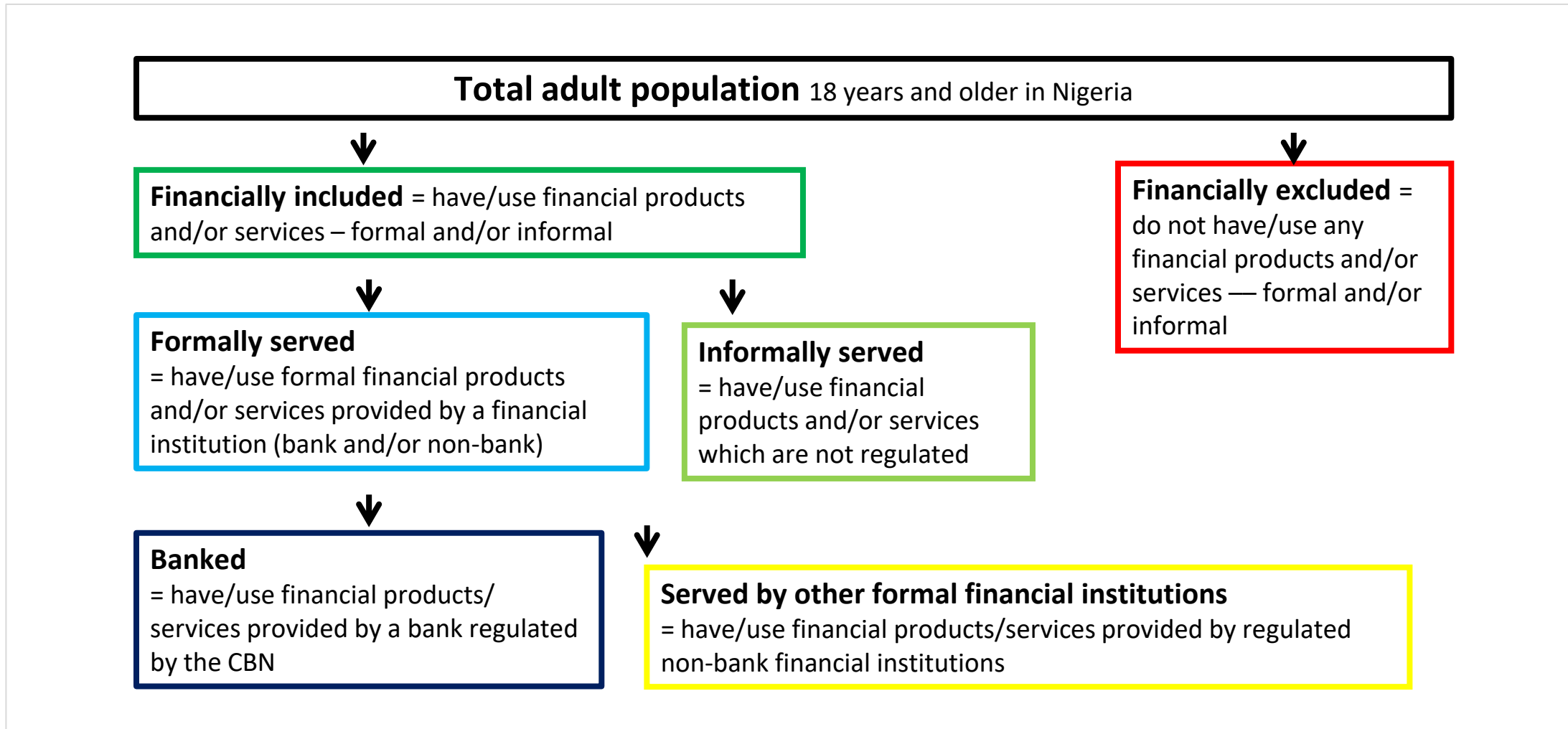


The role of Deposit Money Banks in driving Financial Inclusion

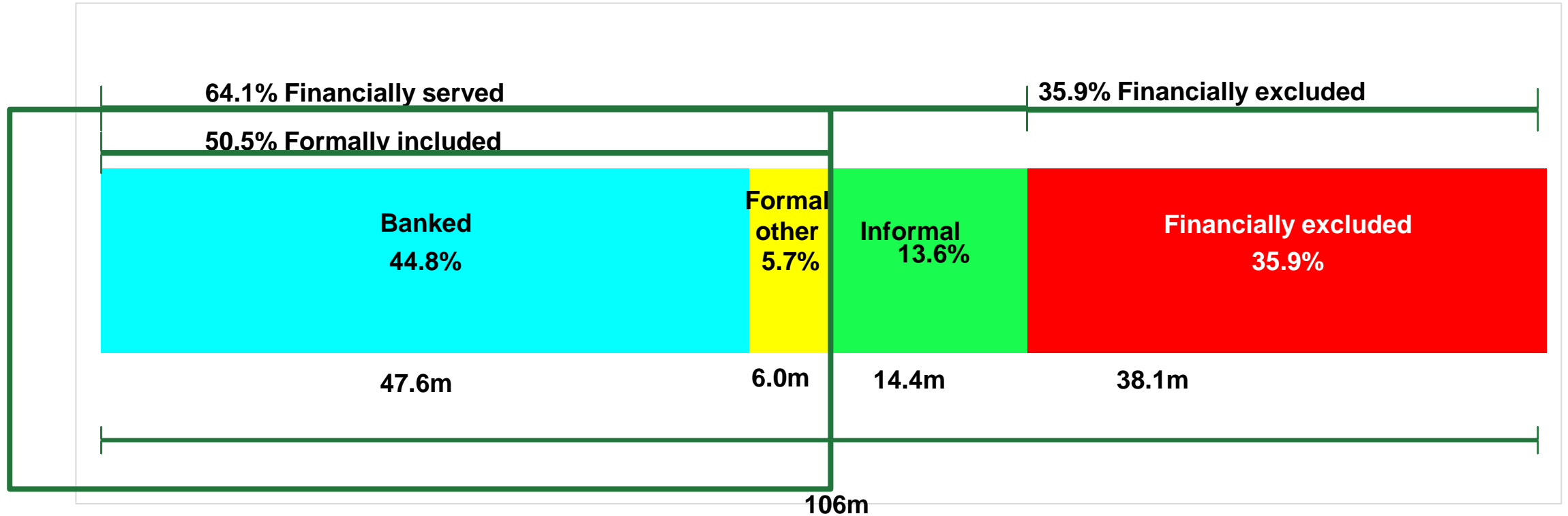
March 2022

Defining financial inclusion



1 in 2020, 1 in 2 (53.6 million) adult Nigerians were formally financially included, up from 48.4 million in 2018

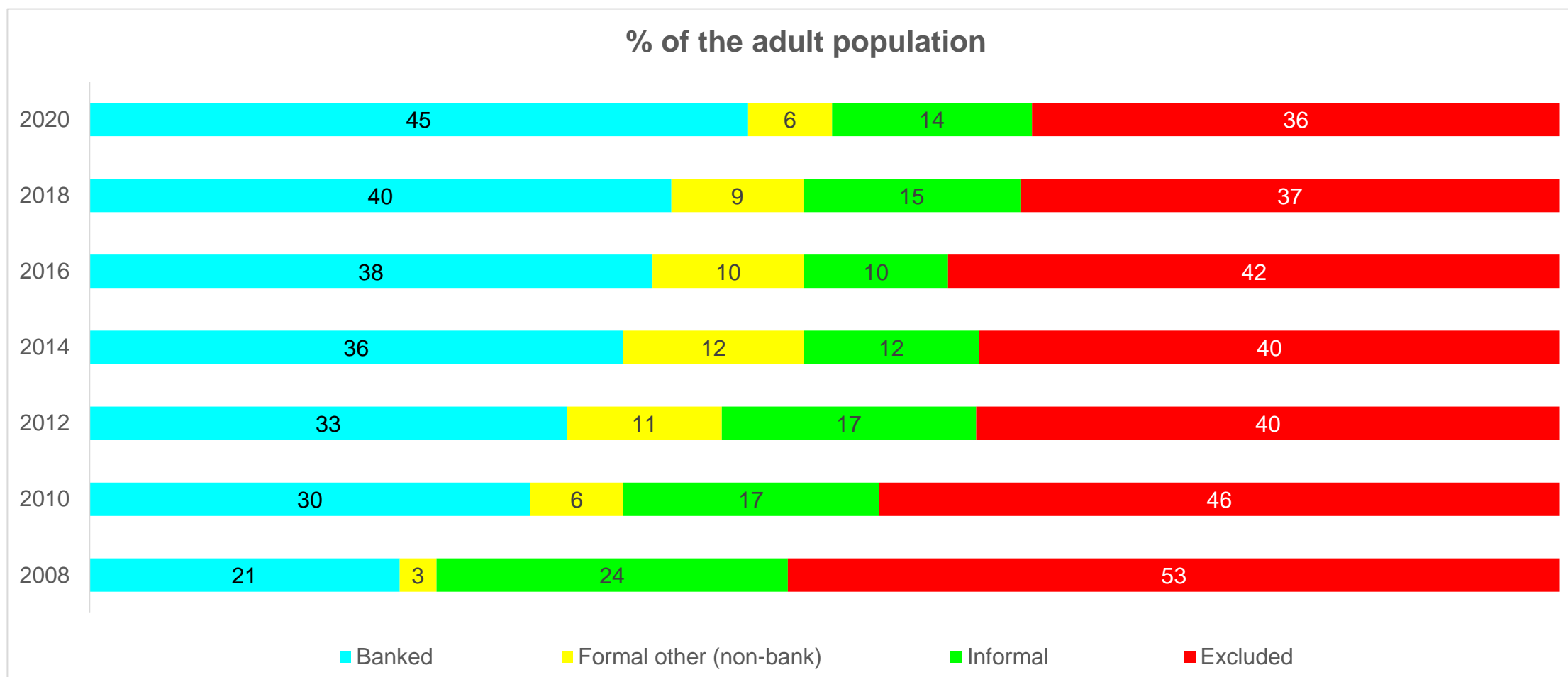
- 68 million adult Nigerians are financially included, with access to formal (regulated) and informal (non-regulated) financial services
- More than 1 in 3 Nigerian adults remain completely financially excluded



These four strands are mutually exclusive

Financial inclusion progress continues to be incremental, mainly driven by a steady increase in the number of banked Nigerians since 2008

- Over 8 million growth recorded in the banked population between 2018 and 2020
- However, although 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

