

Sustainable Financial Inclusion- designing for impact

Presented By

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EFInA Overview

- EFInA Overview
- Overview of EFInA's Access to Financial Services in Nigeria Survey
- Overview of Sustainable Financial Inclusion
- Current status of Nigeria
- Designing for Impact
- Conclusion





EFInA Overview

Enhancing Financial Innovation & Access (EFInA) is a Financial Sector Deepening (FSD) organisation that promotes inclusive finance in Nigeria.

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.

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Financial Inclusion



4,682,492 Nigerians have been financially included through EFInA funded grant projects, of which **2 million are** women.

Over **35,845** agents have been deployed through EFInA funded grant projects, of which **over 8,000** are women.

Grants Awarded



20 Technical Assistance Grants, with a total value of **\$3.7 million**

12 Innovation Grants, with a total value of over **\$18.4 million**

7 Fintech Challenge Grants, with a total value of over **\$2 million**

Surveys Launched



7 Nationwide Access to Financial Services in Nigeria survey

50+ quality scoping studies

14 project impact assessments

Advocacy



EFInA has hosted over **108** Innovation fora/ workshop/breakfast briefing series to address policy issues which resulted in new initiatives.

Capacity Building



Over **1,210** institutions have benefitted from EFInA's sponsored training/capacity building initiatives.

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

Lack of credible data prior to the A2F Survey

- Financial inclusion was relatively unknown when EFInA entered the Nigerian financial landscape in 2008, even amongst bankers and regulators.
- There was no credible or reliable data on the status of financial inclusion or on access to formal financial services.

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 Access to Financial Services in Nigeria Survey



A2F

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 the landscape of access as well as 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.

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, and 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.

In addition to providing data about access to financial services, the A2F survey generates evidence related to a range of donor interest areas





Overview of Sustainable Financial Inclusion

Overview of Sustainable Financial Inclusion

- Globally, about 1.7 billion people are excluded from formal financial services. In Nigeria, according to the EFInA A2F 2020 data, there are about 38.1m financially excluded adults.
- As a result, the opportunities these excluded people have to manage their daily lives, cope with unexpected difficulties, develop their entrepreneurial skills, and plan for the future are limited
- While access to basic financial services such as savings, credit, insurance, etc, are positive markers of economic and social improvement; on the flip side too much credit, and ill-suited products can lead to bankruptcy and financial crisis



Overview of Sustainable Financial Inclusion

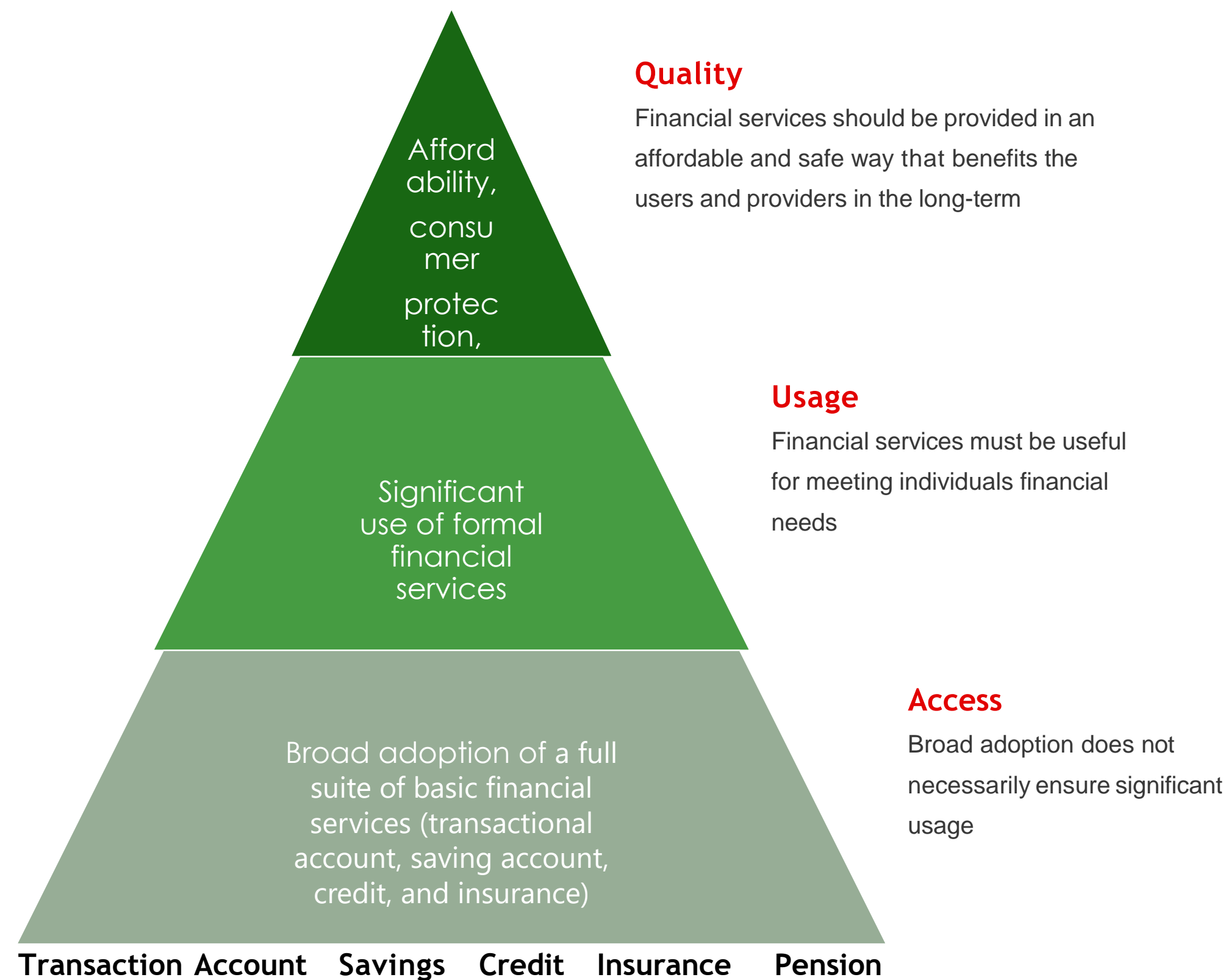
- From softening the blow of financial losses following a catastrophic event to smoothing consumption during recovery, financial services enable individuals and households to be more resilient in the face of unexpected setbacks.
- Financial service providers need to scope and scale their unbanked market potential, understand what usability really means, and develop business models to deliver affordability in a sustainable way.



