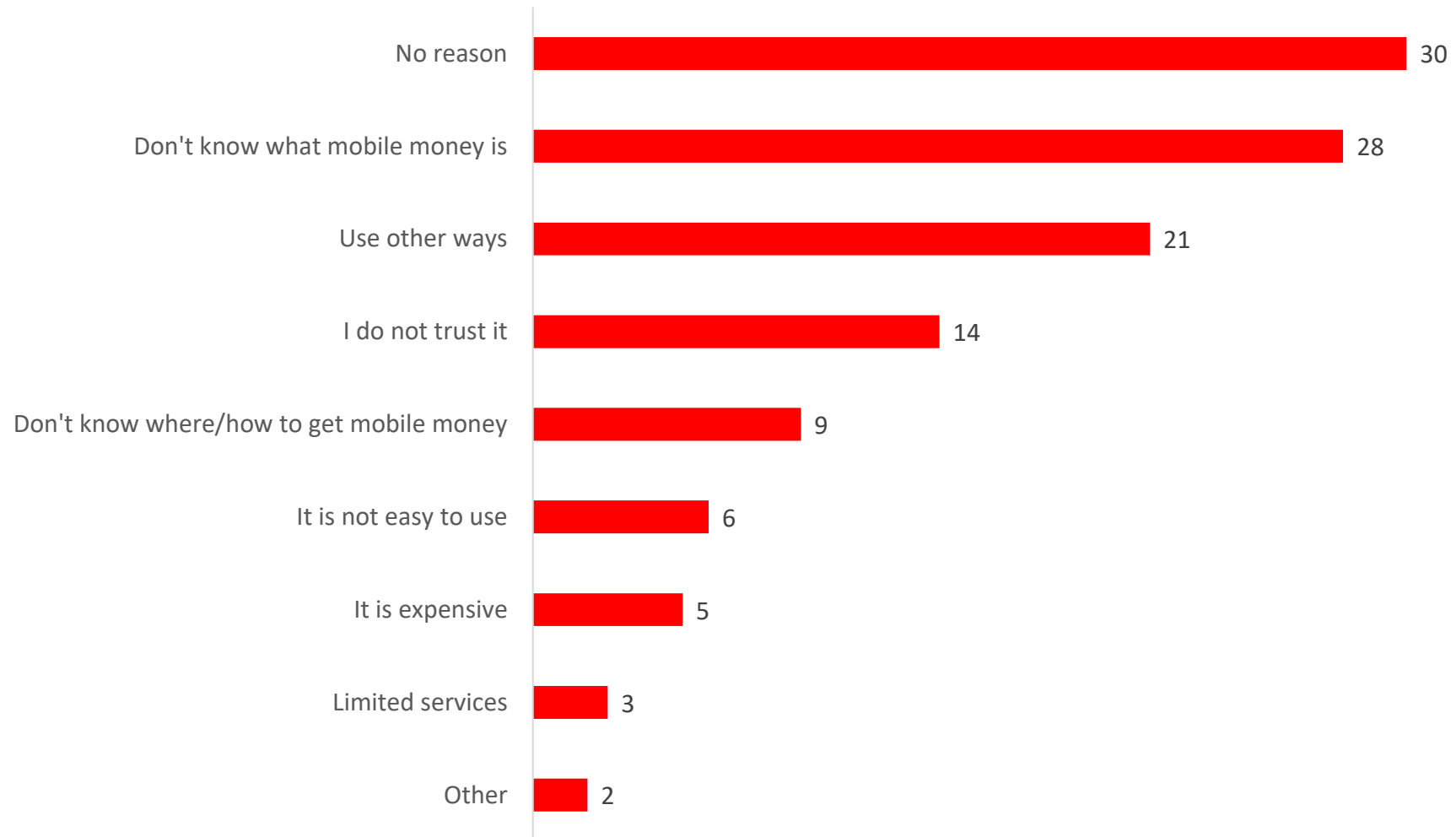




## **Challenges and opportunities for action**

# Lack of awareness and suitability of products are main barriers to non-bank formal financial services

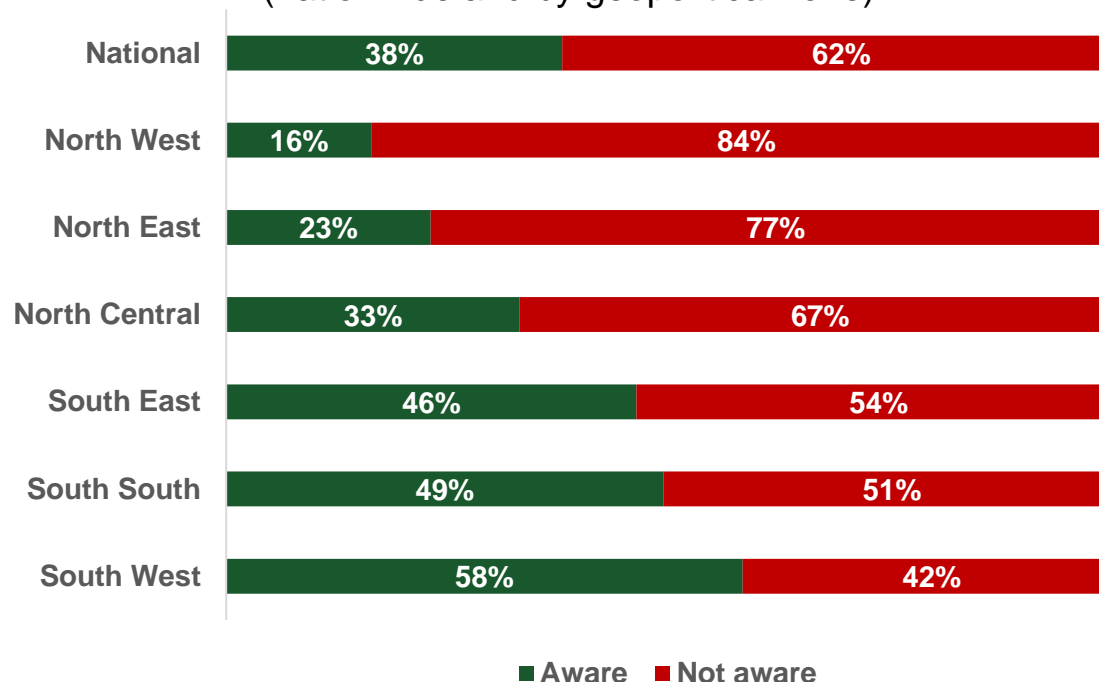
Reasons for not using mobile money (%)



# Most Nigerians are not aware of any formal financial access point near their home

- In the North West and North East