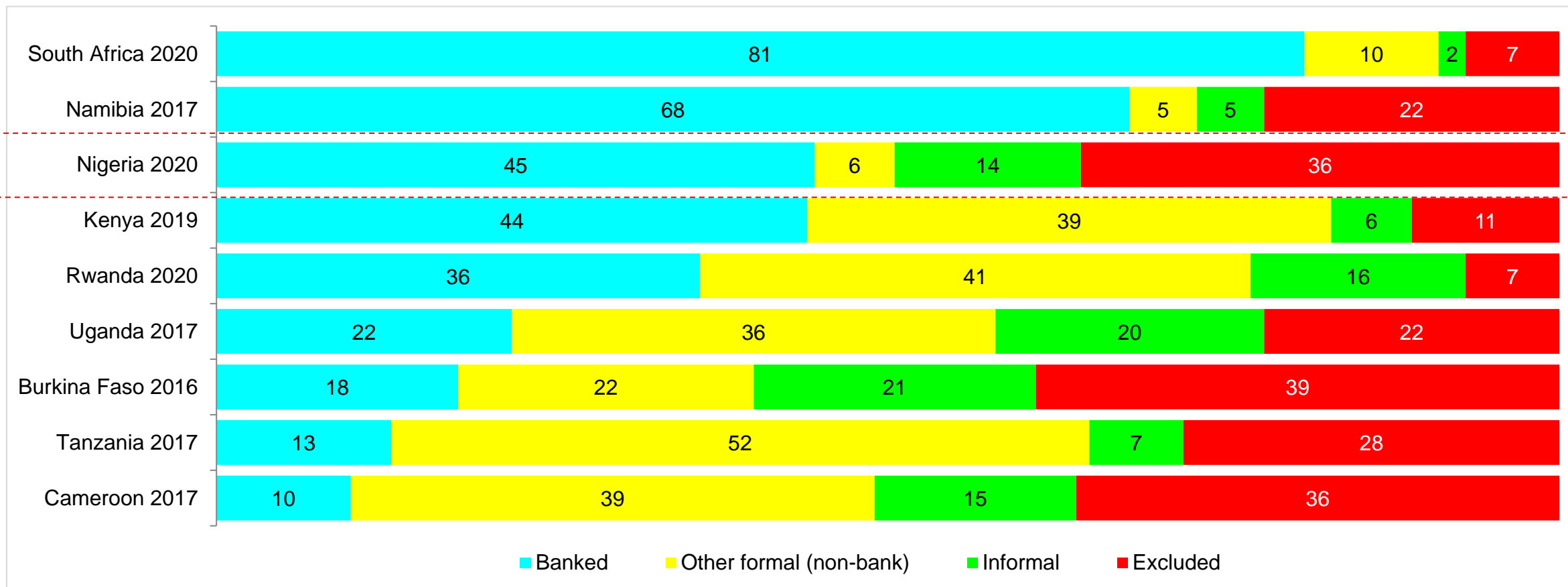


More recent growth in the uptake/usage of banking services has been driven by the use of digital financial services, savings, remittances, and agents

	Adult population 96 million	Adult population 100 million	Adult population 106 million	
	2016	2018	2020	% DIFF (2018-2020)
Banked population	38%	40%	45%	+5%
Remittances	24%	22%	25%	+3%
Savings account	28%	21%	27%	+6%
Payments	12%	16%	29%	+13%
Receive income	8%	10%	12%	+2%
Loan with a bank	3%	1%	2%	+1%
Banking agents	3%	3%	19%	+16%

Although Nigeria has a higher proportion of banked adults than many comparator countries, formal financial inclusion continues to lag behind due to the inability of DMBs to leverage digital financial service in reaching the unbanked

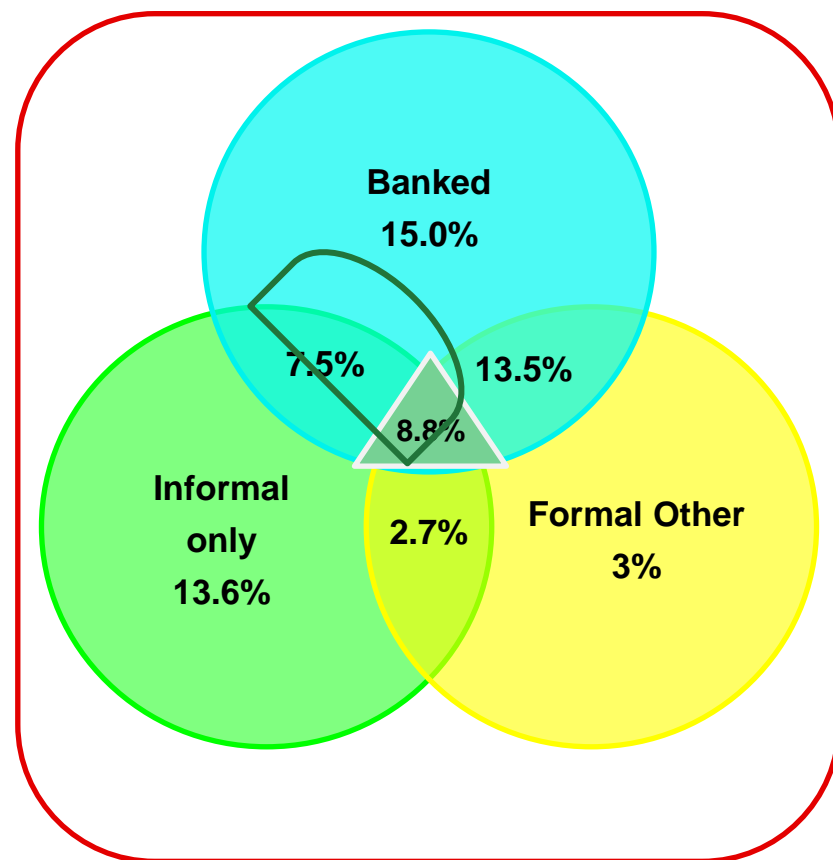
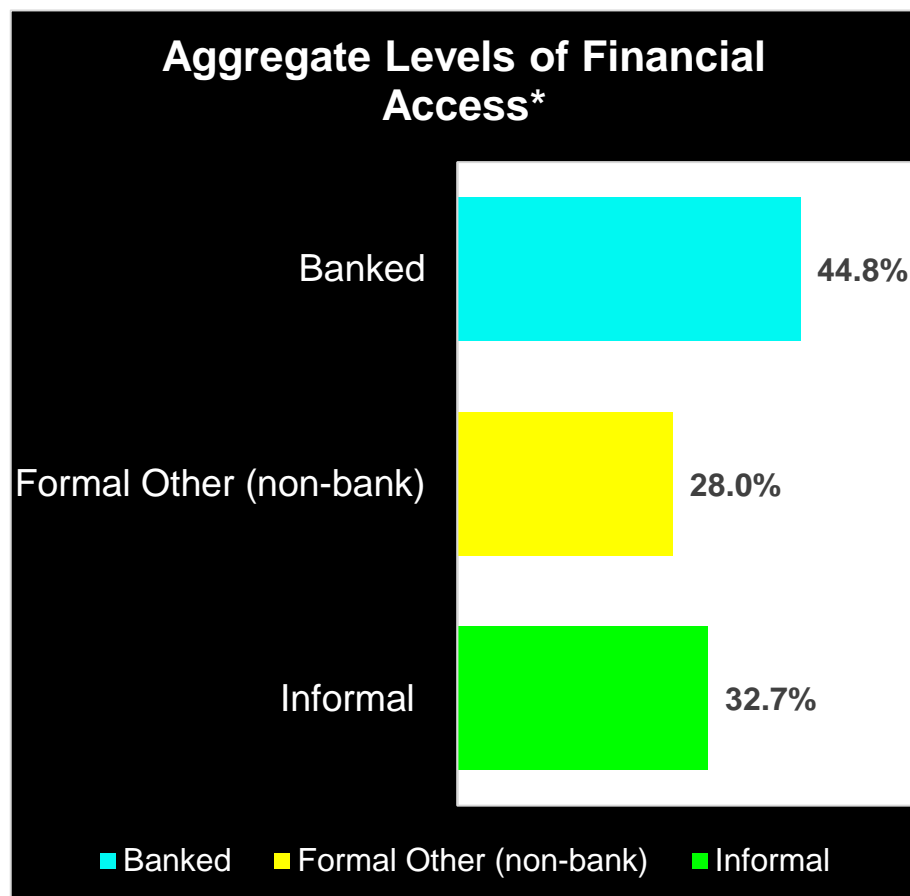
- Several countries have expanded financial inclusion via non-bank mobile money (reflected in yellow sections)