Model for Sustainable financial inclusion

True financial inclusion must involve an ongoing activity that benefits both providers and consumers.

This is what we call sustainable financial inclusion



Other Key Considerations for Sustainable Financial Inclusion

Social Considerations should be given to marginalized groups such as Women, Youth, Northern Nigeria, and the Physically challenged persons to ensure inclusiveness and equality

- Climate change and Environmental risks threaten our efforts to eradicate poverty and promote inclusive economic growth
- Financial stability can also be threatened by the economic and financial losses brought about by climate change

Financial inclusion is vital in helping the most vulnerable communities build resilience and mitigate losses that result from climate change



Current status of Sustainable Financial Inclusion in Nigeria

Other Key Considerations for Sustainable Financial Inclusion

* The NFIS target: Increase adult population covered by a regulated financial service to 70% by 2020

	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%

Low depth of inclusion questions the usability of financial services in meeting financial needs

Definition of Terms

Payments: % of the 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

Savings: % 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

Credit: % of adult population that has had a credit product through a regulated financial institution in the last 12 months

Insurance: % of adult population that is covered by a regulated insurance policy

Pension: % of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme

Current status of Sustainable financial inclusion for Nigerians in 2020

	Transaction account	Saving	Credit	Insurance	Pension	
Quality	Affordability, consumer protection, providers operating cost	Access to banks, perceptions about banking, and low/irregular income remain obstacles to having a bank account.	Low returns on savings, low disposable income, low available of consumer-centric products targeted to a saving need	High lending rate, lack of consumer-centric products due to a dearth of information needed to profile consumers for formal credit	Lack of appropriate information on insurance and low levels of trust in insurance institutions are major barriers to insurance uptake and usage	Beyond low income, awareness and confidence constraints
Usage	Significant usage of financial services	60% of banked adults are making digital payments	Just about 10% of adults who have a goal, can rely on formal savings to address the goal About 14% (9%) of adults who face liquidity distress (financial shocks) can rely on formal savings	<3% of adults who have a goal, rely on formal credit as a financial mechanism to address the goal <1% of adults who face liquidity distress or financial shocks can rely on formal credit	Nigerians who face shocks were more likely to do nothing, sell assets, cut down on expenses, or borrow from family and friends than to use savings to cope with shocks	Just 2% of adults under the age of 55 plan to primarily rely on pension in old age
Access	Broad adoption of a full suite of basic financial services (transactional account, saving account, credit, and insurance)	51% of Nigerians have formal financial accounts	44% saved recently at a regulated institution	3% have access to formal credit in the last 12 months preceding the survey	2% are covered by at least one formal insurance product	Just about 7% of Nigerian adults have pensions