geopolitical zones, less than one quarter of adults are aware of any formal financial access points near their homes
- Expanding agent networks is essential to reaching the targets in the National Financial Inclusion Strategy

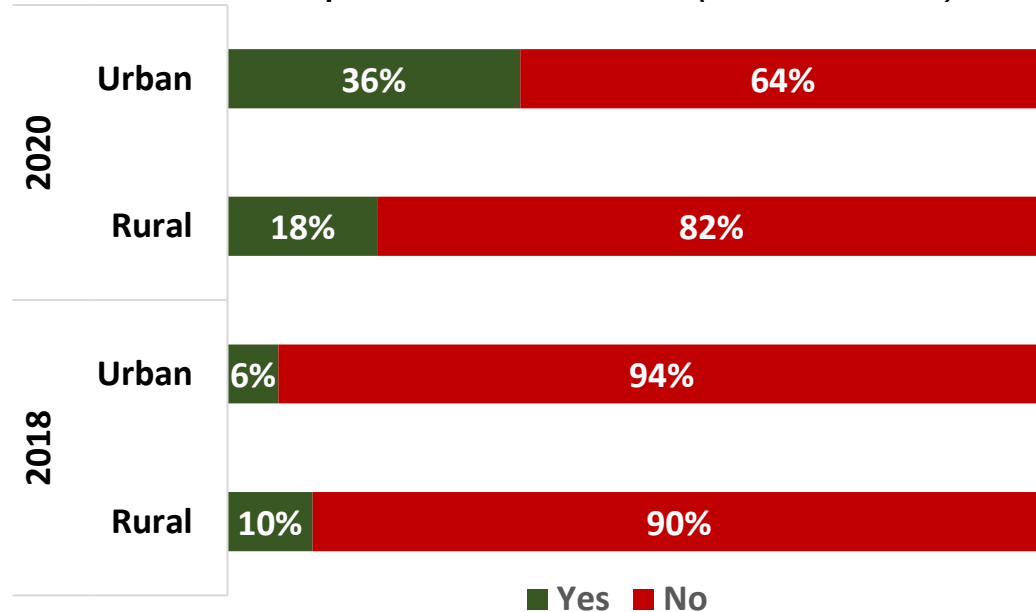
Percentage of adults that are aware of any formal financial access point near their home (nationwide and by geopolitical zone)



