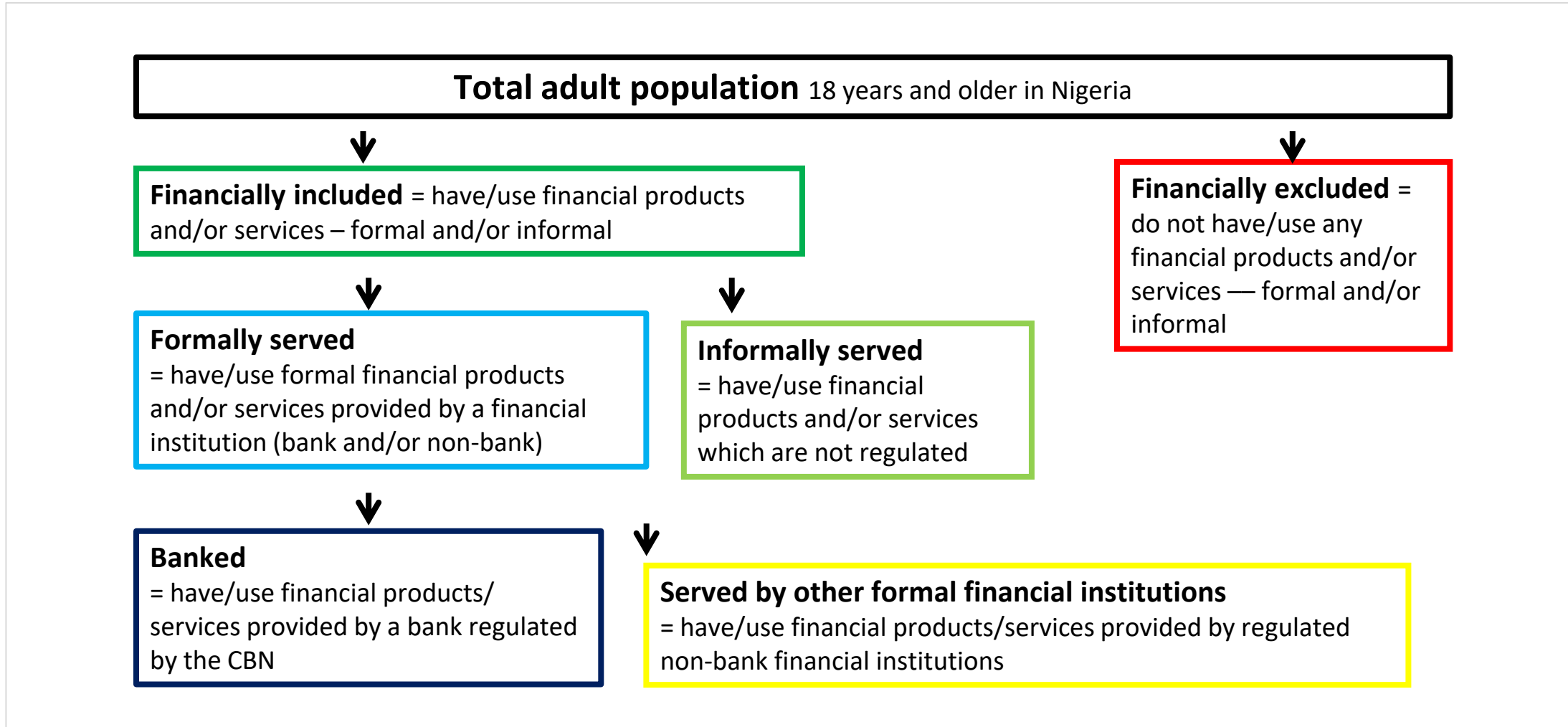


Review of the Excluded population in Nigeria

Profile, Trends, Behaviour & Needs

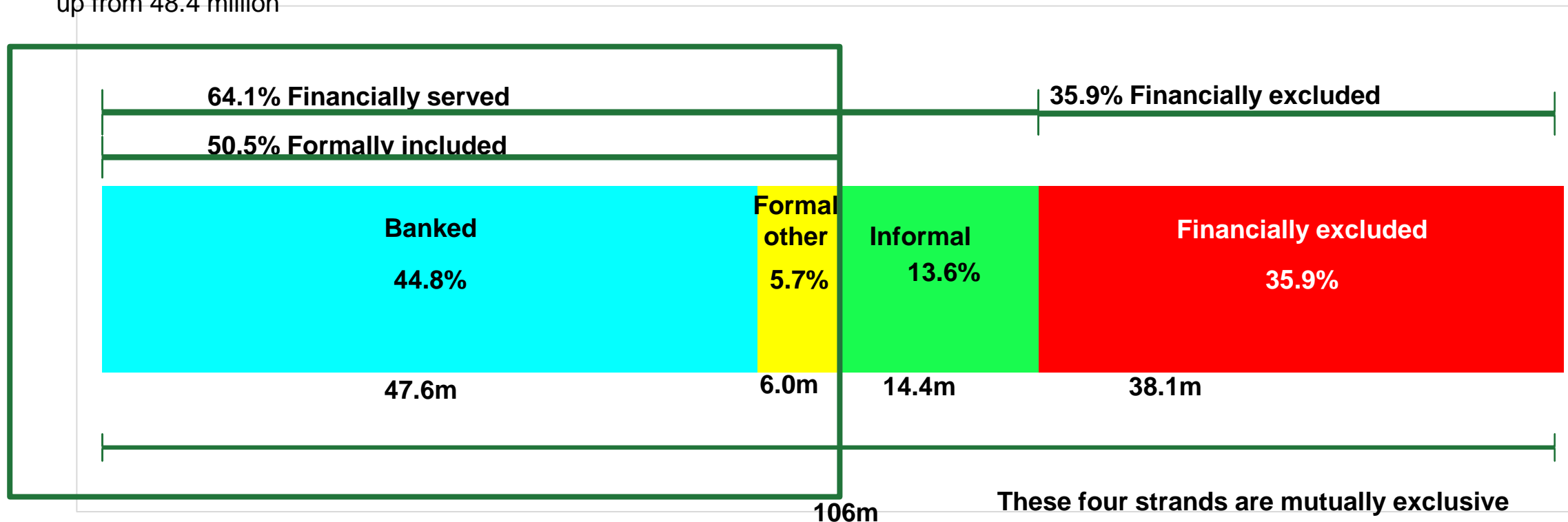
February, 2022

Defining Financial Inclusion



More than 1 in 3 Nigerian adults remain completely financially excluded

- Nearly 1 in 2 Nigerian adults do not use any formal (regulated) financial services
- Just above half of Nigerian adults (50.5% of adults, or 53.6 million adults) now use formal financial services, up from 48.4 million