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

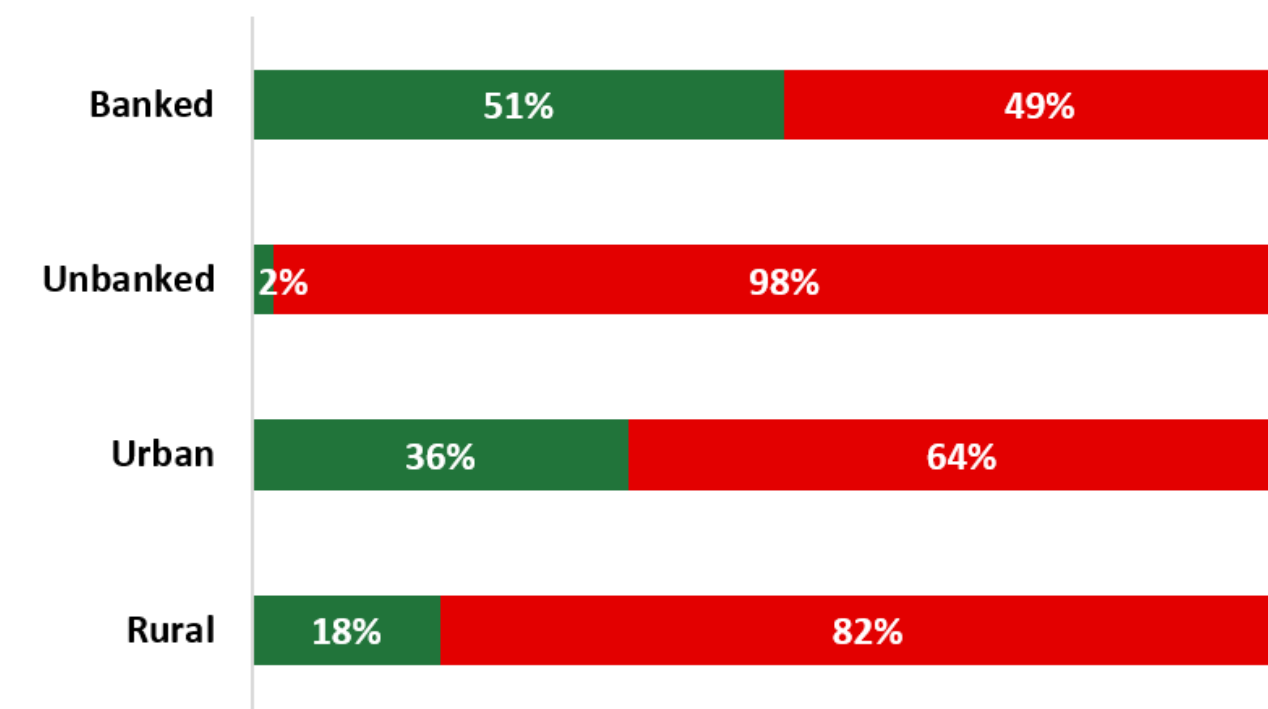
- Although the use of financial service agents increased significantly from about 4 million adults using agents in 2018 to 26 million using agents in 2020, usage remains low among the unbanked and rural population
- 62% of adults in rural areas are not within proximity of financial access points/financial service providers
- Expanded agent networks could extend the reach of formal financial services to more than 24 million financially active² formally excluded 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

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

2. Financially active adults are saving, borrowing and/or remitting

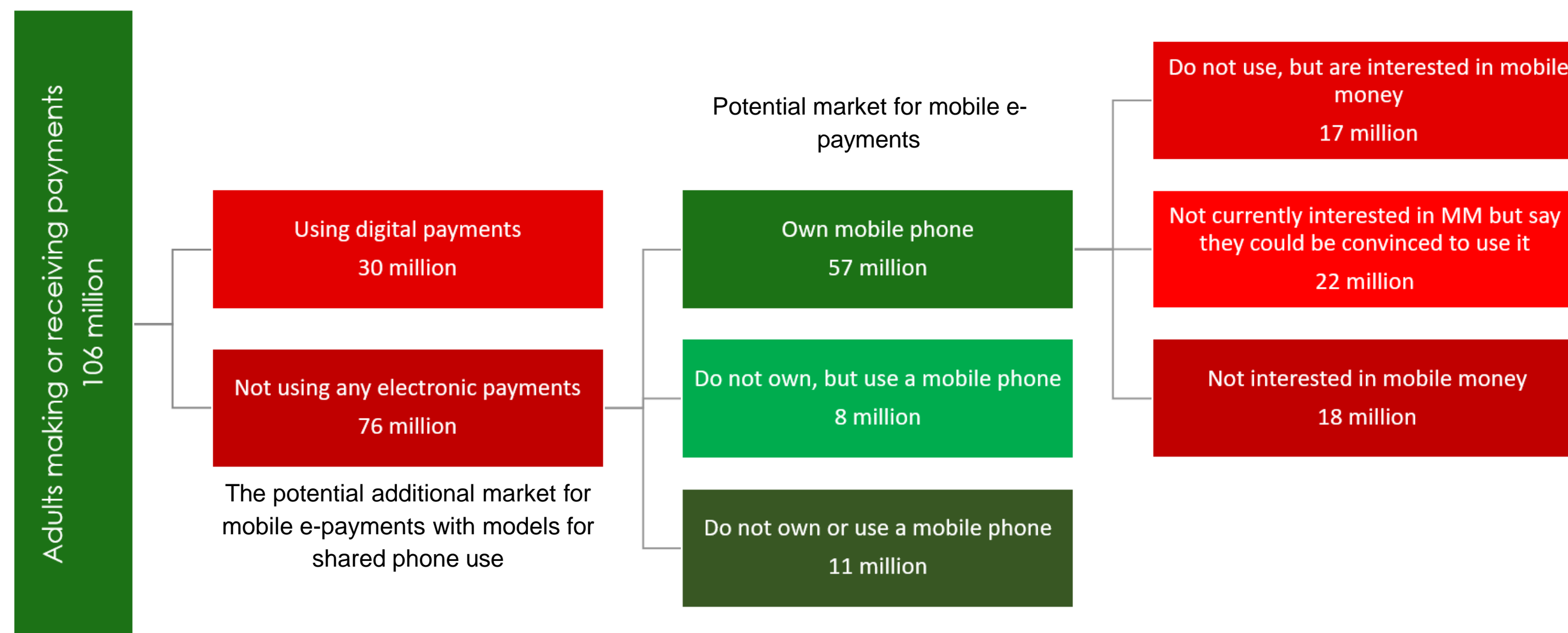
Have you used a financial service agent in the past 12 months? (% of adults)



