

From Data to Action: Using FinScope in Nigeria

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Since 2002, FinMark Trust has promoted FinScope, a research tool to address the need for credible information that could facilitate evidence-based financial sector development. Over the years, the tool has evolved to provide a holistic perspective of the financial sector by integrating demand-side and supply-side information, as well as incorporating special surveys on consumers and small businesses.

FinScope has been used by policy-makers and regulators and private sector institutions to facilitate decision-making and effective interventions that have accelerated sustainable financial market development. One important market where it has been used to stimulate market development is Nigeria, where EFInA, launched its Access to Financial Services survey first in 2008, and repeated in 2010.

What is FinScope?

FinScope is a nationally representative demand-side study of individuals' perceptions of financial services, which provides insight into how people manage their financial lives. FinScope surveys a representative sample of the entire adult population, rich and poor, urban and rural, collecting information on the use of formal and informal financial products in different market segments. FinScope asks about

- The demand/usage of financial services and products
- Levels of access to financial services and products
- Use of transaction, credit, savings, and insurance products
- Drivers and barriers to financial inclusion.

This rich demand-side data is now complemented with supply-side information that provides an overview of:

- Financial services providers, both formal and informal
- Channels of financial product distribution, both formal and informal
- Financial products provided, both formal and informal, in terms of
 - Cost
 - Access and use
 - Targeted population segments.

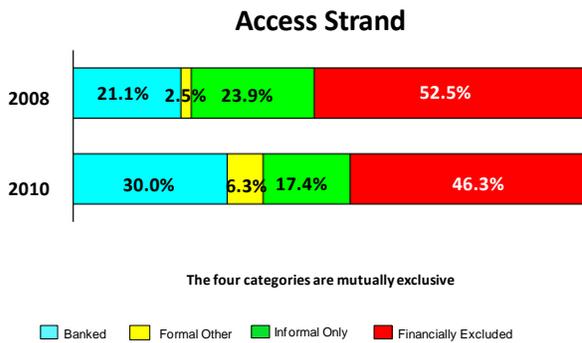
EFInA's Access to Financial Services (A2F) in Nigeria survey–Findings

EFInA's A2F survey is nationwide and covers over 20,000 consumers. The findings from the EFInA A2F survey highlight the opportunities to extend financial services to the unbanked and under-banked low

¹ The FinScope survey is referred to as the EFInA Access to Financial Services in Nigeria

income segments in the country. The number of unbanked adults (**59.3 million**) represents a significant opportunity for formal financial providers to expand their client base; but requires innovation in product offerings, service delivery and distribution channels.

Between 2008 and 2010, the number of adults that were formally included increased from 23.6% to 36.3%, an increase of 11.0 million. The number of adults that were financially excluded decreased from 52.5% to 46.3%, a decrease of 5.4 million.



Note: 2010 figures include remittances (Formal Other and Informal Only), whereas 2008 does not

The banked population is more likely to be male, aged 25-34 years, with some tertiary education, and living in urban areas particularly in the South West. The unbanked population is more likely to be female, aged 18-24 years, with no formal education, and living in rural areas particularly in the North West. Our data showed that of the 25.4 million adults that were banked in 2010, 15.8 million (62.3%) are male, and 9.6 million (37.7%) are female; 12.9 million (50.9%) are based in urban areas, and 12.5 million (49.1%) live in rural areas.

Opportunities for New Product Development

Savings: Low-income consumers prefer to save small amounts on a frequent basis. They need to know that they can access their money on demand and without needing to travel far to do so. Data from the EFInA A2F 2010 survey showed that 23.8 million adults save at home, 12.9 million adults use informal societies, and 6.7 million adults use village associations. If 50% of the 23.8 million adults who save at home were to put N1,000 per month in a formal savings account, this would generate an additional N143 billion annually.

However, the account balances of low-income consumers are likely to be small and may not cover the cost of attracting these deposits using existing channels. Therefore banks will need to use low cost delivery channels to bring financial services closer to the customer. This is a significant challenge and the

standard to meet perhaps should be the outreach achieved by provision stores – currently about three-quarters of all Nigerian adults (66.3 million people) can get to a provision store within 10 minutes.

Remittances: Another significant opportunity for financial service providers is the development of relevant remittance products linked to bank accounts, considering that 30.8 million adults received money from within Nigeria, 15.6 million adults sent money within Nigeria, 2.6 million received money from overseas and 0.3 million adults sent money overseas (in the six months prior to being interviewed). The table below provides the amounts received from domestic and international remittances. The most common method for receiving money locally is through a friend or family member. Other informal methods used include recharge cards and through a runner (e.g., taxi/bus driver).