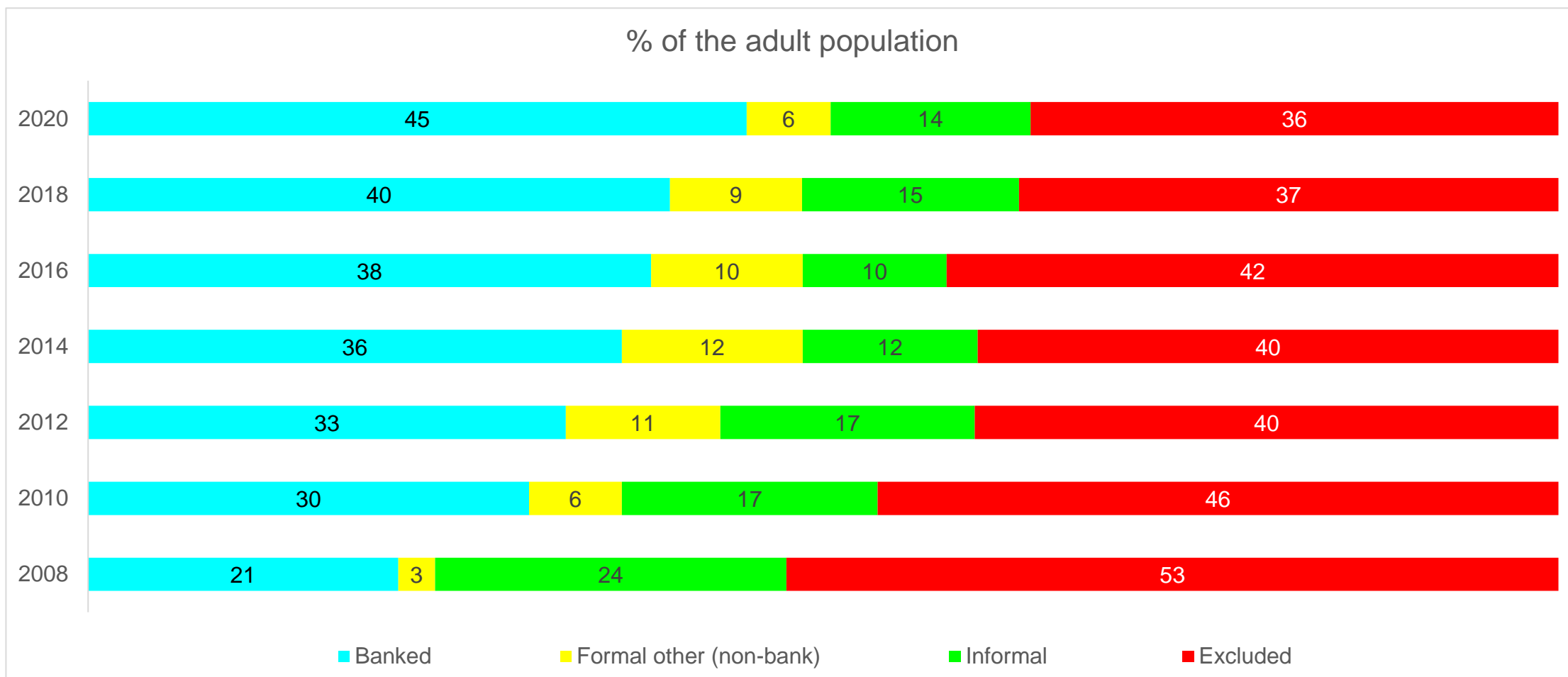
DEFINITION OF FINANCIAL ACCESS

- **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 no-interest 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

Source: EFInA Access to Financial Services in Nigeria 2020

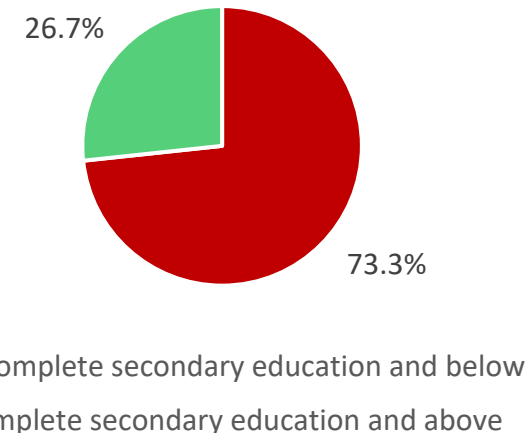
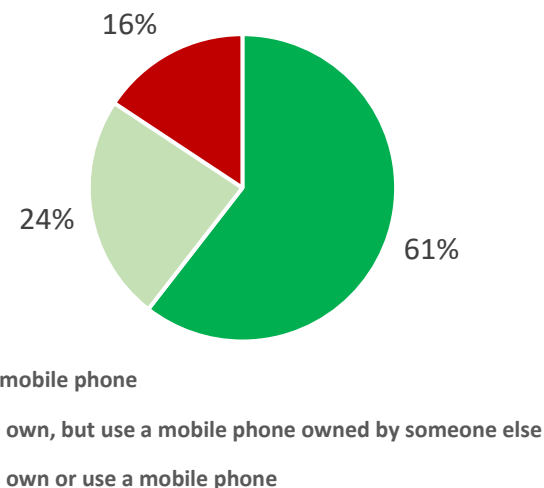
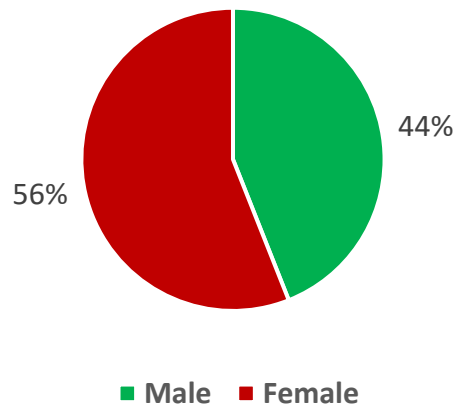
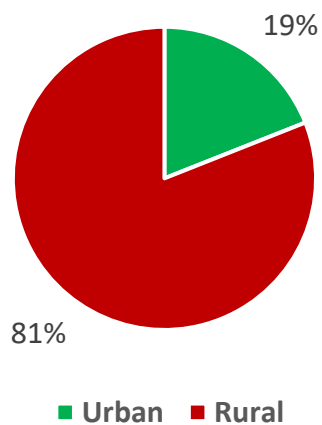
While the percentage of financially excluded adults decreased slightly between 2018 and 2020, the actual number of financially excluded adults increased from 36.6 million to 38.1 million, as population growth outpaces the rate of financial inclusion growth

- The proportion of formally served adults has significantly increased for the first time since 2014

