



ASSESSMENT OF WOMEN'S FINANCIAL INCLUSION IN NIGERIA

DECEMBER 2019



Central Bank of Nigeria





Contents

Executive Summary		02
INTRODUCTION	THE SUPPLY SIDE & ENABLING ECOSYSTEM	18
06		
DEFINING AND UNDERSTANDING THE GENDER GAP	RECOMMENDATIONS TO ADDRESS THE GENDER GAP AND ADVANCE THE FINANCIAL INCLUSION OF WOMEN	20
08		
UNDERSTANDING THE NEEDS OF EXCLUDED WOMEN	What Next?	24
16	Additional Resources and Related Publications	25
	Authors and Key Stakeholders	26

Executive summary



Nigeria faces a particularly significant and growing gender gap in financial inclusion.

The gender gap in Nigeria represents a major issue to be resolved if the country is to achieve the targets it set in its National Financial Inclusion Strategy (NFIS).

This gender gap is larger than in most other countries, and whilst financial inclusion is increasing for both men and women, the gender gap is widening.¹ In contrast, comparator countries in Africa such as Kenya, South Africa, Tanzania, and Uganda all exhibit a decreasing gender gap. The gender gap in Nigeria represents a major issue to be resolved if the country is to achieve the targets it set in its National Financial Inclusion Strategy (NFIS). Through the analysis of gender-specific data, this study seeks to better understand: a) how usage, access, and supply of financial services differ between women and men in Nigeria, b) what specific gaps and challenges impede Nigerian women's access to financial services, and c) what can be done by CBN, EFInA and its partners to address the gender gap and reduce inequality.

¹ Based on data from Global Findex database, from 2011 to 2017

Our analysis found that the most important drivers of financial exclusion² for both genders are lack of income, lack of education, and low trust³ in Financial Service Providers (FSPs) and that these factors also drive the gender gap.

They jointly explain⁴ ~60% of lack of access for both genders. Because women have lower income, education, and trust levels than men, these factors also, to a large extent, explain the gender gap in overall exclusion⁵. In other words, women and men with similar levels of income, education, and trust in FSPs are approximately equally likely to be financially excluded yet women typically have much lower levels of income and education than men do. Income, education, and trust in FSPs are so important that the effects of other factors on exclusion—that are commonly believed to be strong and that are often the focus of interventions—are dwarfed by comparison.

Income and education are generally known to be gendered factors.

Amongst others, socio-cultural drivers and gender expectations lead to women having lower levels of income and education than men. Thus, to overcome the gender gap in financial inclusion, these gendered drivers should be understood and tackled as the core binding constraints.

Gender plays a significant role in formal⁶ financial inclusion.

Women are less likely to be formally included than men, even when controlling for levels of income, education and trust. Given the NFIS's ambition to increase formal inclusion as the preferred status, it is vital to look beyond absolute exclusion and to understand the gendered drivers of these differences when designing interventions.

Three additional variables complement the dominant factors (levels of income, education and trust in FSPs) when looking at formal and informal-only inclusion.

The first, mobile phone ownership, acts as a powerful predictor of formal financial inclusion. The second, location in rural areas, corresponds with a greater likelihood that individuals, even at higher levels of income and education, will rely only on informal services. And the third, marital status, has a complex and nuanced effect on informal-only inclusion.

Our discussions with excluded women confirm that, even though they do have financial needs and ambitions, low income limits the need for financial services that they themselves perceive.