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

Nearly 60% of banked adults continue to use a combination of formal and informal financial services to meet their needs

- Formally served adults use a combination of formal and informal mechanisms to manage their financial needs, indicating that their needs are not fully met by the formal sector alone
- 26% of banked adults with saving accounts are borrowing, mainly for business purposes. However, only 4% are borrowing from banks





Potential opportunities for DMBs to further promote financial inclusion in Nigeria

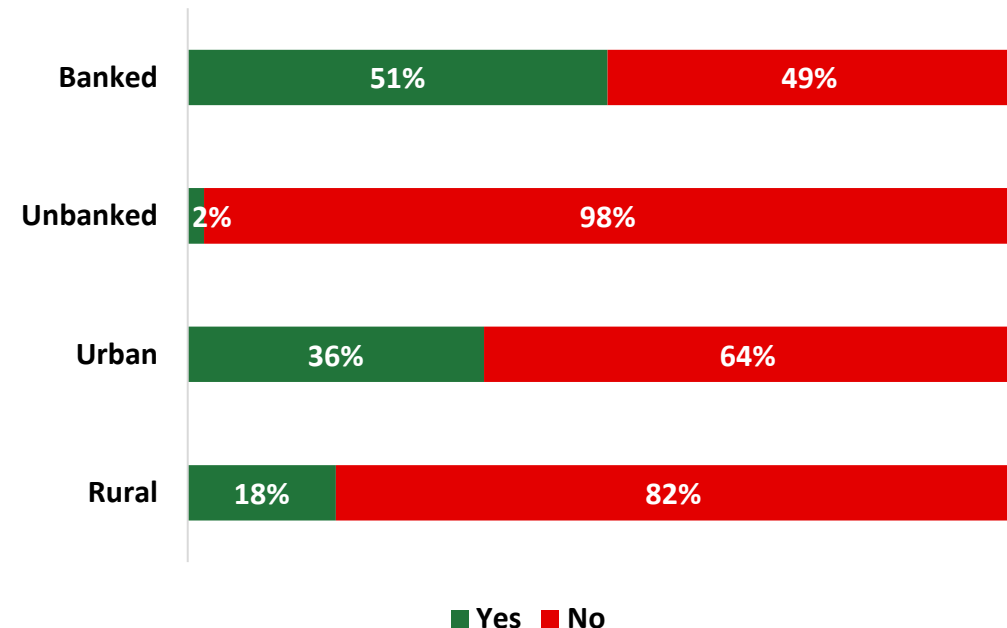
To reach the unbanked population, DMBs must work to address the obstacles of access and institutional exclusion¹

- Although use of financial service agents increased significantly from about 4million in 2018 to 26million in 2020, usage remains low among the unbanked and rural population
- 62% of adults in rural areas are within proximity of financial access points/financial service providers
- Expanded agent networks could extend reach of formal financial services to more than 24 million financially active formally excluded adults

Reasons for not having a bank account
(% of unbanked adults)