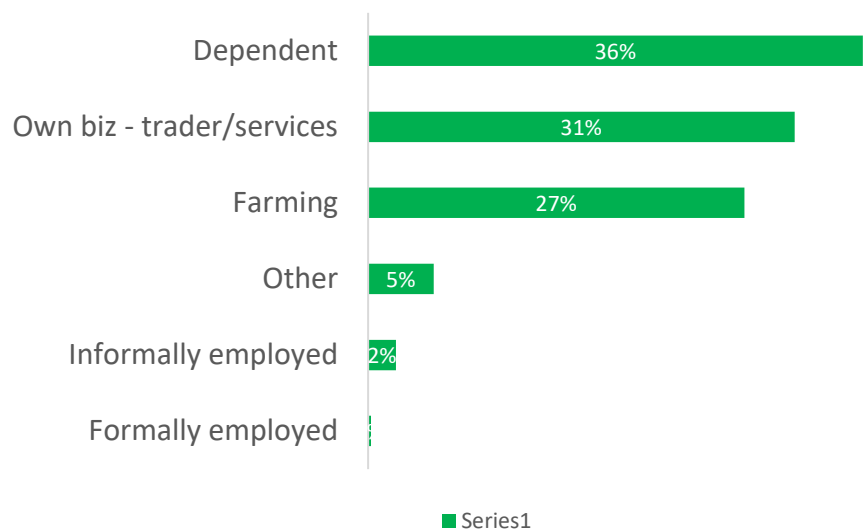


The financially excluded are predominantly dependents, reside in rural areas, have low education and low proximity to access points

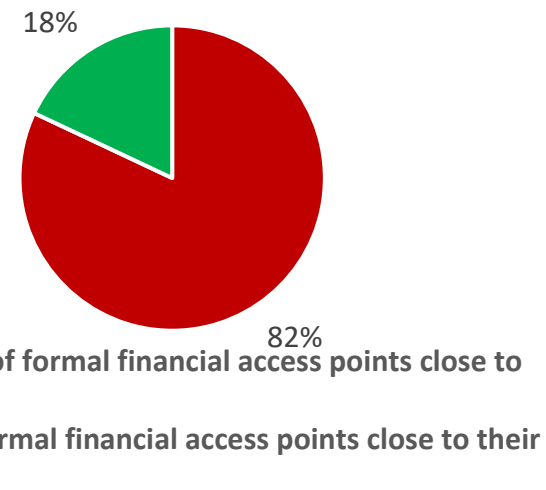
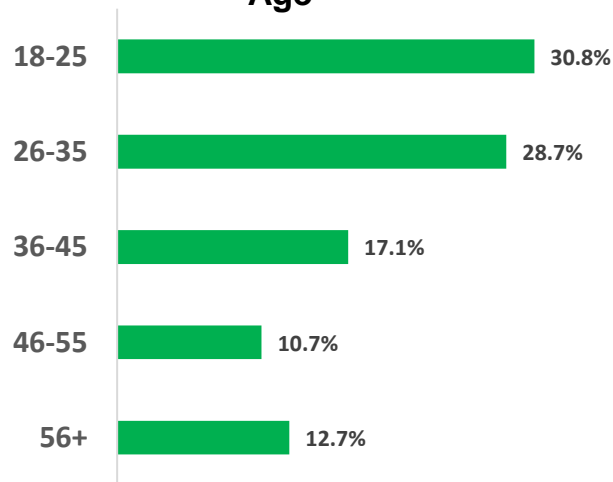
There are 38 million financially excluded adults. Of these, 43% live in the North-West






Primary Income Source



Age



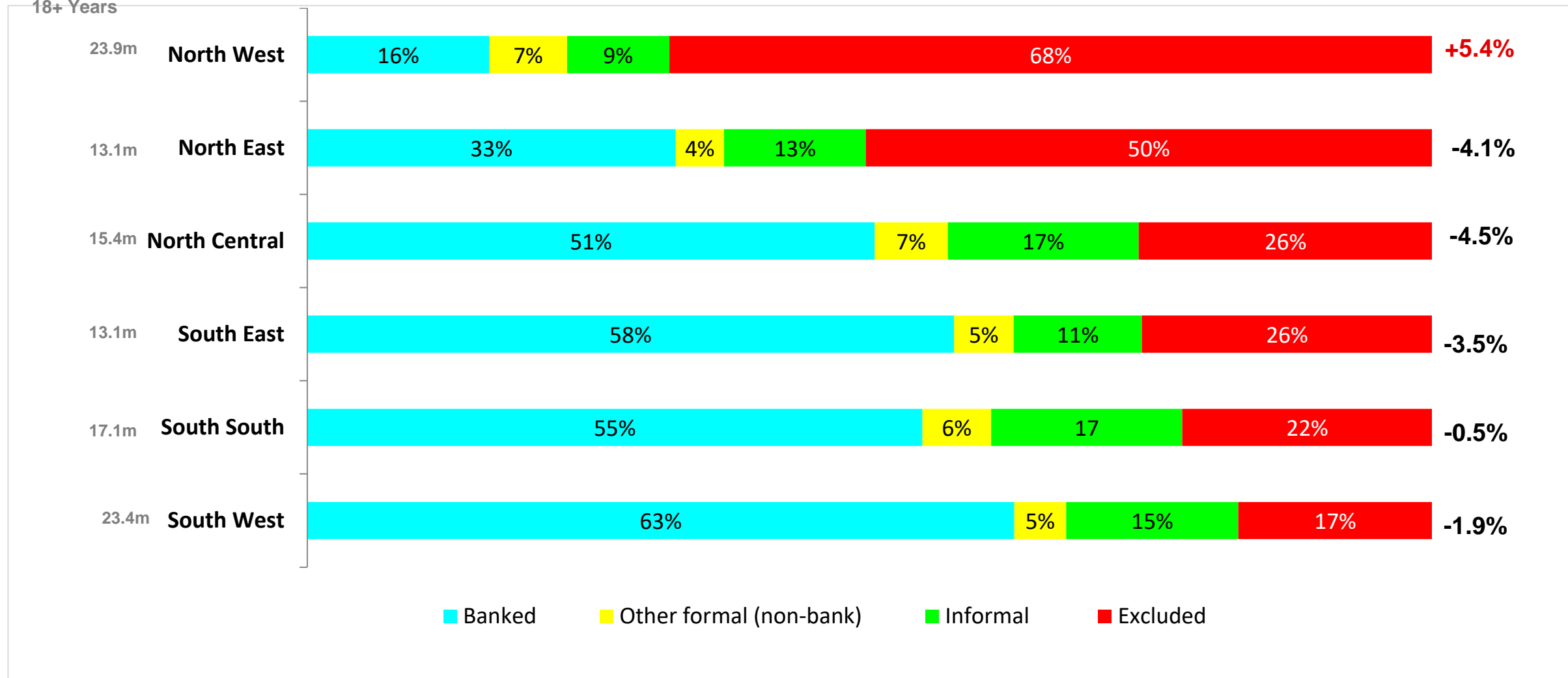
Most excluded Nigerians are neither saving or borrowing and when they do its with insecure channels (homes) and social networks that continue to perpetuate their exclusion