-
- 2 Financially excluded individuals are defined as those in the Nigerian population over 18 years of age who do not have or use any financial products or services, whether formal or informal.
 - 3 'Trust in financial service providers' was measured by asking Nigerian adults which financial service provider they trust the most. Those that listed at least one provider (formal or informal) were categorised as trusting FSPs; those that responded 'none of those' were categorised as not trusting FSPs. See full report and technical report (see chapter VII) for more details.
 - 4 'Explain' in this case means that these three factors combined, in our model, account for 60% of the variation in statistical terms; this does NOT mean that for 60% of all excluded people, the sole reasons for their exclusion are income, education, and trust (and for the other 40% they are not), because in reality, each factor matters more or less strongly for each individual. See footnote with Figure 1 in this document and the technical report for further details on the definition, calculation and interpretation of this metric.
 - 5 Differences amongst women, for example, differences between women in the North versus women in the South, are dealt with in more detail in chapter 2
 - 6 Formal inclusion refers to ownership of account provided by any of the following providers – commercial bank, microfinance bank, non-interest banking institution, mortgage institution (such as Federal Mortgage Bank of Nigeria), mobile money operator, insurance provider (including National Health Insurance), pension fund administrator. By contrast, informal-only inclusion is the ownership of account provided by any of the following providers – cooperative society, savings (and loans) group, village/community association, moneylender, microfinance institutions, savings/thrift collector/merchant – without any formal account ownership

Approximately half of the Nigerian population earns less than ~700 Naira per day⁷, and those we spoke with did not feel they had enough income to save, make investments, or take risks on loans. They devote the little income they have to living costs (e.g., food, rent, cooking fuel, and clothes), their children's education, and, occasionally, family and community events (e.g., births, weddings, and funerals). That is not to say that they have no need for relevant financial products and services. For example, structured savings solutions could support women's efforts to save effectively and manage their often competing daily needs. Similarly, financial products that enable traders to manage business purchases and savings could ease financial setbacks and help low-income populations in Nigeria, particularly women, avert volatility.

FSPs do not see a sufficient business case in serving the financially excluded, but the underlying fact-base can be strengthened.

Today's cost structures, licensing requirements, and other operational considerations such as credit risk management, combine with the existence of opportunities with a more attractive risk-adjusted return to dissuade (most) FSPs from targeting low income populations; they simply have more commercially attractive alternatives. Although FSPs consistently mention this lack of commercial viability, the extent to which low-cost solutions could be viable without improving livelihoods, is unknown. There is no in-depth insight into cost structures, opportunities for economies of scale, cost savings and joint investments, or the ability and willingness of customers to pay. Each of these elements should be understood in order to determine the actual gaps in commercial viability and to prioritise the interventions and innovations best suited to overcome this lack of viability.

Yet, creating that insight will be resource-intensive and may require collective action, as it is unlikely to be a responsible investment for any one single provider.

Interventions focused on increasing and deepening women's financial inclusion must focus on three key areas to achieve sustainable change and may be complemented by subsidy efforts to provide services in the meantime.

First, the focus of efforts to boost women's financial inclusion should shift beyond product innovation to address the underlying drivers of gender gaps, through more systematic efforts to address women's incomes and economic empowerment, education and boosting trust in FSPs.⁸ Our analysis suggest that these are key to closing gender gaps and improving the financial inclusion of women. Second, ideally in parallel with the first point noted above, targeted collaboration across stakeholders is needed to understand and identify options for improving the commercial viability of serving financially excluded women, even in the absence of improved income, education, and trust in FSPs. Such effort would need to outline the degree to which commercial viability is actually lacking and then determine interventions that could 'tip the balance'. Lastly, stakeholders who choose to provide financial products and services to excluded women who, despite efforts in the first two categories, do not present commercial viability (yet), must recognise that, until viability is reached, such services will require subsidies. In any case, product offerings must be relevant, not just 'aspirational', and must meet women 'where they are'. They must be suited to women's low current levels of income, education and trust in FSPs. Ideally, to achieve lasting impact, they should be designed to increase women's low current levels of income, education, and trust in FSPs.

7 World Poverty Clock, 2018 – using USD 1.90/day as the UN definition for extreme poverty and using USD/ Naira exchange rate as November 11th, 2019, this yields 689 Naira.

8 Income and education each had a statistically significant association with trust in FSPs in our statistical analysis, signalling there may be a causal relationship there. However, as the research was not designed to determine drivers of trust in FSPs, we cannot conclusively say these are the key drivers; prior to designing interventions aimed at increasing trust in FSPs, the underlying drivers need to be understood more comprehensively.