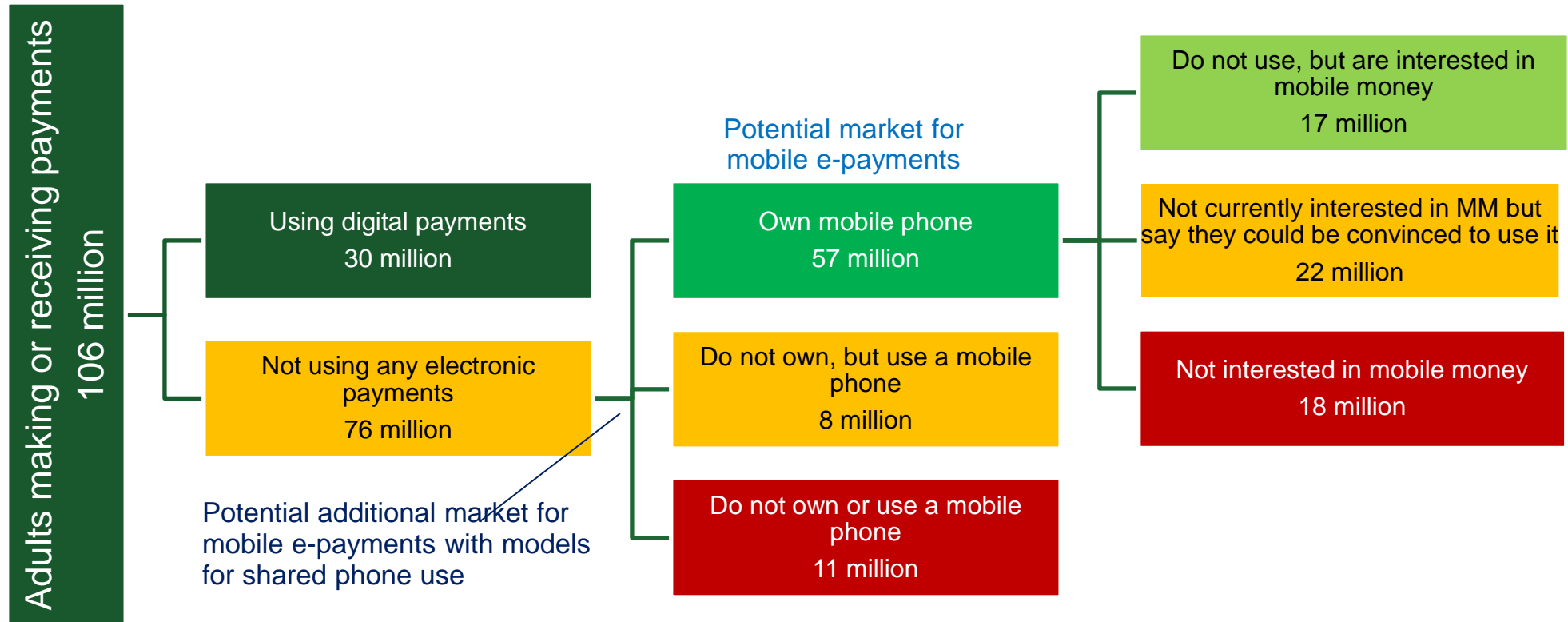
Barriers	Net %
Attitudes/perceptions	34
Access to banks	31
Little/irregular income	31
Institutional exclusion	22
Unemployment	21
Cost of banking	15
Low interest on deposits	3