<p>Savings</p> 	<p>Saving - 25% Not saving - 75%</p>
<p>Credit</p> 	<p>Credit from family and friends - 19% Not borrowing - 81%</p>
<p>Incoming earning capacity</p> 	<p>37% are earning below N15,000 per month, equivalent to below \$1 a day 33% are earning this income daily and 22% are earning their income weekly All receive their income through cash</p>

The North West and North East zones continue to be most excluded. While progress has been made in the NE, a large population in the NW is predominantly excluded

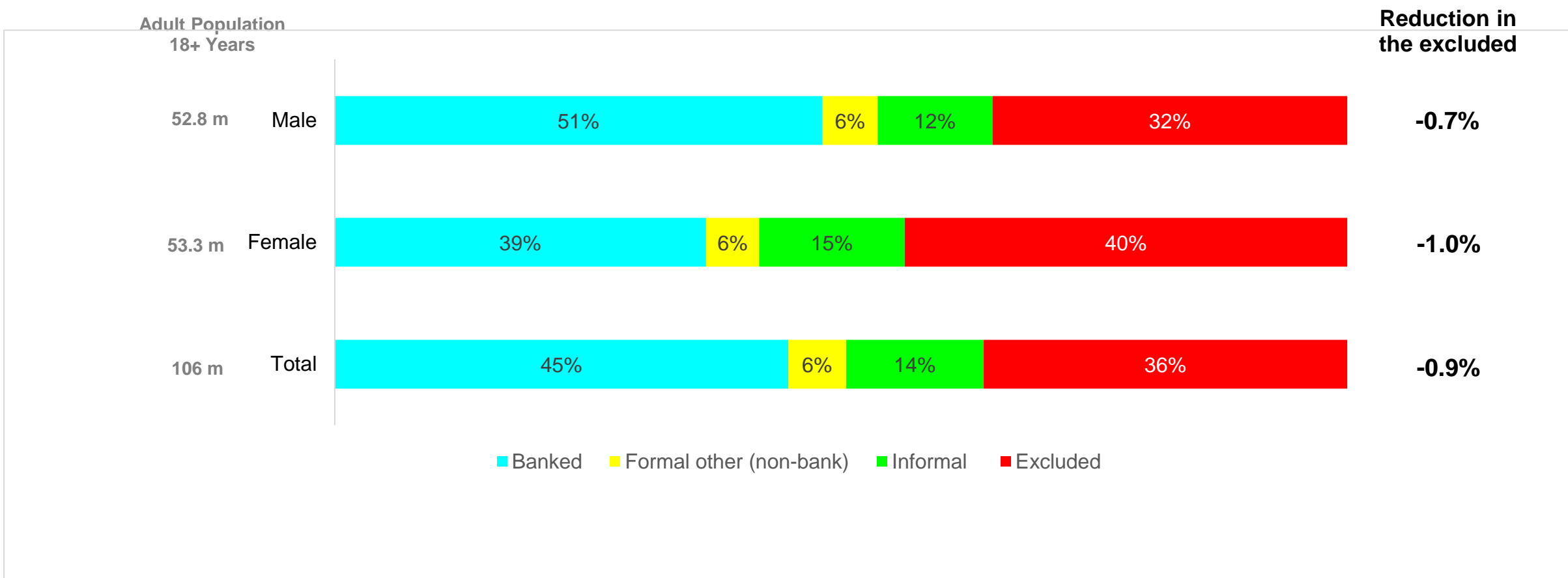
Adult Population
18+ Years

Reduction in
the excluded

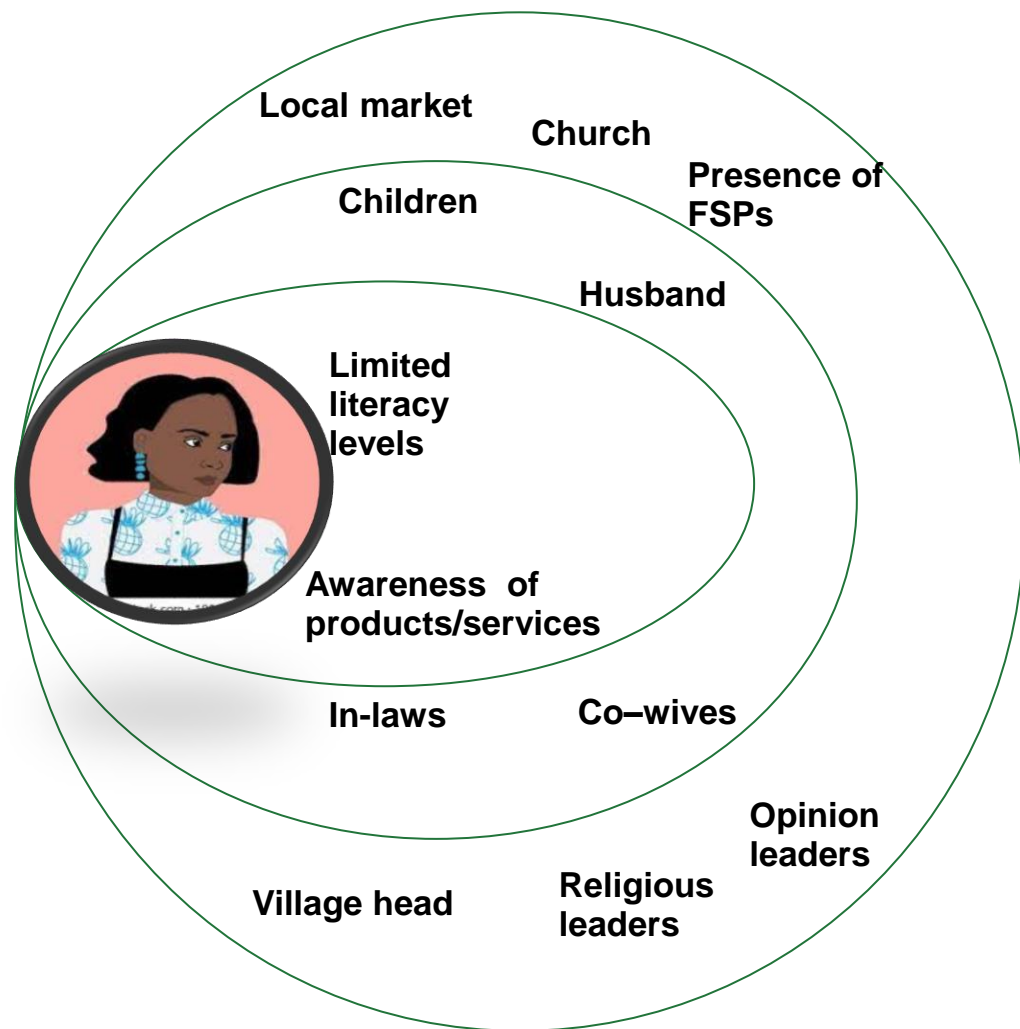


Women remain significantly excluded compared to men

- The financial inclusion gender gap has persisted
- Adult men are more likely to be banked than adult women
- Adult women tend to use more informal financial services than adult men