₦700

Approximately half of the Nigerian population earns less than ~700 Naira per day



The net enrolment rate at the primary school level

+14%

The net enrolment rate increase by secondary school level



Girls are more often burdened with household chores

When addressing the gender gap in income, education and trust in FSPs, the highly contextual, gendered, and multifaceted nature of these issues needs to be considered.

Income, education, and trust in FSPs are gendered and interlinked. For example, poverty, gender norms, and traditional practices, including early marriage, increase the risk of premature school dropout and unemployment, particularly for women. Nigeria exhibits a large gender gap in education⁹. The net enrolment rate at the primary school level is 56% for girls and 61% for boys¹⁰. The gender gap for completion widens from 9% in primary school to 14% in secondary school¹¹. Because of patriarchal traditions, in some cultures, parents invest in male children whom they recognise as future heads of households as opposed to girls whom they view exclusively as current and future homemakers¹². Such perceptions mean girls are more often burdened with household chores. This limits their capacity to regularly attend classes or pursue gainful employment outside of the home. Restricted access to education also impedes women's access to high quality, well-paying jobs. As a result, women are more likely than men to be vulnerably employed or unemployed. In fact, their male counterparts are nearly twice as likely to hold wage-earning jobs^{13,14}.

Consequently, there is an urgent need for stakeholders to collaboratively identify and address the macroeconomic and sociocultural determinants of women's lower access to education and income-generating opportunities.

Furthermore, stakeholders must understand the drivers of trust in FSPs, develop specific interventions that effectively address the gender gap, and identify appropriate pathways for implementation of these solutions.

Targeted knowledge gaps have surfaced in this work, which should guide stakeholders in the design and implementation of their interventions.

This research has questioned fundamental assumptions and has not necessarily replaced those with a new set of 'answers'. Thus, a more in-depth understanding is needed of some of the factors and their effects, and specifically of some of the underlying, gendered drivers of these primary factors.

⁹ British Council, Girls Education in Nigeria, 2014.

¹⁰ UNESCO Institute of Statistics, 2014.

¹¹ Statistical Report on Women and Men in Nigeria, 2018, National Bureau of Statistics.

¹² Okotie, An Assessment of Factors Militating against Girl Child Education in Nigeria, 2017.

¹³ World Bank Global Development Indicators, 2017.

¹⁴ Vulnerable employment refers to being a contributing family worker, self-employed worker, or freelancer.

Introduction



Nigeria's financial inclusion landscape presents both opportunities and challenges.

Nigeria has the largest number of people living in extreme poverty in the world of up to 50% of the population.

Progress towards financial inclusion has been adversely affected by unforeseen socioeconomic factors such as the economic recession, the precarious security situation in parts of northern Nigeria, and other factors such as the slow uptake of Digital Financial Services (DFS).

Nigeria has the largest number of people living in extreme poverty in the world. Nearly 50% of the population endures extreme poverty, the unemployment rate stands at around 23%¹⁵, and a significant portion of Nigerians lack adequate education.

¹⁵ National Bureau of Statistics, 2018.

Not surprisingly, financial exclusion¹⁶ stands at 36% for women and 24% for men¹⁷. The relative gender gap¹⁸ related to financial inclusion is ~20-30%¹⁹, placing Nigeria below its peers. Since 2012, although women's exclusion has dropped, the gender gap has grown, revealing that men's inclusion has improved more rapidly than women's²⁰. The National Financial Inclusion Strategy (NFIS) was launched in 2012 to reduce financial exclusion to 20% of the adult population. However, according to the revised NFIS, Nigeria is not on track to achieve its 2020 targets.

This study set out to identify what causes the gender gap in financial inclusion and how it can be closed.