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

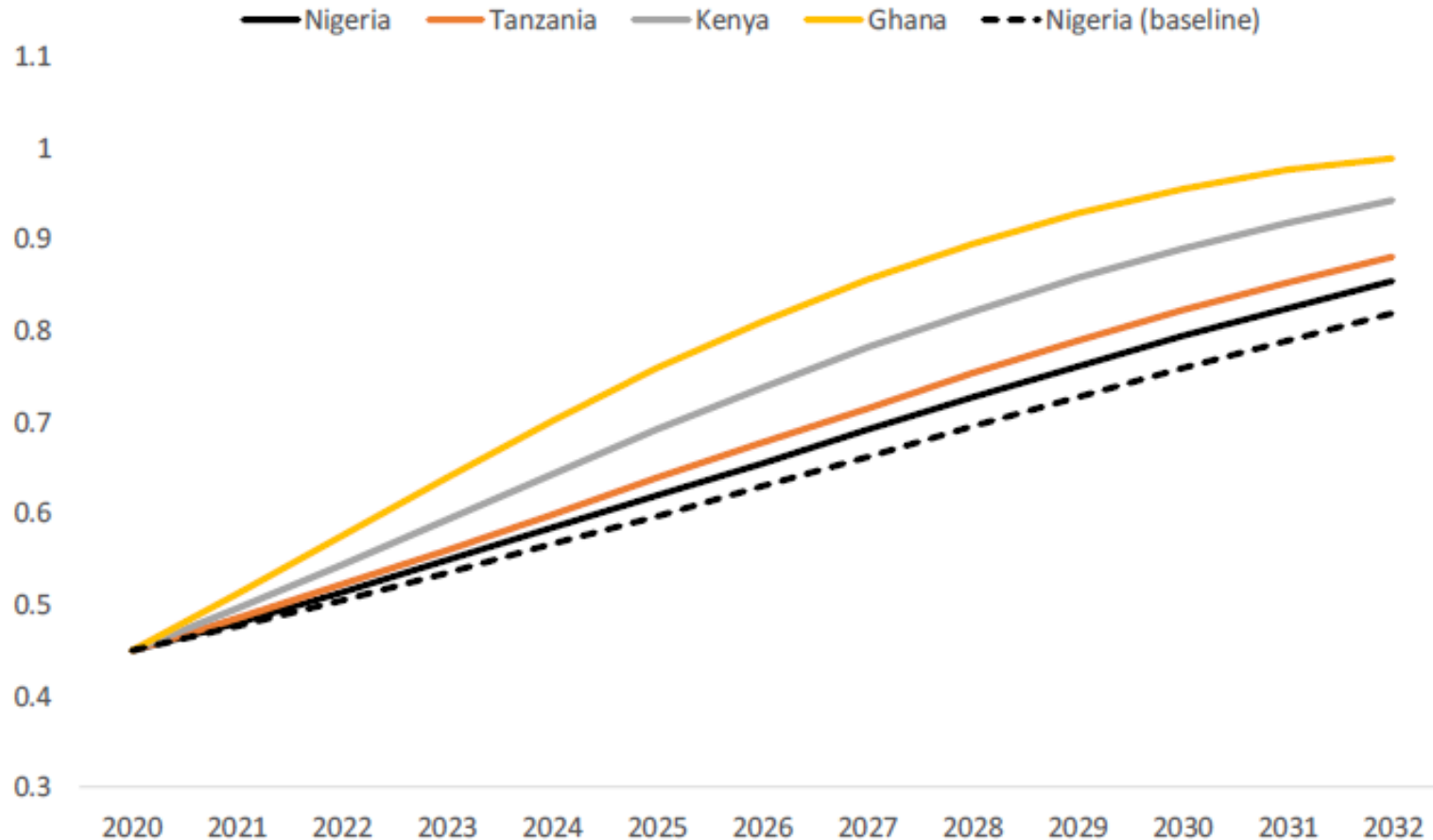


¹Institutional exclusion refers to operational or regulatory factors such as identity or documentation requirements, and ability to read/write in English

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



If Nigeria experiences rapid uptake of mobile money experienced in some neighbouring countries, financial inclusion targets could be met much faster



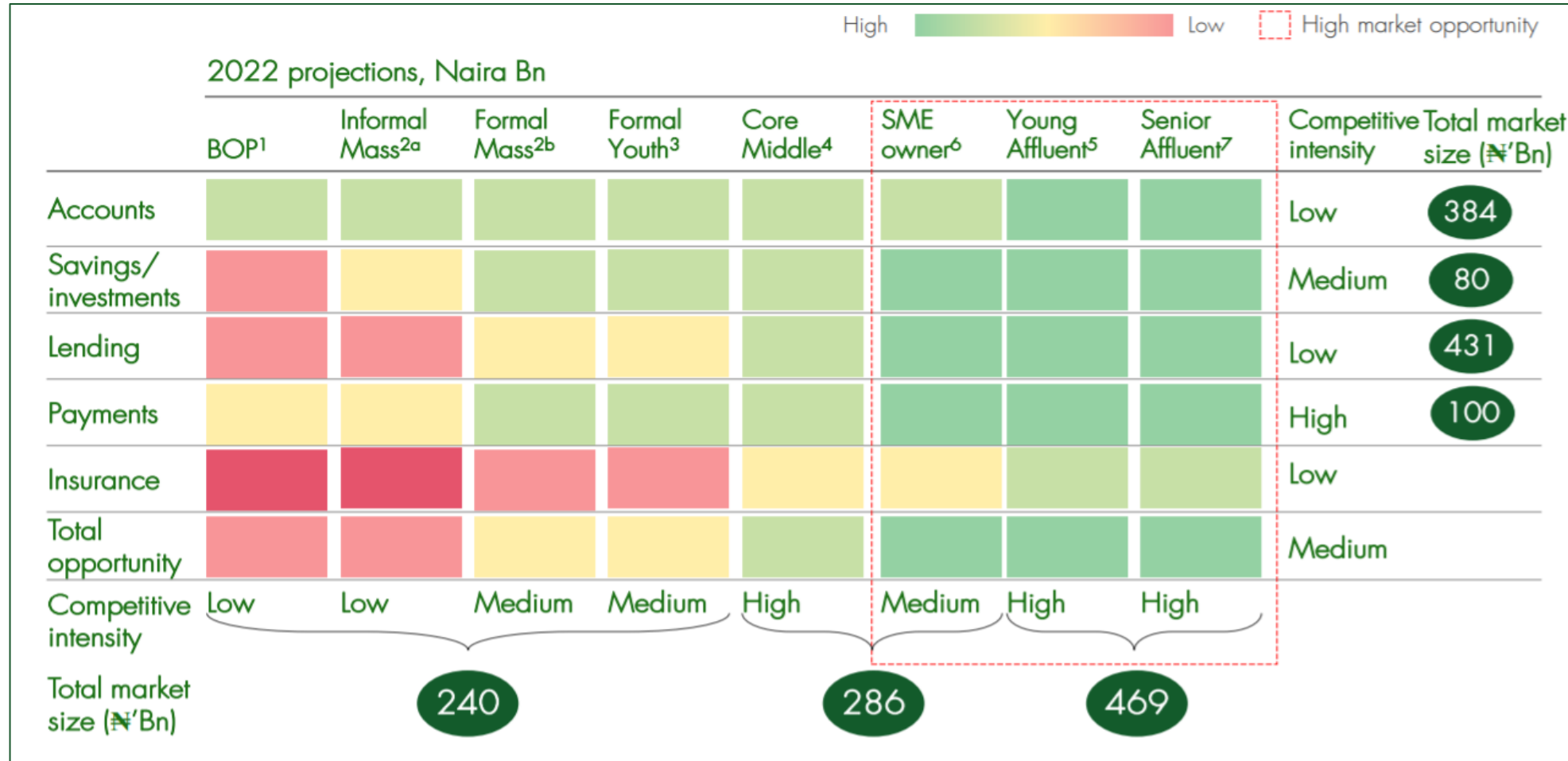
There are a large number of unmet needs in the mass and SME segments. Lending presents the biggest revenue opportunity – serving customers across youth, SMEs and affluent