Multi-dimensional factors within the financial ecosystem of women are perpetuating women's financial exclusion



- Excluded women tend to have **small geographic networks**, which limits their exposure to and awareness of financial services
- Their financial needs, means and status are often defined by their **relationship with men in their families**. Men typically access available financial services on behalf of the household and, therefore on behalf of women
- Given the weight of household responsibilities, women **lack the time, resources and orientation** to actually use financial services
- Some excluded women own feature phones, but their **illiteracy** can limit usage and they often rely on their (more literate) husband for support
- The Assessment of Women's Financial Inclusion in Nigeria found that financial inclusion is highly correlated with levels of income, education, and trust in financial service providers. Women tend to have lower levels of all three in Nigeria (note this is correlation – it is possible that use of a financial service provider leads to trust)
- The same study found that, even when all other factors are held equal, women are less likely than men to use formal (regulated) financial services, indicating that the formal sector is not reaching women effectively

These five key groups of excluded women in Nigeria showcases that women's exclusion in financial services is related to their socioeconomic status, marital status and community



**MARGINALISED
POLYGAMOUS WIFE**

- Unemployed, illiterate and faced with household tension around husbands resources
- Faces pressure sharing income and household decision making
- Excluded depending on marriage order
- Secrecy about finances is common



**ANXIOUS EARLY
BRIDE**

- Unemployed, illiterate and faced with time poverty due to front loaded child bearing and other household activity
- Poverty is a key driver for their early marriage
- Her earning potential is reduced due to lack of education



STOIC WIDOW

- illiterate, middle –aged and faced with financial pressure due to her husbands death
- Newly acquired more control over financial decision due to the death of their husbands
- face intense pressure due to declining income, social capital and absence of financial safety net



**AMBITIOUS
MICRO-TRADER**

- illiterate market woman in her thirties who finds fulfilment in trading household commodities
- Set up and manage micro-enterprises to contribute to household income
- Focus on vocational training and skill building when academic schooling is out of reach



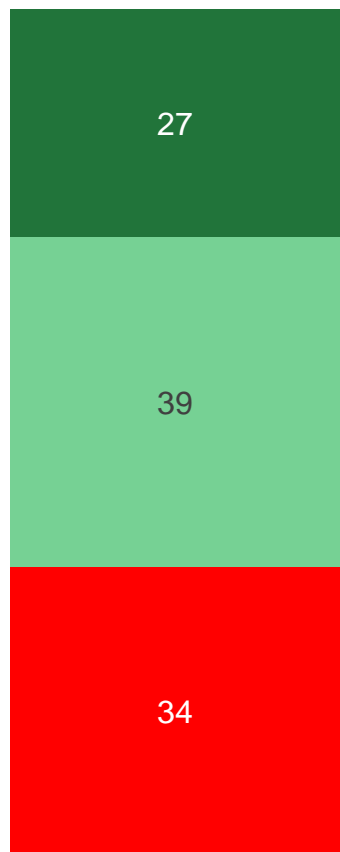
**ENTRAPPED
FARMER**

- An illiterate middle aged farmer, living in southern Nigeria and aspiring to scale up her food production business
- They aspire to commercialise their business but are limited by land size and economic capacity

**There is a relationship between financial inclusion
and financial health – but not all included adults
are “financially healthy”**

Although half of Nigerian adults (51%) use regulated financial services, only about 1 in 3 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%

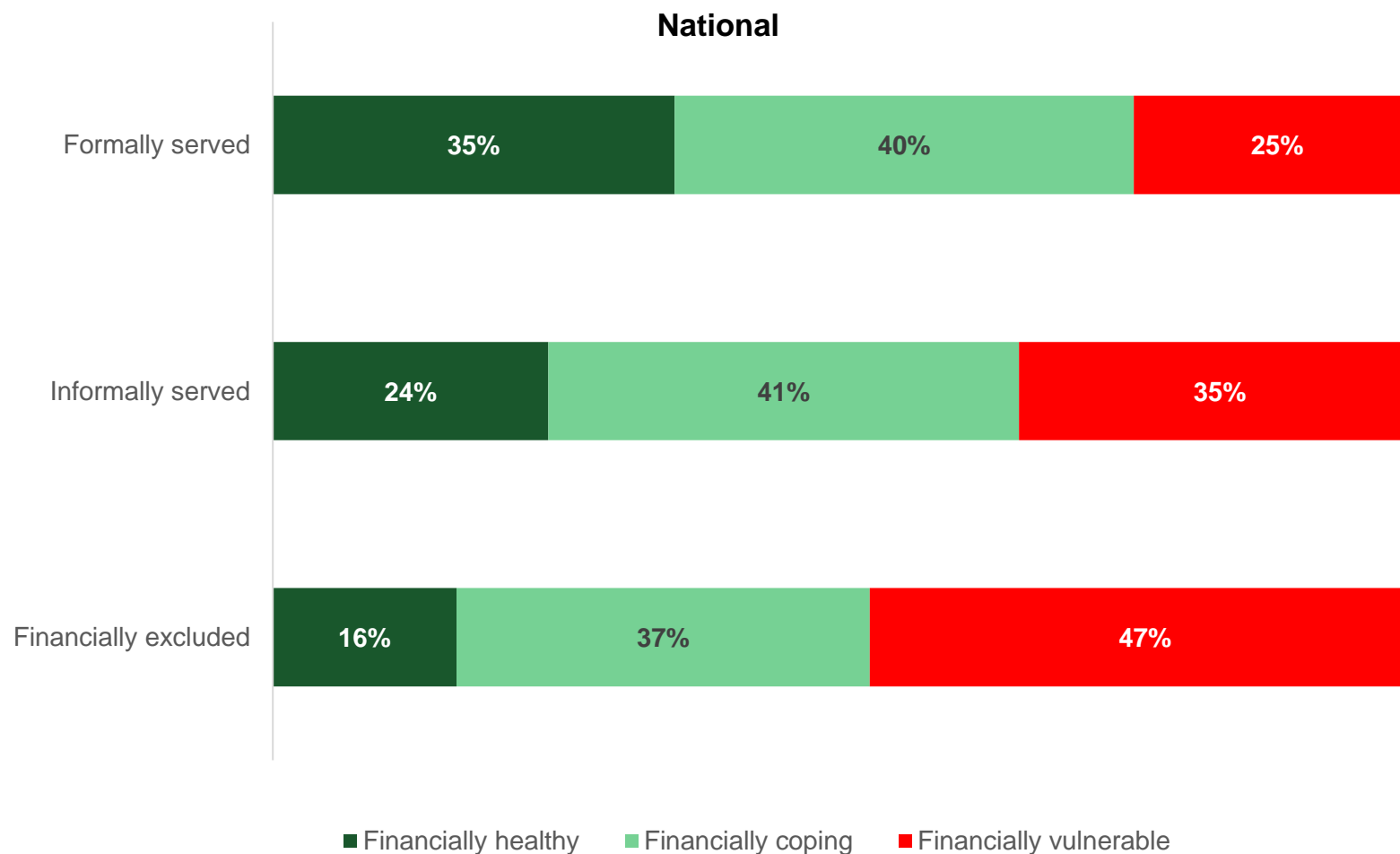
Financially healthy - spending, saving and managing risks in a way that allows them to be financially healthy, resilient and seize opportunities