Amount received the last time	Domestic (%)	International (%)
Below N2,500	11.4	-
N2,501 – N5,000	27.7	1.9
N5,001 – N10,000	30.5	11.6
N10,001 – N50,000	19.8	39.9
Above N50,000	4.1	30.0
Refused to Answer/Can't Say	6.5	16.6

Insurance: Only 1% of the adult population (817,000 people) has an insurance product, despite experiencing a plethora of risks. Households use different mechanisms for coping with common risks such as death of a relative, serious illness and theft of household property. The top three coping mechanisms are shown in the table below.

Risk / Coping mechanism	% who have experienced this risk	% using this coping mechanism
Death of a relative in the household	52.1% (4.4m)	
Use own savings		24.4
Wait/ask for donations		10.5
Borrow money family/friend		9.6
Serious illness of family member in household	50.1% (4.2m)	
Use own savings		49.0
Borrow money family/friend		15.7
Did Nothing		13.6
Theft of household property	21.2% (1.8m)	
Use own savings		19.2
Borrow money family/friend		6.2
Cut down on expenses		5.6
Failure of business	18.7% (1.6m)	
Use own savings		34.5
Did Nothing		26.6
Borrow money family/friend		17.4

EFInA Access to Financial Services (A2F) in Nigeria survey–Impact

The EFInA A2F survey data has been used to develop new products and as evidence to advocate for the implementation of regulations that support financial inclusion. Below are some of product innovation and regulatory changes prompted by the A2F survey results, and follow-on assistance provided by EFInA.

- Stanbic IBTC launched their Esusu savings product in 2009 to extend financial services to the unbanked using Point of Collection devices and agents
- Pilots of mobile payment services were conducted in early 2011. In August 2011, the Central Bank licensed 11 operators to provide mobile payment services in Nigeria.
- In 2009, EFInA established the multi-stakeholder Nigerian Islamic Finance Working Group to address issues pertaining to the implementation of Non-Interest (Islamic) finance in Nigeria. The group advocated for regulations, which resulted in the Non-Interest Banking Framework being issued by the Central Bank in January 2011. Non-interest banking is an alternative way of providing/expanding access to financial services to the large unbanked population, especially in Northern Nigeria.

Future

Although there have been a number of regulatory reforms to strengthen the banking industry, more work needs to be done to encourage the unbanked population to move into the formal system. To build trust, robust consumer protection policies and redress mechanisms must be implemented and effectively communicated via different channels to consumers, especially the low income segment. Some of the barriers to financial inclusion are listed below.

Barriers to inclusion	%
Demand-side	
Irregular income	47.5
Unemployed	33.6
Can't read or write	13.7
Supply-side	
Banks are too far from home/work	27.2
Costs too much to reach a bank	13.2
Expensive to have a bank account	9.7
Regulatory	
Lack of trust	8.3
Too much documentation involved/required	5.8
Too much corruption (e.g. bribes)	2.7

Technology will be a key enabler for the delivery of financial services to low income consumers. Close to 60% of the adult population own a mobile phone. Of the 49.2 million adults that own a phone—25.3 million are unbanked.

The third round of the EFInA Access to Financial Services in Nigeria survey will be conducted in 2012.

Modupe Ladipo

Modupe was appointed Chief Executive Officer for Enhancing Financial Innovation & Access (EFInA) in January 2008. Modupe has extensive financial services experience, predominantly in the UK in investment banking, covering corporate strategy and development, product development and implementation, mergers and acquisitions, retail and institutional brokerage. She has worked for Tata Consultancy Services, Merrill Lynch, ABN AMRO, the London Stock Exchange, and Credit Suisse Financial Products.

Maya Makanjee

Maya was appointed as Chief Executive Officer of FinMark Trust in June 2009. Her experience ranges across various industries in Africa and Asia. She has held top management positions in Human Resources, Marketing Communication, Corporate Affairs, Strategy, and Business Reengineering. She has worked in the financial services, telecommunications, consulting, and fast moving consumer goods industries. Maya is on the boards of FinMark Trust, Access to Insurance Initiative, Cenfri, Centre for Inclusive Banking in Africa, Tiger Brands Ltd, and Worldwide Fund for Nature.