Common customer pain-points

Limited value added services/ benefits from using products

Limited access to lending products at favourable rates

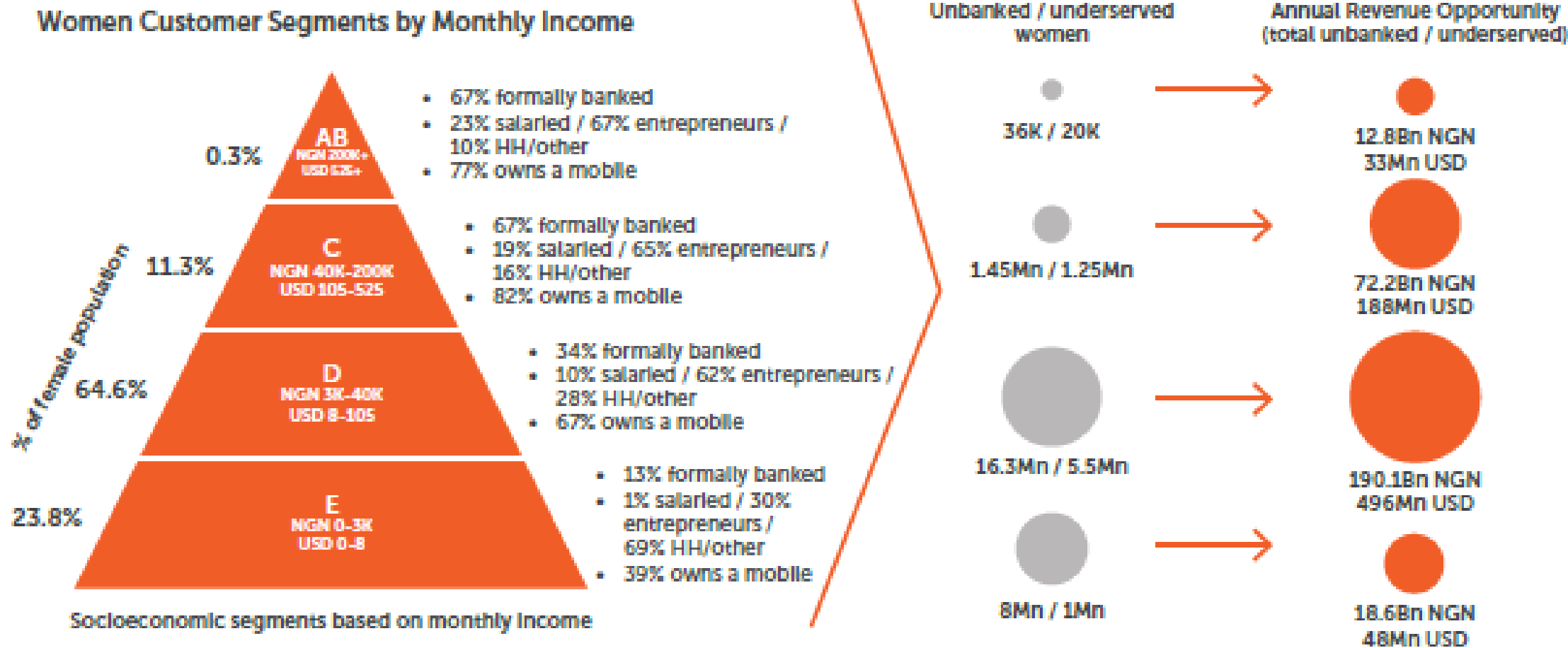
Lack of tailored products



1. BOP includes rural dwellers and subsistence farmers
 2a. Mass market includes housewives, petty traders, okada riders, artisan/domestic worker
 2b. Includes teachers, entry level employees, civil servants
 3. Youth includes students, early graduates and hustlers

4. Middle market include young professionals, mid-level civil servants
 5. Young affluent includes mid level execs & middle aged professionals
 6. SME owners includes large traders, freelancers, family business owners
 7. Seniors include senior civil servants, senior executives and retirees

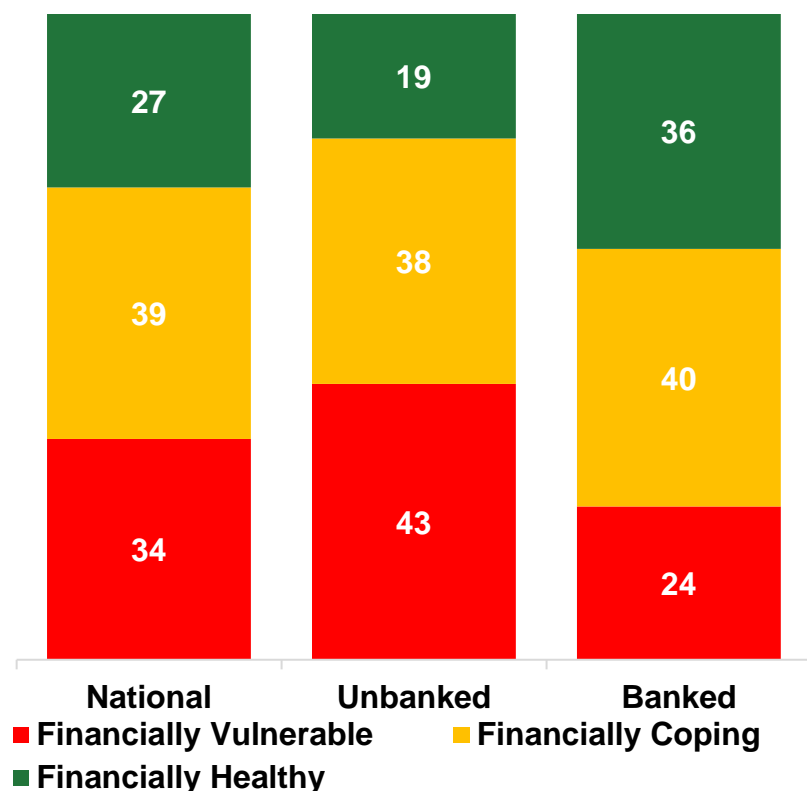
There is an estimated market opportunity of USD\$760 million in potential annual banking revenue from expanded financial service offerings for women customer segments



Beyond financial inclusion, DMBs must become increasingly interested in the **FINANCIAL HEALTH** of their customers