Financially coping - spending, saving and managing risks in ways that they are financially coping with being resilient and seeing opportunities. Adults struggling with some but not necessarily all aspects of their financial lives

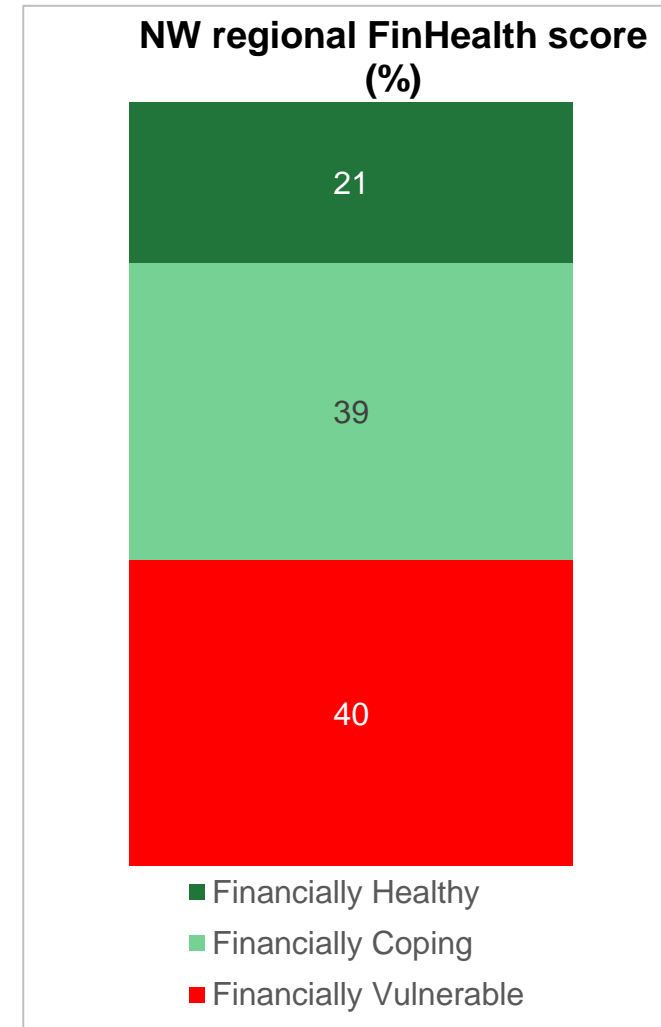
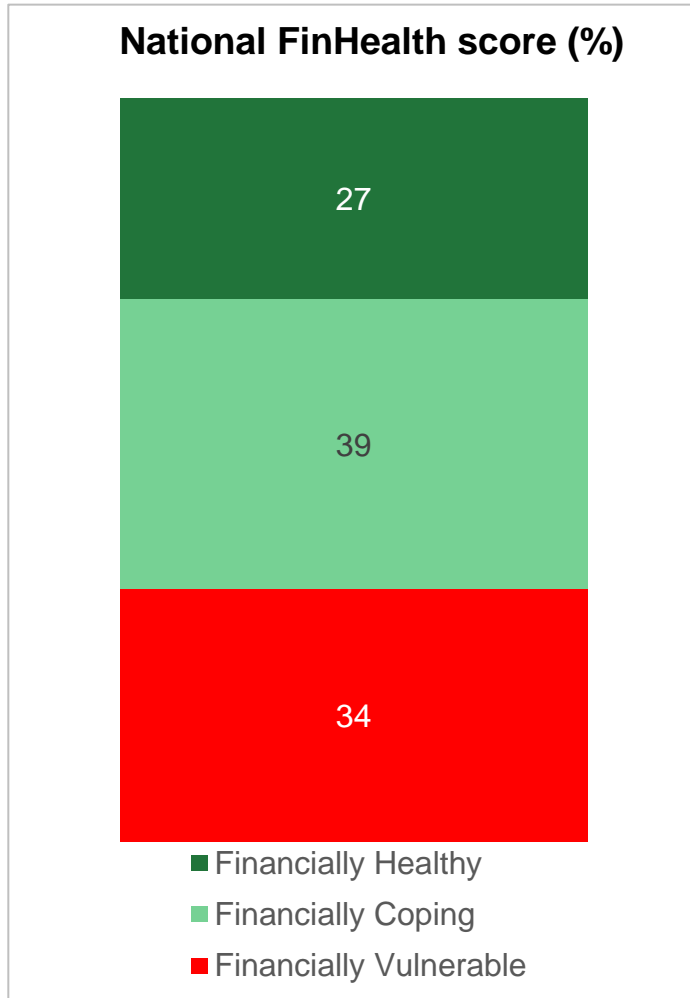
Financially vulnerable - spending, saving and managing risks in ways that make them financially vulnerable and struggling to seize opportunities. Adults struggling with all, nearly all, aspects of their financial lives

The direct correlation between financial health and financial inclusion which is evident at the national level

- Even among adults that use formal (regulated) financial services, less than one third are financially healthy



Financial health scores are lower for adults in the North West



**Leveraging The Human Account personas to
promote financial inclusion**

Traditional believers require simple products offered through social networks with features that equip them with financial planning skills

expand services features to include financial planning tools, debt management and automatic loan payments products

Use simple and non-technical financial language that takes into account the user's financial anxieties about the future



Build financial connections and access to emergency support, especially through community groups

Demographics –

- Mostly lower income
- Religious women
- Limited education
- Rely on farming
- Run small business (self employed)

Savings

- Believe they do not earn enough to save, let alone to cover household costs.
- Nearly all save, albeit at a savings frequency lower than other segments.
- Very few use mobile savings or formal accounts

Borrowing

- Their borrowing frequency is higher than other segments
- They may fear mobile borrowing from formal providers and informal group borrowing, where loan terms are more stringent and defaulting carries serious financial and social risks

Managing money

- Save and borrow, within their family
- Most plan their expenses, struggle with paying bills and raising emergency funds.
- They primarily manage money through informal groups such as family

Digital youth require digital financial products & services that support their business development and protect their privacy

Leverage mobile convenience to promote financial planning & debt management and automatic

Use messaging language that emphasizes customer privacy and conveys trust and reliability



Support small business development by offering income smoothing strategies that account for high income volatility

Demography - 19% of Nigeria

- Mostly young urban middle to high income
- Highly educated single men
- Self employed or formally employed
- Wealthiest segment amongst Nigerians
- Most own smartphones
- Completed at least secondary education

Savings

- Do not save frequently through mobile savings accounts
- They also exhibit low rates of group savings, due to a reluctance to expose their finances to friends, family and neighbours.