The approach and focus of the study was not understanding overall drivers of exclusion, but specifically surfacing the drivers of higher exclusion in women, than in men. Ultimately, the study aimed to answer the following questions:

- How do access, usage, and supply of financial services differ between men and women, and, most importantly, what drives this?
- What are the financial needs and ambitions of excluded women?
- What are the perspectives of current Financial Service Providers? Why do they not target or otherwise reach women in greater proportion and numbers?
- What can be done to improve women's access to and use of financial services in Nigeria?
- To the extent that women in Northern Nigeria encounter different and perhaps even greater challenges with regards to the above topics, what can be done to address their specific needs?

For this study, we implemented a mixed methods approach.

Specifically: we conducted a desk research review of existing data sources, including Findex 2017 and EFInA Access to Financial Services in Nigeria 2018 Survey, to understand the current state of the gender gap in Nigeria compared to its peer countries; we interviewed financial service providers and non-financial support organisations to better understand the current financial services ecosystem in Nigeria; we administered a nationally representative quantitative survey focused on identifying drivers of the gender gap; and we performed qualitative analysis (based on human-centred design) to explore the key themes emerging from the quantitative survey in an effort to understand the needs, behaviours, and motivations of different segments of excluded women in Nigeria, explore the gaps that most impact women's access to financial services in Nigeria, and identify characteristics of financial products and services that could meet the needs of excluded women. We also engaged a Project Management Team (PMT) (including senior members from EFInA and the Central Bank of Nigeria) and gender experts from a range of organisations with both Nigeria-specific and global expertise.

16 Defined as excluded from formal and informal financial services.

17 Assessment of Women's Financial Inclusion Survey, 2019.

18 Throughout the study we calculate the 'gap' as the relative difference (i.e., the percentage difference) in women's and men's inclusion or exclusion rather than the absolute difference (i.e., the simple difference). This is because absolute difference does not sufficiently uncover the extent of the gender gap. For instance, when the overall inclusion level is low, the absolute gender gap can hide a significant inequality between women and men. Relative difference more accurately shows the extent of disparity.

19 The exact numbers differ for the Findex survey, EFInA Access to Financial Services in Nigeria Survey, and the survey conducted as part of this research (see the technical report for details and some thoughts on drivers for these differences). The relative gender gap is 21% based on the EFInA Access to Financial Services in Nigeria 2018 Survey numbers and 34% based on the survey conducted for this research which uses a simpler and more narrow definition of exclusion than A2F does.