■ Yes ■ No

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

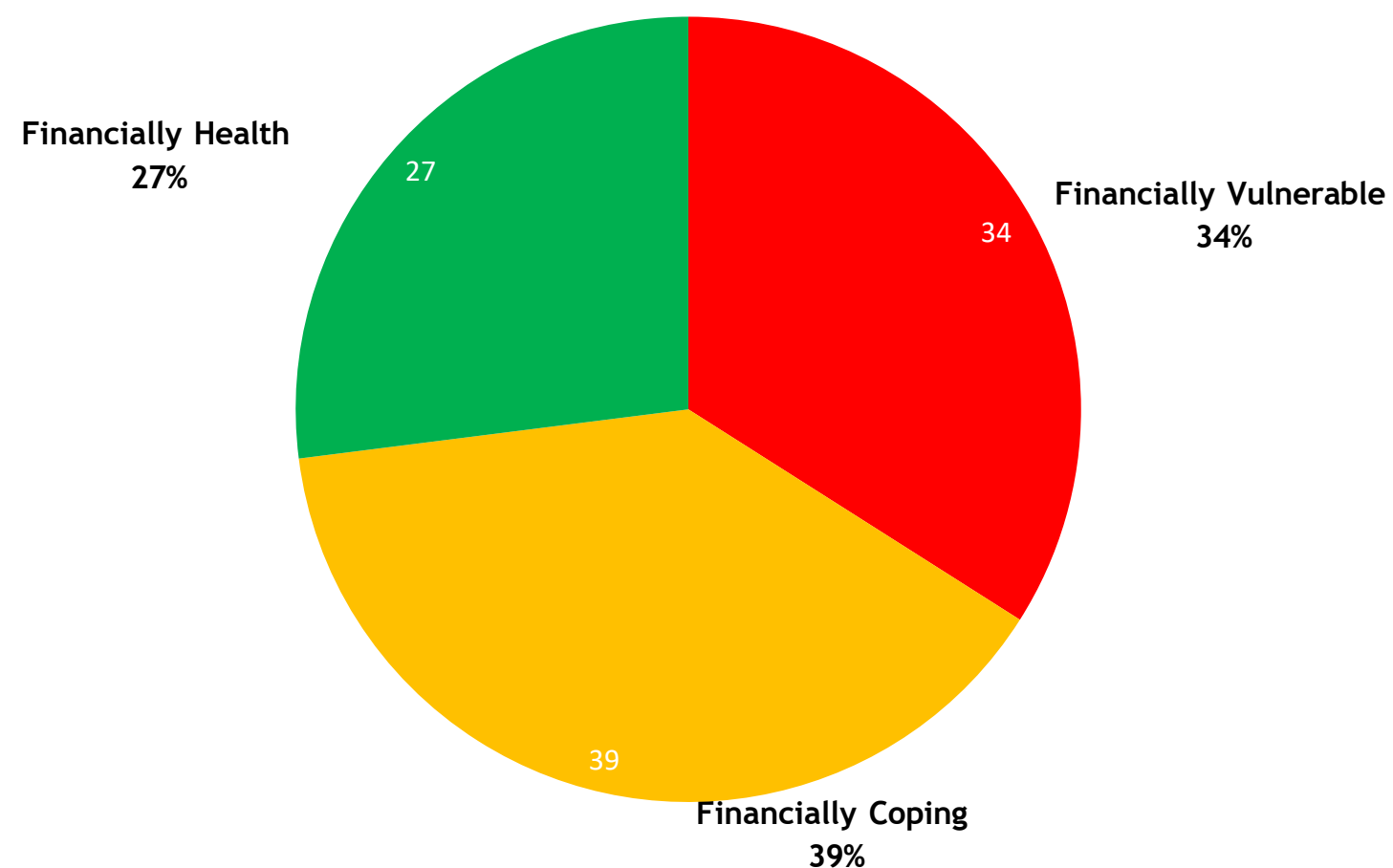
By leveraging innovative technologies, DMBs can extend access to more customers, improve the usage of products by developing an attractive & socialized customer experience, and improve the quality of financial offerings with the goal of improving financial health; accompanied by a reduction in cost



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

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. DMBs shifting their focus from regular products to financial products and services that improve the financial health of customers will set Nigeria on a path to sustainable financial inclusion

FinHealth score (%)