- Financial health refers to the ability of individuals to use financial services in ways that allows them to be resilient and pursue opportunities over time
- Banked adults are twice likely to be financially healthy compared to unbanked adults. However, 64% of banked adults are not financially healthy
- 3 out of 5 banked adults are struggling with liquidity issues and nearly 2 in 5 struggle with managing risks

FinHealth score (%)



% of banked population

FinHealth dimensions	Low score	Medium	High score
Ability to manage day to day (spend score) Spend less than income	60%	14%	26%
Build and maintain reserves (save score) Save money, Invests in assets	10%	65%	25%
Planning and prioritising (Plan score) Plan ahead financially	20%	49%	31%
Ability to manage risks could recover from financial shock	38%	25%	36%

Recommendations

- Stubborn access gaps have persisted since 2008 for the most excluded groups: women, Northern Nigerians, Nigerians in rural areas, and youth
- Growth in digital financial services, agent networks, and mobile phone ownership (now at 81%) highlights the opportunity to drive faster formal 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
- Innovative solutions is needed to target rural population as well as economically active individuals outside the formal sector

Thank you for
listening



March 2022

Overview



Who We Are



Enhancing Financial Innovation & Access (EFInA) is a Financial Sector Deepening (FSD) organisation that promotes inclusive finance in Nigeria. The FSD Network is a family of nine Financial Sector Deepening, or FSD, programmes operating across Africa.

EFInA was established with support from the UK's Foreign Commonwealth & Development Office (FCDO) in 2007 and began receiving funding support from the Bill & Melinda Gates Foundation in 2009.

EFInA is renowned, within Nigeria's financial sector, for providing thought leadership toward achieving financial inclusion and championing the unbanked. By funding and catalysing innovation, providing cutting-edge research, advocating for inclusive policies, and building capacity, EFInA has gained a reputation as an "honest broker" among the private and public sectors in Nigeria. EFInA's Access to Financial Services in Nigeria surveys and other research have served as credible sources of information for policymakers and regulators, including the Central Bank of Nigeria (CBN), the National Insurance Commission (NAICOM), the National Pension Commission and others, to formulate regulations and policies. EFInA has a strong focus on promoting digital financial services, and in recent years has taken a leading role in supporting an emerging FinTech sector in Nigeria.

Since its founding, EFInA has contributed to the increased focus on financial inclusion in Nigeria, convening and supporting stakeholders to develop and work toward the implementation of a National Financial Inclusion Strategy.

EFInA's Access to Financial Services in Nigeria Survey – An Overview



The Access to Financial Services in Nigeria Survey A2F

Lack of credible data prior to the A2F Survey

-
- There was no credible or reliable data on the status of financial inclusion or on access to formal financial services.

Credible data available & used to inform decisions post 2008

- A2F is a nationally representative survey of Nigerian adults (18+) across all 36 States and FCT Abuja
- It is designed to assess all Nigerians' access to and use of financial services, describe landscape of access as well as to identify opportunities to promote financial inclusion in the country.
- It provides credible data that can highlight opportunities for policy reform and market opportunities for financial service providers.

7 surveys conducted with over 20k sample size each

- So far, EFInA has conducted 7 A2F surveys – (2008, 2010, 2012, 2014, 2016, 2018 and 2020).
- The first national survey of this scope, the A2F 2008 sampled 21,110 adults and provided insights into how consumers manage their financial lives.
- The 2020 survey sampled 27,703 adults and a booster sample of 1,417 15-17-year-olds. In 2020 the survey was expanded to include new focus areas such as financial health, Covid-19 impact, customer trust in financial institutions, and digital financial services.

The A2F remains the primary source of financial inclusion data

- This survey is universally recognised by financial sector stakeholders in Nigeria.
- The survey has established itself as a leading source of information on national trends in financial inclusion for industry and policymakers. This helps guide stakeholders in developing strategies, regulators in policymaking, and generally enable them to make informed decisions.
- Since the beginning of the A2F surveys in 2008, the exclusion rate has shrunk from 53% in 2008 to 36% in 2020.

Links to past A2F reports and resources

All reports and datasets of the A2F survey (2008 -2020) are available to the public via the A2F microsite: <https://a2f.ng/>

A2F 2020 Key Findings Report: <https://efina.org.ng/publication/access-to-financial-services-in-nigeria-survey-2020/>

Deep dive analysis from the A2F 2020 survey:

- ⌘ **Pension and financial inclusion** - <https://efina.org.ng/publication/access-to-financial-services-2020-insights-on-pension-and-financial-inclusion/>
- ⌘ **State of Women's Financial Inclusion 2020** - <https://efina.org.ng/wp-content/uploads/2022/02/State-of-Womens-Financial-Inclusion-2020.pdf>
- ⌘ **Insurance and Financial Inclusion** - <https://efina.org.ng/wp-content/uploads/2022/02/Insurance-and-financial-inclusion-.pdf>
- ⌘ **Opportunities for Promoting Financial Uptake through DFS** - <https://efina.org.ng/wp-content/uploads/2022/02/Opportunities-for-promoting-financial-uptake-through-DFS.pdf>

Examples of external uses of the data:

- ⌘ **Identity snapshot: Inclusion for all:** <https://africapractice.com/wp-content/uploads/2021/09/Inclusion-for-All-Snapshot.pdf>
- **Digital Financial Services in Nigeria: State of the Market Report:** https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2021/12/State_of_Market_Report_2021.pdf
- ⌘ **National Financial Inclusion Strategy Revised October 2018:** <https://www.cbn.gov.ng/out/2019/ccd/national%20financial%20inclusion%20strategy.pdf>

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
- EFInA website: www.efina.org.ng

Want specific insights? Let us know

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