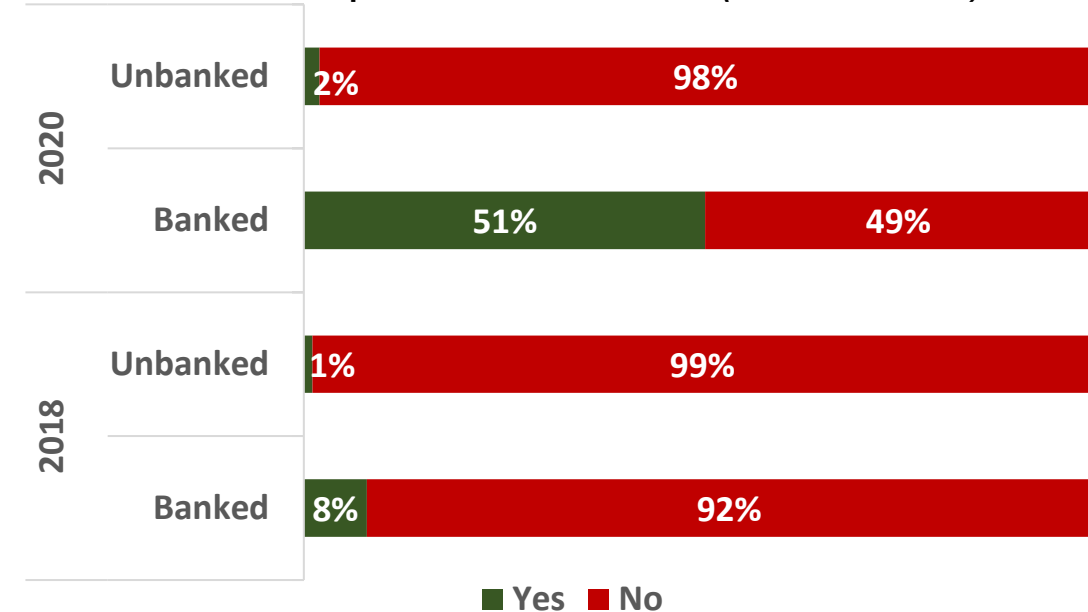
# Use of agents has increased significantly, but uptake remains low among the unbanked and rural population

- The number of adults using financial service agents have increased significantly from about 4million in 2018 to 26million in 2020.
- However, the growth in uptake has been largely amongst the urban and banked population

Have you used a financial service agent in the past 12 months? (% of adults)