20 EFInA Access to Financial Services in Nigeria Survey Key Findings, 2012 – 2018.

Defining and understanding the gender gap



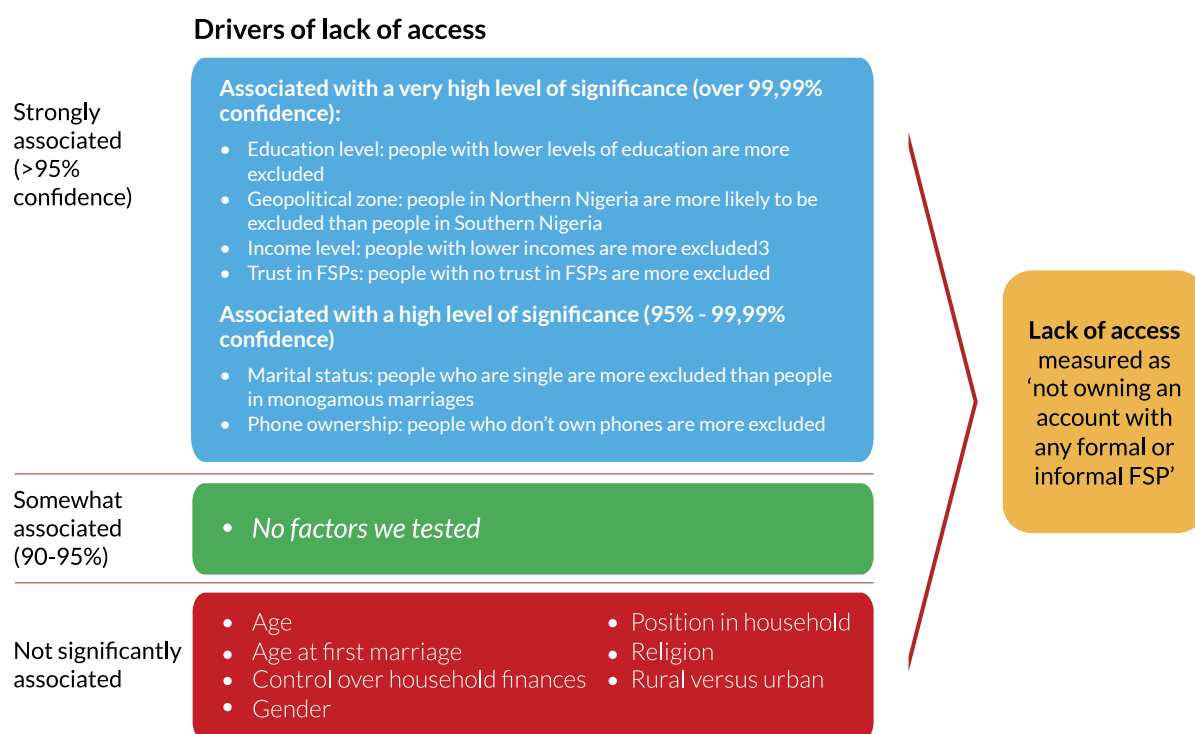
Our analysis identifies eight key insights.

These insights are derived from both a nationally representative quantitative analysis focused on understanding the gender gap and from in-depth human-centred design discussions with 55 Nigerians (44 women and 11 men) across 8 locations (7 rural villages and 1 urban neighbourhood) and 2 states.

1. Low income and education, and lack of trust in FSPs are the most important factors driving access to financial services/products nationally – across genders and for both women and men.

These factors explain a very sizeable part of the gender gap²¹ and are the factors that come up consistently across both overall inclusion (access and usage) and both formal and informal inclusion. Furthermore, these factors are the only ones that associate so significantly for both men and women and on which scores between genders vary substantially.²²

Figure 1: Low income and education, and lack of trust in FSPs are the most important factors driving access to financial services/products nationally²³



Source: Assessment of Women's Financial Inclusion 2019 – quantitative survey

Often earning less than ~ 700 Naira per day²⁴, most men and women we met did not feel they had enough income to save, make investments, or take risks on loans.

They devote the little income they have to living costs (e.g., food, rent, cooking fuel, and clothes), their children's education, and occasionally, family and community events (e.g., births, weddings, and funerals). They often considered the financial services they knew of (e.g., bank accounts and savings groups) out of reach because they felt they did not have enough disposable income to make the necessary deposits. In general, they experienced a lack of control over their economic situation and often trusted in God to look after them.