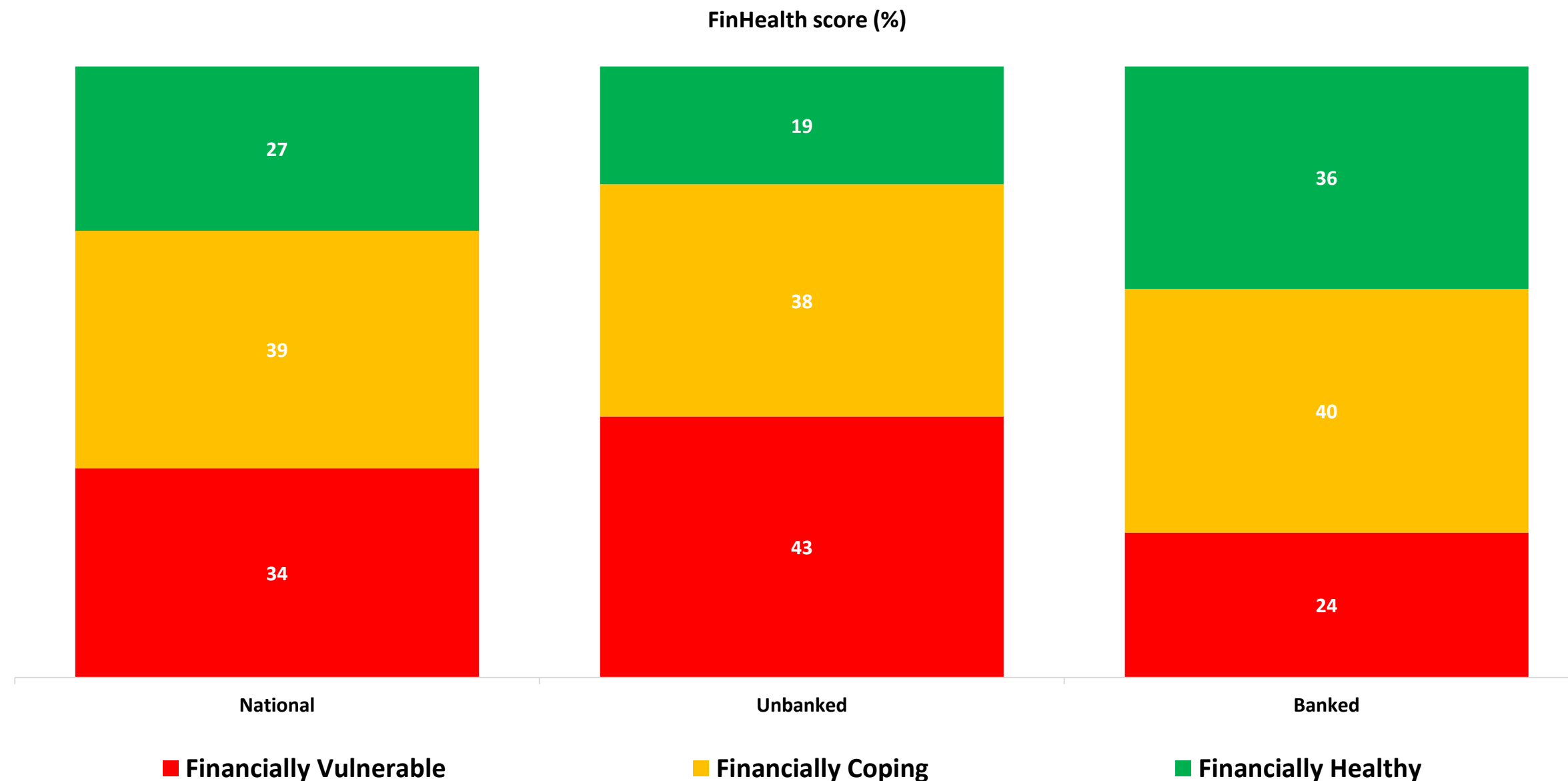


% of banked population

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%

Nearly two thirds of banked customers are not financially healthy

- Banked adults are twice likely to be financially healthy compared to unbanked adults. However, 64% of banked adults are not financially healthy
- Nearly 2 in 5 Nigerian women are financially vulnerable, with a similar number also financially coping