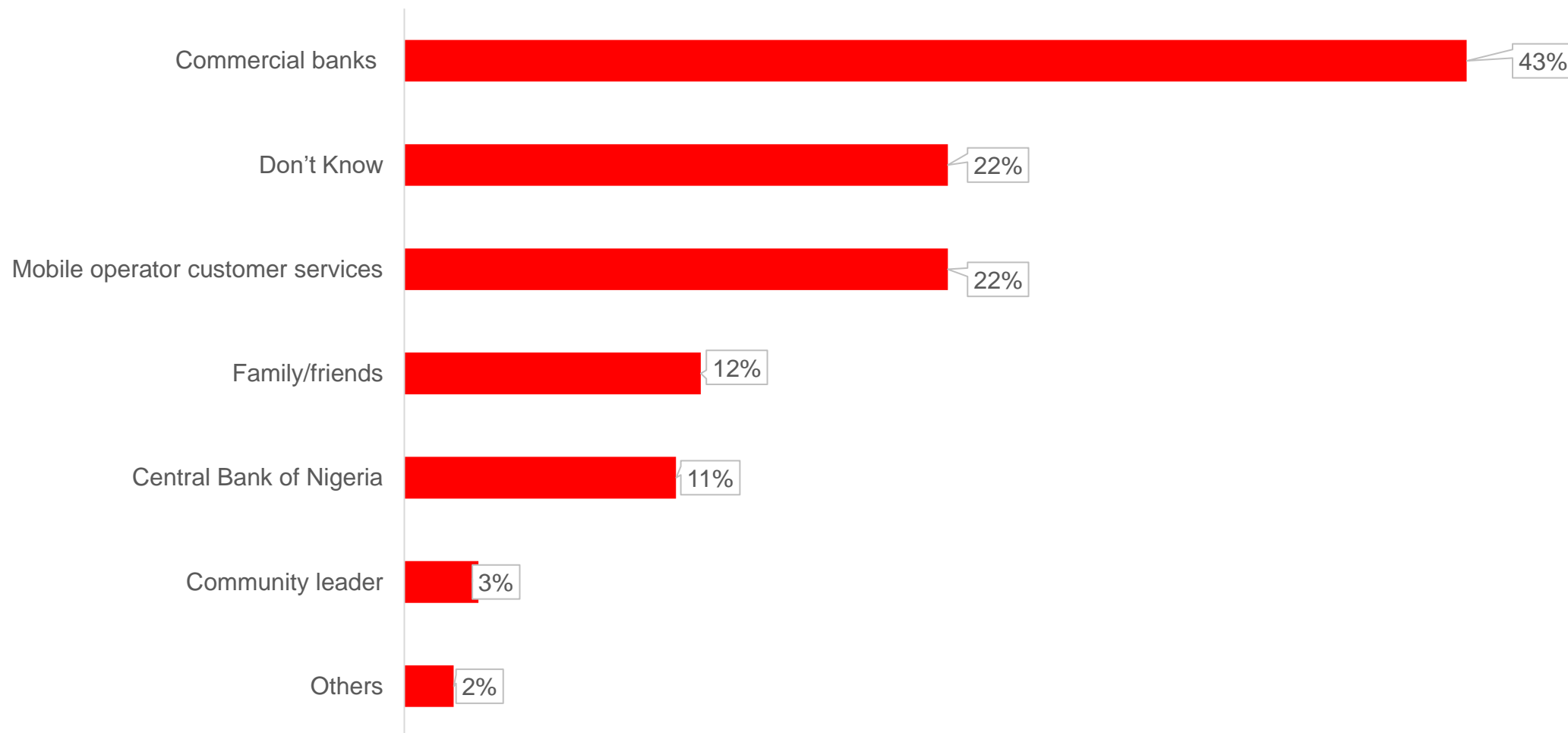


Have you used a financial service agent in the past 12 months? (% of adults)



# Most financial service agent users resort to commercial banks for conflict resolution of agent transactions

If you have a problem with your financial service agent that you cannot resolve, who do you go to