Borrowing

- They borrow infrequently, mainly through family, and are uncomfortable holding debt for fear of default.

Money management

- The vast majority have a plan to manage expenses and save frequently.

Dependent individualist require digital financial tools to support flexible savings and loan management

Use digital messaging that reinforces their confidence and feeling of control, but takes into account their low self-esteem

Support financial planning by providing easy-to-use tools for business accounting and management to support their small businesses and farming



Promote flexible savings that accommodate their strong need for liquidity by eliminating withdrawal fees, account minimums, or fixed holding periods

Demography - 22% of Nigeria•

- Low to middle socioeconomic status
- Poorly educated
- Young married women
- Confident in their own abilities

Group borrowing and mobile borrowing are low

- Distrust social financial networks and banks.

Saving

- Believe they do not earn enough to save, nearly all save.
- Their savings frequency is quite low compared to the rest of Nigeria.

Money management

- Driving cautiousness around spending, but making it difficult for them to plan and meet expenses, save towards goals, and build an asset base.
- Moreover, with only a minority identifying as primary household decision maker, they may have limited control over financial planning.

Borrowing

- Just under half of Dependent Individualists borrow, making them the least frequent borrowers in Nigeria.
- Most are uncomfortable holding debt because they are unsure of their ability to repay.

Resilient savers require simple, technology oriented financial solutions and these solutions should be able to capture financial behaviour exhibited in social channels

Leverage their proficiency with technology to provide easy access, control, and privacy of their accounts

Explain financial service features using plain simple messaging language



Develop credit scoring techniques that account for a greater variety of financial management behaviours

Demography- 21% of Nigeria

- Mostly married
- Young to middle aged men
- Formally employed
- Most identify as head of household
- Have completed at least secondary school.
- Though rural, only a fifth rely on farming as their primary source of income, though most likely farm in addition doing other work.

Borrowing

- They also borrow with more frequency than average across all channels,
- Highly comfort holding debt, trust in banks, and respect for authority.
- Do not frequently use group borrowing or mobile borrowing

Savings

- While most don't believe they earn enough to save, they are the most frequent savers of any segment.
- They tend to view their savings as unsafe from others, which may drive their use of formal accounts, such as mobile savings, and group savings with family.

Confident optimist require formal financial solutions that are customised to suit their long-terms goals and aspirations

Engage them as early adopters and influencers of mobile wallets through P2P payment features

Offer customized credit options that draw upon their healthy reserves, dependability, and trust in banks



Develop marketing messages that speak to their long-term hopes and beliefs

Demography - 14% of Nigeria

- Mostly formally or self employed
- Middle to high income, young urban, well – educated women
- Have financial decision making power
- Own businesses or are formally employed
- More technologically savvy than Nigerians on average

Savings

- Prioritize saving frequently in banks
- Aspire to share their savings with family and friends.
- Save money extensively through groups
- The most frequent mobile savers in Nigeria

Borrowing

- Slightly higher than average borrowing frequency from formal institutions.
- Highest rates of mobile borrowing and mobile wallet usage in Nigeria.
- Borrow through informal groups at rates similar to the national average

Money management

- Their open and trusting nature, along with their embrace of technology, enables an active use of financial tools, including mobile money.

Questioning cultivators require financial solutions that leverage their social networks with flexible options

Leverage their financial dependence on social channels to develop group based insurance products that integrate social components

Use messaging language that primes their strong sense of control and efficacy



Offer variety of flexible savings options without deposit minimums and fixed time frames to accommodate for their lack of goal-oriented savings strategies

Demography - 12% of Nigeria

- Mostly middle aged
- lowest income segment
- married
- Primary household decision making power
- Below average education
- Low technology use

- Most participate in informal group borrowing with family and friends.
- Just one in eight has ever borrowed through a mobile money account or from a formal provider.

Savings

Most likely to believe that they earn enough to save.

- **Save frequently**
- By far the most robust users of informal group savings in Nigeria
- a significant minority save through formal accounts or mobile wallets.

Money management

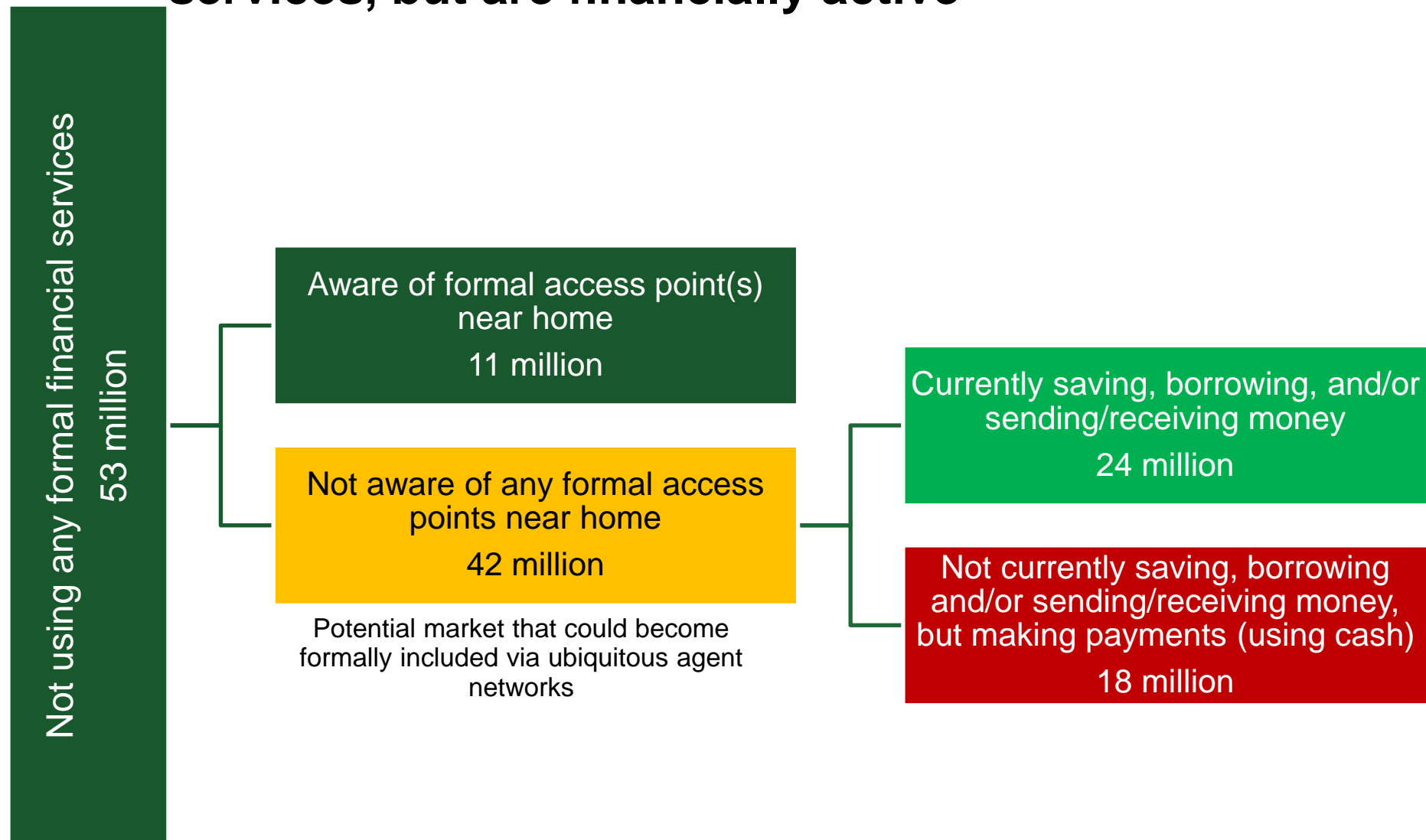
- manage their money through family, financial groups, and friends
- they are the weakest planners and struggle more than the average Nigerian to cover expenses.