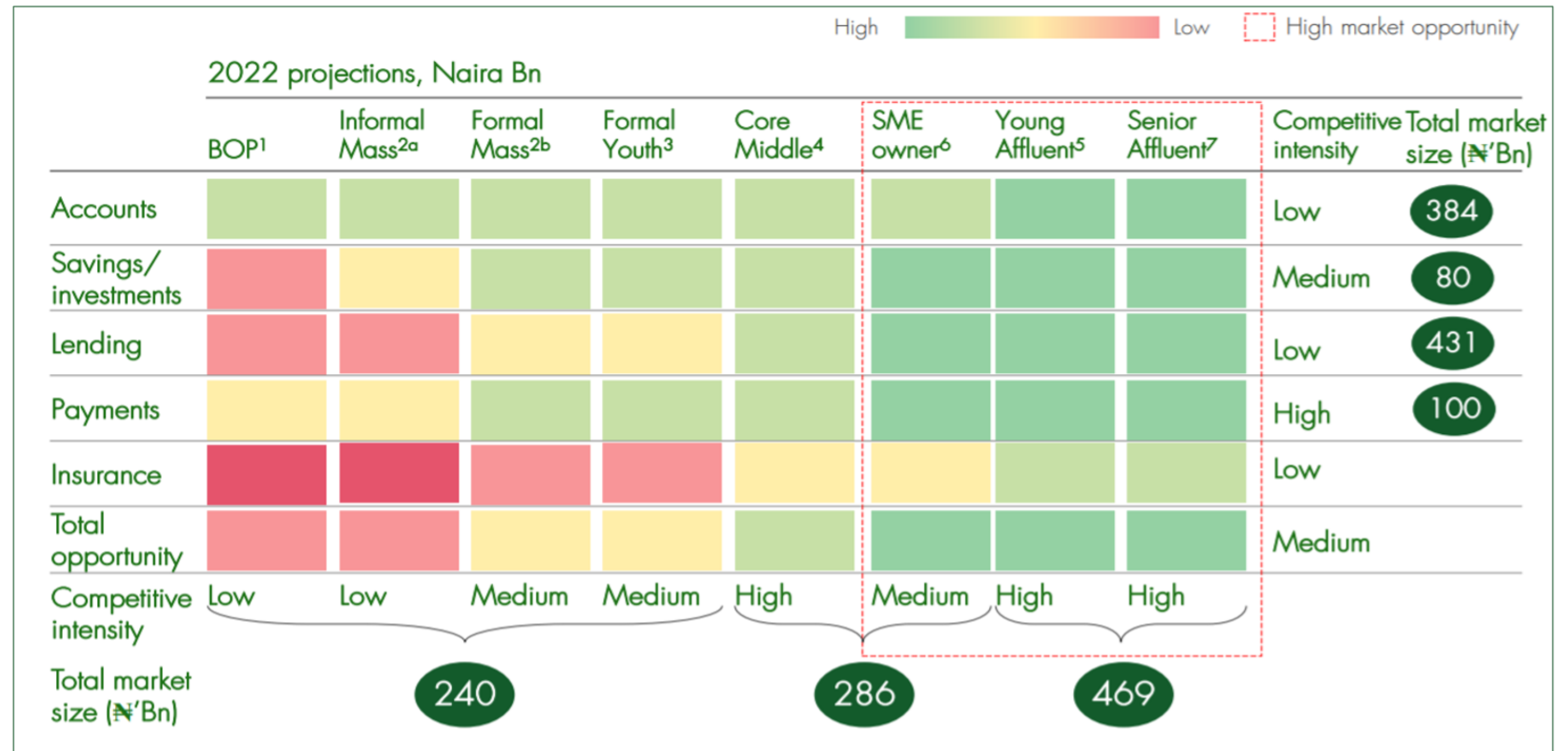
3 out of 5 banked adults are struggling with liquidity issues and nearly 2 in 5 struggle with managing risks

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%

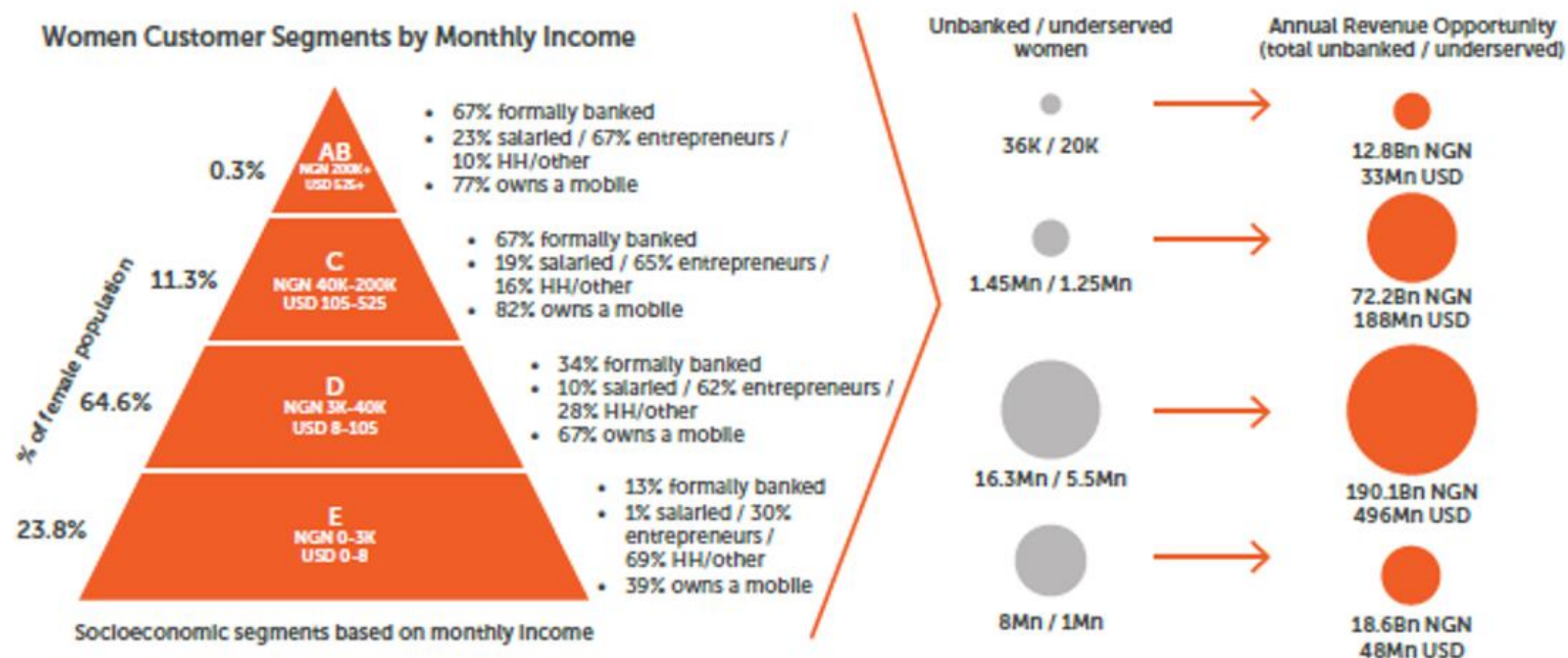
There are a large number of unmet needs in the mass and SME segments. Lending presents the biggest revenue opportunity - serving customers across youth, SMEs and affluent