## **Opportunities**

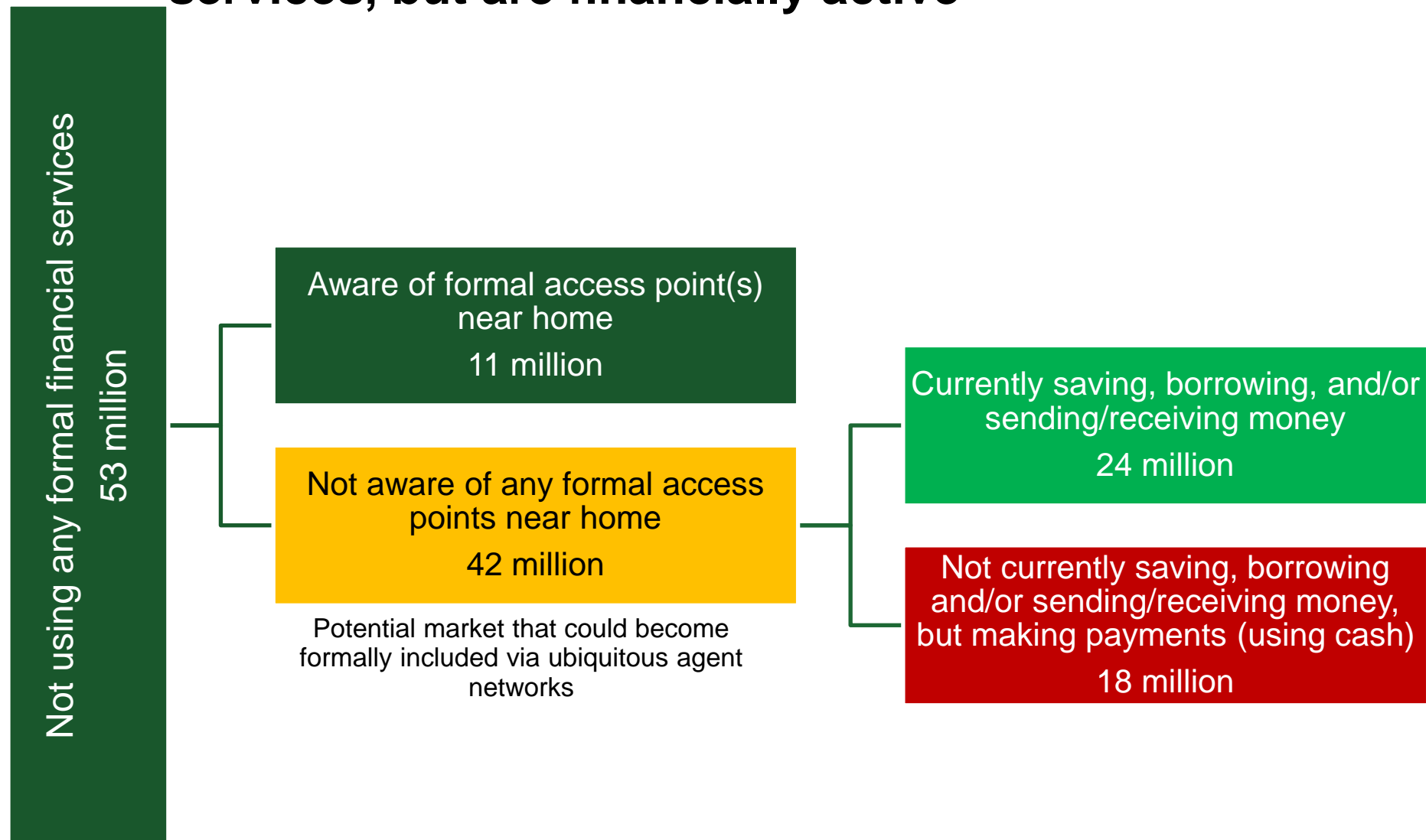


## 31m Nigerians will be interested in mobile money services

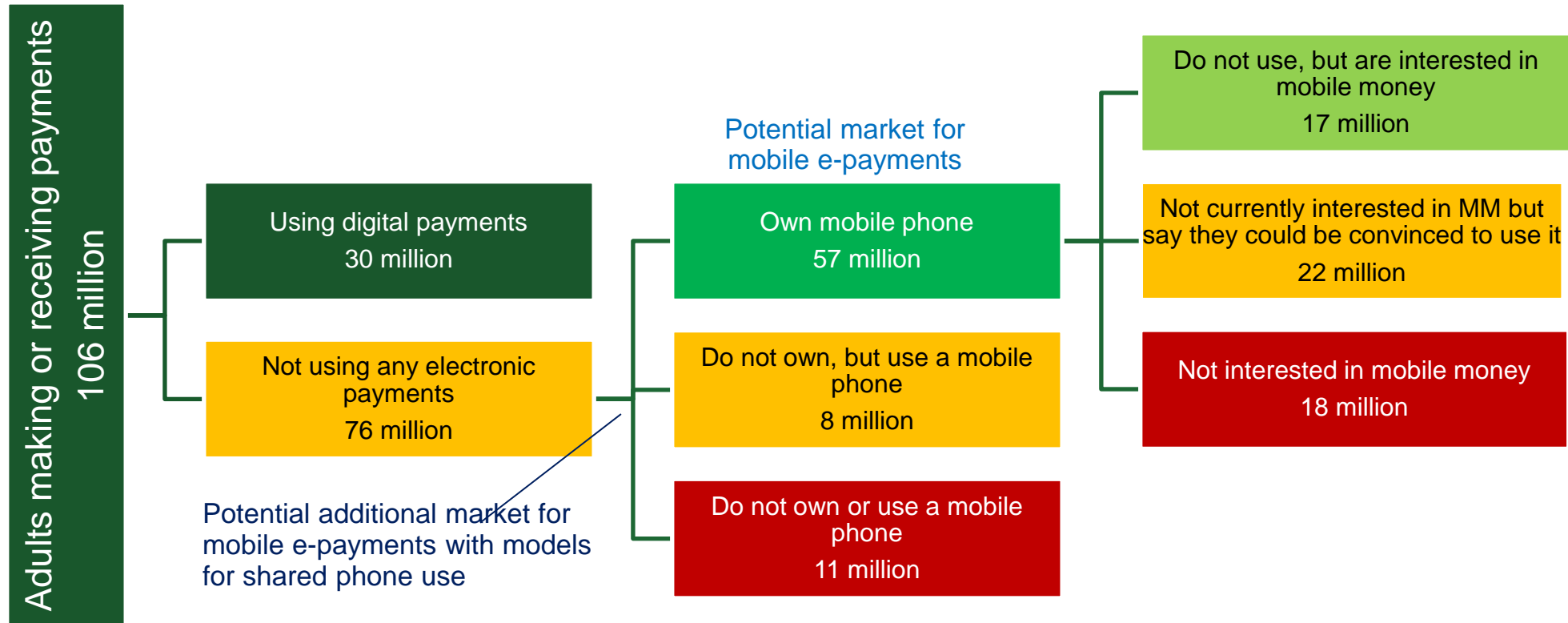
### What would encourage you to use mobile money



# Expanded agent networks could extend reach of formal financial services to more than 24 million adults not currently using formal services, but are financially active



# 17 million adults not currently making electronic payments own phones and are interested in mobile money

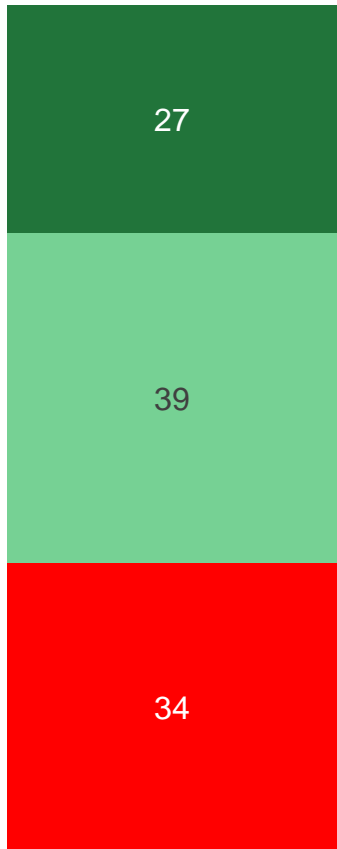




## **Beyond Financial Inclusion** Financial Health & Capability

# Only about 1 in 4 Nigerian adults (27%) are considered "financially healthy"

FinHealth score (%)