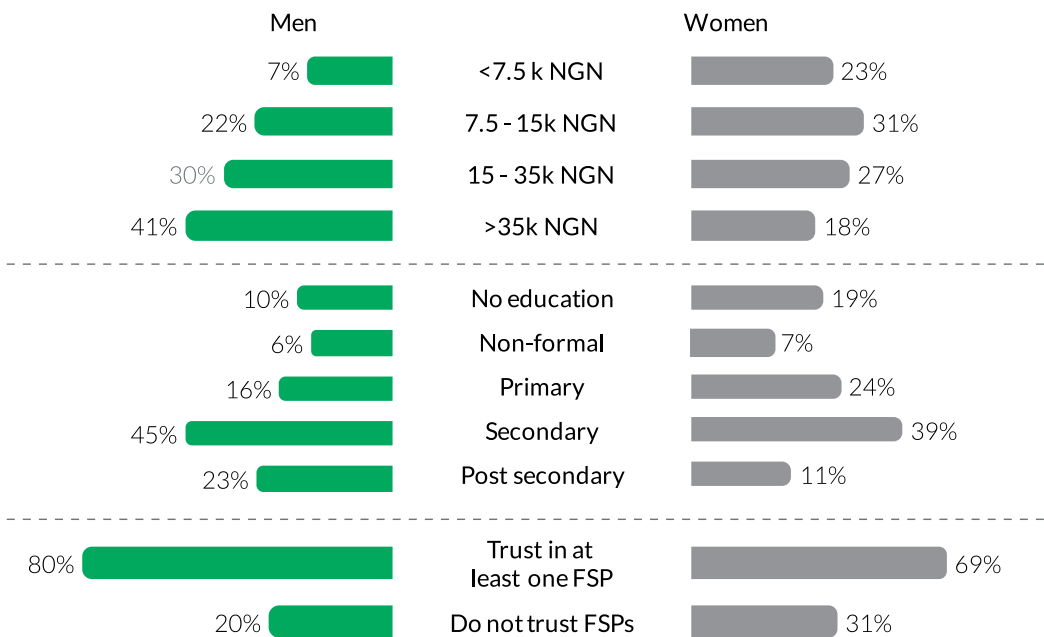
- 21 A high statistical significance of association doesn't say anything about the **strength** of the association itself - see finding 2 for more details on the strength of association and proportion of exclusion that is explained by particular factors
- 22 Men don't "score" differently on geopolitical zone or age from women - one lives where one lives/ has the age one has; see finding 2 for differences across income, education and trust in FSPs between men and women
- 23 Over 99,99% confidence interval, the statistical analysis just buckets these together and no longer gives a specific number; Those who responded to the monthly income question with "Do not wish to disclose" or "Don't know" were classified as 'missing' and thus are excluded from the analysis (this affected just 41 out of 2457 respondents); The survey design did not test agency in its full complexity. It only tested for a link between exclusion and control over household finances; Phone ownership is specifically significant for formal inclusion (not for sole reliance on informal products) and discussed in more detail in the full report section on formal inclusion.
- 24 World Poverty Clock, 2018 – using USD 1.90/day as the UN definition for extreme poverty and using USD/ Naira exchange rate as November 11th, 2019, this yields 689 Naira.

2. The gender gap in financial exclusion is significantly attributed to the gap between men and women’s levels of income, education and trust in FSPs.

These factors jointly explain²⁵ ~60% of the lack of access for both genders. The gender gap in overall exclusion can, to a large extent, be attributed to the facts that women experience significantly lower educational attainment than men – impacting their earning capacity – and women have lower levels of trust in FSPs than men (see Figure 2). In other words, women and men with similar levels of income, education, and trust in FSPs are approximately equally likely to be financially excluded.²⁶ Although gender is not a direct driver of financial exclusion, income and education are generally known to be gendered factors – amongst others, socio-cultural drivers and gender expectations lead to women having lower levers of income and education than men. Thus, the recommendations articulate that to overcome the gender gap in financial inclusion, these gendered drivers should be understood and tackled as the core binding constraints.

This should be prioritised over tackling other aspects such as designing product characteristics that appeal to women as those are not binding constraints to inclusion.

Figure 2: Levels of monthly income, education, and trust in FSPs, for women vs. men (% population)²⁷



Source: Assessment of Women’s Financial Inclusion 2019 – quantitative survey

25 ‘Explain’ in this case means that these three factors combined, in our model, account for 60% of the variation in statistical terms; this does NOT mean that for 60% of all excluded people, the sole reasons for their exclusion are income, education, and trust (and for the other 40% they are not), because in reality, each factor matters more or less strongly for each individual. The statistical measure here represents a variation in answers to the question of whether people do or do not own an account with any FSP. Not owning an account is used as a proxy for exclusion. Furthermore, as this variable is binary (either you have access or you don’t), **variation in this variable** is interpreted as the population’s **degree of exclusion**. This analysis draws on a model describing our sample population. With a pseudo R-squared of 0.3333, this model has been determined to be a good fit for the sample. Pseudo r-squared values from 0.2-0.4 indicate an excellent model fit according to McFadden. See <http://www3.stat.sinica.edu.tw/statistica/oldpdf/a16n39.pdf> and McFadden, D. (1973). Conditional logit analysis of qualitative choice behaviour. In *Frontiers in Econometrics* (Edited by P. Zarembka), 105-42. Academic Press, New York for further details on goodness-of-fit.