Common customer pain-points

- Limited value-added services/ benefits from using products
- Limited access to lending products at favourable rates
- Lack of tailored products



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



Market sizing was published by Women's Financial Inclusion Data (WFID) Partnership in their report 'Towards women's financial inclusion: A gender data diagnostic of Nigeria'. This market sizing was computed using insights from the Access to financial services in Nigeria survey



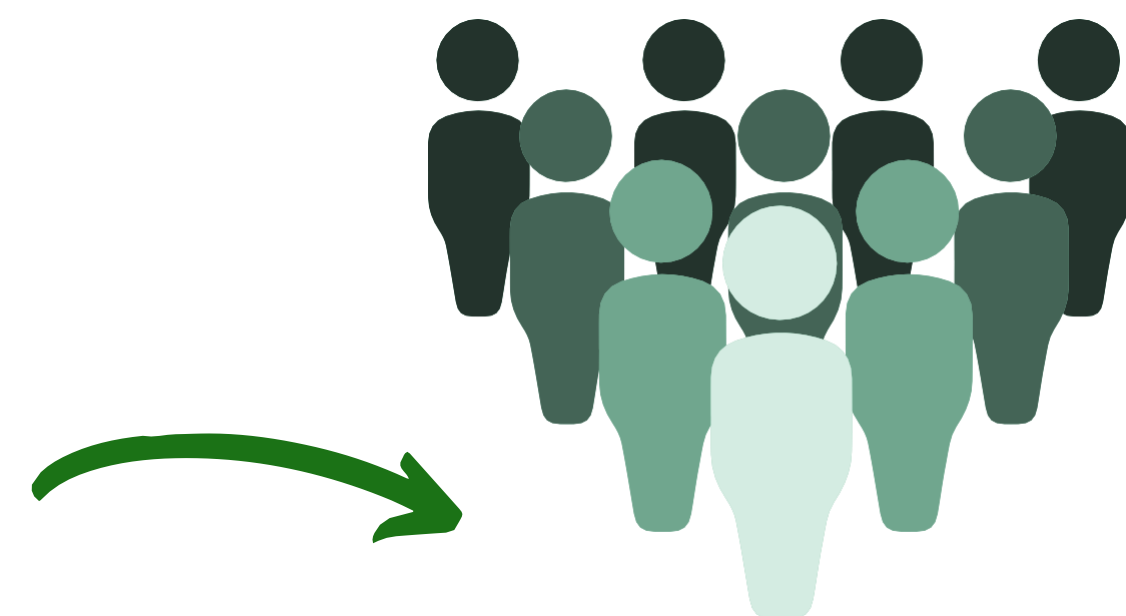
How to design for
impact towards
sustainable
financial inclusion

Sustainable financial inclusion has to address demand (what consumers want), supply (what financial institutions provide), and the environment's role)

Demand	Adopt a human centered design (HCD) during the development of financial products & services			
Supply	Products and services <ul style="list-style-type: none"> • Create products & services that meet specific needs • Offer bundled financial products to meet a wide range of needs • Products should be simple, have transparent pricing and deployed through effective marketing channels 	Distribution channels <ul style="list-style-type: none"> • Maximize the agent networks to deliver a wider range of financial products to low-income customers • Ensure positive customer experience at the point of sale of products • Leverage alternative low-cost distribution channels 	Consumer protection <ul style="list-style-type: none"> • Innovative methods of collecting customer information 	Technology <ul style="list-style-type: none"> • Digitize operations to reduce operating cost and maximise reach • Automate system
Environment	Regulatory environment <ul style="list-style-type: none"> • Create an enable for business innovation • Implement policies that foster sustainable financial inclusion 		Infrastructure <ul style="list-style-type: none"> • Create interoperability structures across financial institutions • Create adequate infrastructure to support financial inclusion 	

Leveraging on the 3-dimensional framework of the Human account design

Principles	Demographics	Behaviour	Psychology
	What are people like and what's their context	How do they use their money and manage their finances?	What is their personality like, and how does it motivate them?
Goals	Age, gender, household context, education, income sources, earnings, asset ownership, etc.	How individuals plan and prioritize their finances, shape income and expenses, build reserves, and cultivate receivables	People's sense of control, efficacy, self-esteem openness, trust, optimism, dependability conscientiousness, etc
	<ul style="list-style-type: none"> Products designed to strengthen financial health are more salient and valuable to customers, expand markets, maximize customer lifetime value for providers, and drive the positive human development outcomes we seek. People are financially healthy when they use available tools and strategies to effectively meet their basic needs, remain resilient in the face of unexpected shocks, and cultivate economic opportunities. 		