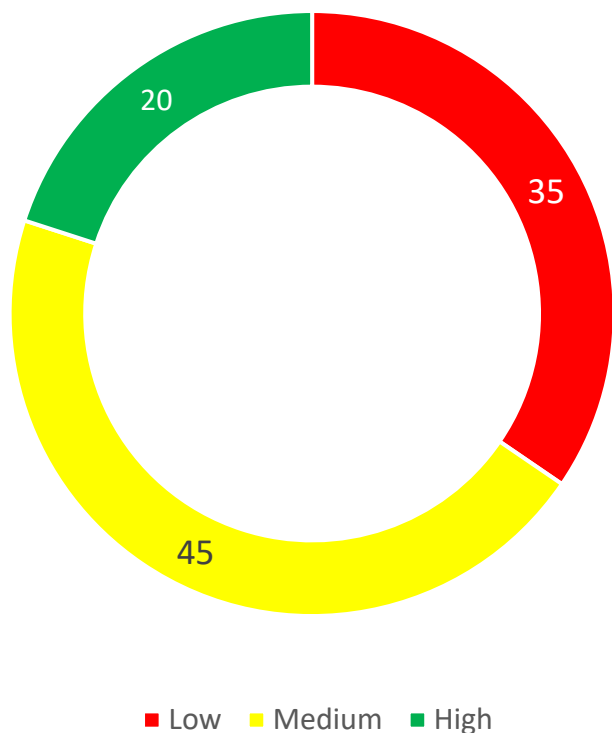


- Financially Healthy
- Financially Coping
- Financially Vulnerable

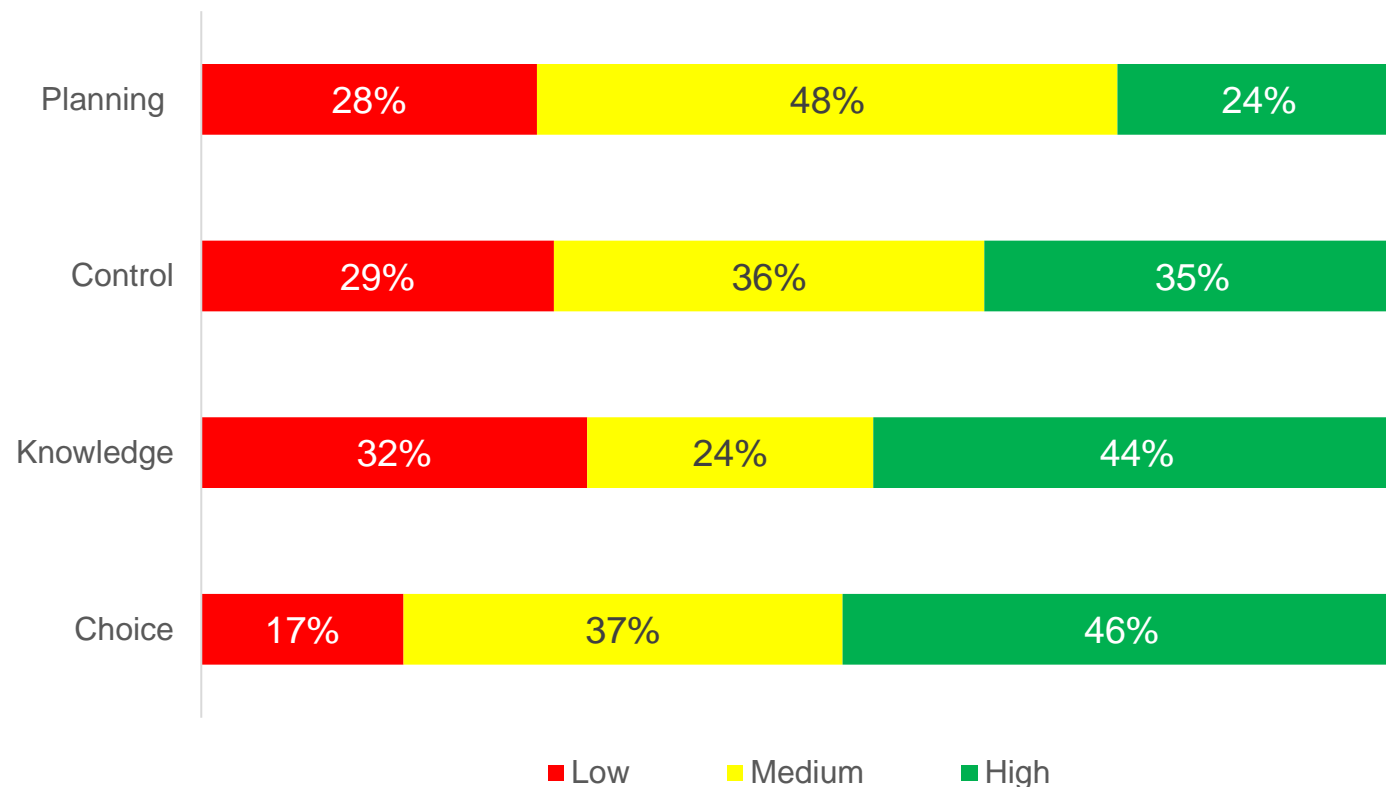
FinHealth dimensions	Low score	Medium	High score
Ability to manage day to day (spend score) No trouble making money last, plan for allocating money, never went without food	61%	11%	28%
Build and maintain reserves (save score) Save money, invest in assets	23%	59%	18%
Planning and prioritising (Plan score) Plan ahead financially	33%	46%	22%
Ability to manage risks Never went without medicine, could raise N45,000 for emergency in 7 days, could recover from financial shock	44%	25%	31%