Borrowing

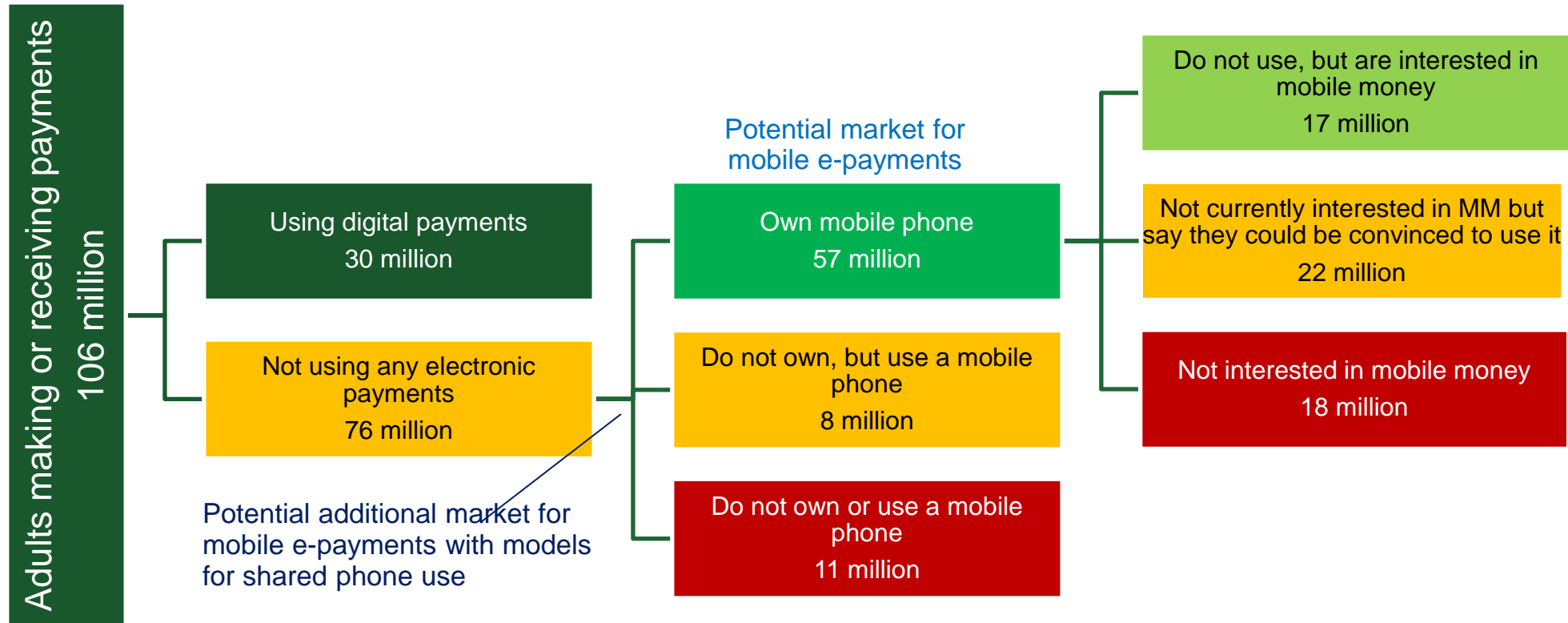
- Three-quarters borrow frequently at rates above average in Nigeria

Agent networks, mobile wallets and leveraging other potential locations for financial transactions has been projected to improve access of the excluded population

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 are not currently making electronic payments but own phones and are interested in mobile money



In terms of awareness of potential locations for providing financial services - provision shops and restaurants have the highest levels of awareness



	Less than 5 mins	Between 5 -10 mins	Between 11 and 15 minutes	Between 16 and 20 mins
Provision shop	38%	33%	12%	5%
Pharmacy	17%	33%	20%	11%
Restaurant	19%	36%	21%	9%
Petro station	7%	24%	22%	16%
Mobile phone kiosk	20%	34%	17%	11%
Post office	1%	8%	8%	22%

Ideas on ways to bridge the gap in meeting the needs of the excluded population

- There is a need to leverage on other potential channels for providing financial services/products to drive access especially for women who would prefer not to travel far from home to conduct their transactions
- A structured savings product with financial training tools: Offering financial training modules on goal setting, budget tracking as well as a standard savings product can encourage women to actively direct and sustain their saving behaviour. This intentional and structured solution can lay the foundation of financial literacy, understanding of financial concepts, and adoption of more sophisticated financial products
- Digital payment systems for traders: Transitioning of micro traders who rely on cash to buy and sell goods (insecure, difficult to track) to digital payment channels that have good value proposition (cashflow transactions, credit history)
- Promotion and delivery of financial services and corresponding skills through existing community structures especially religious institutions, cooperatives can serve as platforms where women can learn about financial services and potentially have access to them. Community – based financial literacy training could be used to develop financial literacy across a large population of excluded men and women
- Structure group finance for farmers and traders would provide opportunities to support the formation of buying groups (Esusu) that buy in bulk together to realise economics of scale, attract more group liability loans, collectively save to purchase group owned machinery e.g. food processing with the goal of formalizing savings and payment
- Women's financial identities, behaviours and environment are strongly rooted in and driven by the family unit. There are opportunities to directly engage the family unit to drive women's use of financial services through family oriented financial products and services such as joint family account that formalize women's financial involvement without disrupting hierarchies and farm loans which are likely to be accessed by the head of household, they can still improve the financial health of the household as a whole

THANK YOU

Contact Us:

 EFInA

 EFInA Nigeria

 EFInA Nigeria

 EFInA_Nigeria

 EFInA_Nigeria

www.efina.org.ng