5 -6 distinct personas of the population



Distinct personas of the population

Personas	Traditional believers	Digital youth	Dependent individualist	Resilient savers	Confident optimist	Questioning cultivators
Demographics	Mostly lower income Religious women Limited education Rely on farming Run small business (self employed)	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	Low to middle socioeconomic status Poorly educated Young married women Confident in their own abilities Distrust social financial networks and banks.	Mostly married Young to middle-aged men Formally employed Most identify as head of household Have completed at least secondary school. Rely on farming in addition to doing other work.	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	Mostly middle aged lowest income segment married Primary household decision making power Below average education Low technology use
Type of product	Bundle insurance services features to include financial planning tools, debt management and automatic loan payments products	Support small business development by offering income smoothing strategies that account for high-income volatility	Support financial planning by providing easy-to-use tools for business accounting and management to support their small businesses and farming	Develop credit scoring techniques that account for a greater variety of financial management behaviours	Offer customized credit options that draw upon their healthy reserves, dependability, and trust in banks	Offer variety of flexible savings options without deposit minimums and fixed time frames to accommodate for their lack of goal-oriented savings strategies
Characteristics of the product	Simple, non-technical financial language, take into account the user's financial anxieties about the future	Use messaging language that emphasizes customer privacy and conveys trust and reliability	Use digital messaging that reinforces their confidence and feeling of control, but takes into account their low self-esteem	Explain financial service features using plain simple messaging language	Develop marketing messages that speak to their long-term hopes and beliefs	Use messaging language that primes their strong sense of control and efficacy
Distribution channel for the product	Build financial connections and access to emergency support, especially through community groups	Leverage mobile convenience to promote financial planning & debt management and automatic	Promote flexible savings that accommodate their strong need for liquidity by eliminating withdrawal fees, account minimums, or fixed holding periods	Leverage their proficiency with technology to provide easy access, control, and privacy of their accounts	Engage them as early adopters and influencers of mobile wallets through P2P payment features	Leverage their financial dependence on social channels to develop group-based insurance products that integrate social components



Key Considerations for implementation of sustainable financial inclusion initiatives

- Raising awareness, not drafting policies, is always the first step
- Commitment from all levels of leadership in the financial sector is key to success
- A phased approach is always helpful
- Ensure that sustainability issues were aligned with core banking regulations (credit risk management)
- Banks and other financial institutions need to be enthused about their own sustainability first
- Intentionally pilot initiatives to demonstrate the business case.

Learnings from other Countries

	India	Indonesia	Kenya	Mexico
Savings	<p>Created no-frills financial services that will appeal to the low end of the market.</p> <p>Provides five years of matching funds for people who put money into their pensions.</p>	<p>Offered no-fee savings accounts that require no minimum balances targeted partly at children in order to instill the habit and discipline of saving.</p> <p>In its first two years, Indonesia's Laku Pandai initiative has added 2 million customers.</p>		
Distribution Channel	<p>10,000 solar-powered ATMs that process biometric transactions installed by banks.</p> <p>50 million new customers were actively using new accounts in 6 months</p>	<p>More than 100,000 bank agents, empowered to transact business using mobile phones</p>		
IT & Operations			<p>Offered a 0.1-millimeter-thin card that sits on top of a traditional SIM card and enables its Equitel mobile-banking service. This service grew to 1.4 million customers in just three months. More than eight of ten of the bank's new loans were processed through Equitel.</p>	
Infrastructure & Connectivity				<p>The Government worked with the Chamber of Commerce and Visa to put subsidized payment devices in stores. The initiative added 20,000 devices in just three months</p>

Final Thoughts



Sustainable Financial inclusion generates benefits for both the consumers and the service providers



Creating Flexible and Tailored Products.

Consumers need more flexibility in loan payments and better tailoring of products to their specific needs. Repayments for farmers and seasonal workers, for example, can be geared toward harvest and working seasons.



Embracing Technology-Enabled Solutions.

Many of the interventions in other countries have a technological component. Banking agents in Indonesia, for example, transact business on their mobile phones. Consumers who may be wary of technology can conduct face-to-face transactions that are facilitated by technology.



Simplifying Risk Processes.

Banks and insurers can take the lead from financial-technology startups that have simplified the heavy-duty back-order processing typical of many financial institutions.





Improving Transparency.

Every financial institution can improve its communications related to topics such as fees, services, and repayment schedules.



Leveraging the Ecosystem to Localize Channels.

Other markets provide numerous examples of financial institutions that have created alternative channels to reach consumers.



Sustainable Financial inclusion generates benefits for both the consumers and the service providers

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](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://africappractice.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>

Next Steps

EFInA seeks partnership with the private sector to:

- Provide co-funding for the next two rounds of the A2F survey
- Consult on strategic topics related to Sustainable financial inclusion and Product development

If you may be interested in partnering, or if you would like more information about the survey, kindly contact us:

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EFInA is available to host an overview meeting to discuss how to leverage data to accelerate the impact of financial inclusion in Nigeria.



Thank You



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