## A third of Nigerians have low financial capability

Overall Financial Capability (%)



Financial capability indicator dimension (%)



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



## **National Financial Inclusion Strategy (NFIS) Targets**

## While overall financial inclusion continues to grow incrementally, progress has been too slow to meet National Financial Inclusion Strategy targets

\* The NFIS target is: *Reduce financial exclusion rate of adults to 20% by 2020*

			Status as at						
	Focus Areas	Target by 2020	2010	2012	2014	2016	2018	2020	Variance to 2020 Target
% of Total Adult Population	Payments	70%	22%	20%	24%	38%	40%	45%	-25%
	Savings	60%	24%	25%	32%	36%	24%	32%	-28%
	Credit	40%	2%	2%	3%	3%	2%	3%	-37%
	Insurance	40%	1%	3%	1%	2%	2%	2%	-38%
	Pension	40%	5%	2%	5%	7%	8%	7%	-33%
	Formally served	70%	36.3%	43.0%	48.6%	48.6%	48.6%	50.5%	-19.5%
	Financial Exclusion	20%	46.3%	39.7%	39.5%	41.6%	36.8%	35.9%	-15.9%

### DEFINITION OF INDICATORS

<b>Payments:</b>	% of adult population that has 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
<b>Savings:</b>	% of adult population that has a savings-related product at a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months
<b>Credit:</b>	% of adult population that has had a credit product through a regulated financial institution in the last 12 months
<b>Insurance:</b>	% of adult population that is covered by a regulated insurance policy
<b>Pension:</b>	% of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme



## Summary of Findings

Despite challenging economic circumstances, financial inclusion continued to grow incrementally, with more than half of Nigerian adults using formal (regulated) financial services for the first time

However, at the current rate of progress, the National Financial Inclusion Strategy targets for 2020 will not be met until around 2030

Stubborn access gaps have persisted since 2008 for the most excluded groups: women, Northern Nigerians, Nigerians in rural areas, and youth

The main barriers to financial inclusion remain institutional exclusion, affordability, access, and low awareness

In 2020, we saw faster growth in banking, use of financial service agents, and use of digital financial services

Only about 1 in 4 Nigerian adults are considered financially healthy (27%), while 39% are coping and 34% are financially vulnerable

Growth in digital financial services, agent networks, and mobile phone ownership (now at 81%) highlights the opportunity to drive faster financial inclusion growth through digital financial services such as mobile money

- Clear strategy to target non-bank population to take up mobile money and financial service agent services is required

## How to use the Access to Financial Services in Nigeria 2020 Survey Data

**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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