26 Statistically speaking, gender has no significant association with overall exclusion once corrected for a range of other factors, of which, levels of income, education, and trust in FSPs are the most important. The technical report provides the complete list of factors considered.

27 Some percentages do not total 100% due to rounding. Respondents who did not know (27 cases) /did not disclose (14 cases) are not included. The question on trust was “What kind of financial provider do you trust the most” and asked respondents to spontaneously give one answer. Those saying “none” in reply to this question are labelled as not trusting any FSP

3. Lower levels of income, education, and trust in FSPs drive higher rates of financial exclusion in rural areas.

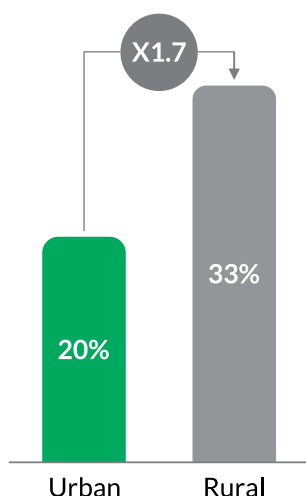
The rural-urban differential in overall exclusion rates is primarily impacted by lower income and education, and lack of trust in FSPs. Figure 3 shows that overall exclusion in rural communities is 1.7 times that in urban communities. However, our analysis shows that the difference is not statistically significant when controlling for other factors, most importantly, levels of income, education, and trust in FSPs.

Nigerians in rural areas are less likely to use formal financial services than those in urban areas.

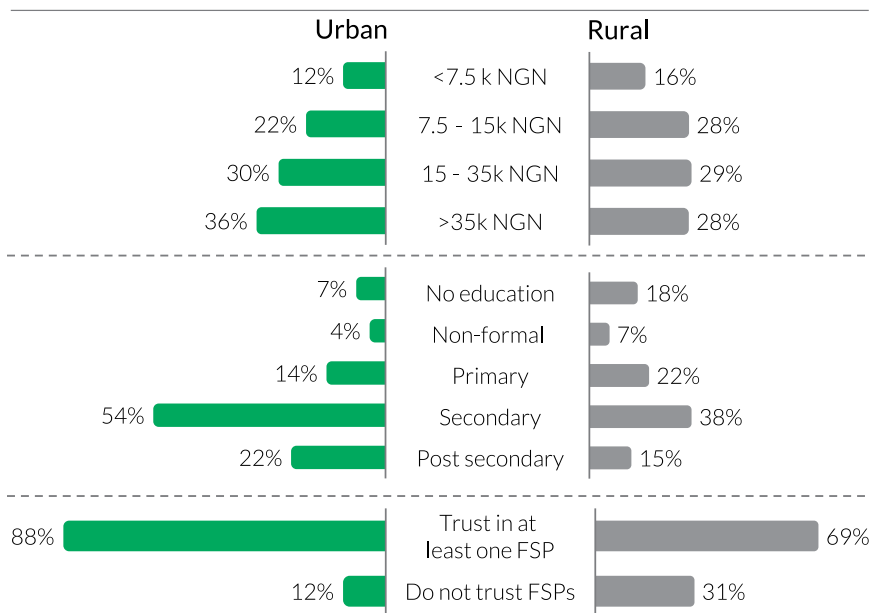
A scarcity of access points (driven by limited critical mass and thus commercial viability) means that even for rural populations with sufficiently high levels of income, education and trust, formal financial services are hard to reach. For this reason, such segments rely more heavily on informal services (see the next findings).

Figure 3: Exclusion and levels of monthly income, education, and trust in FSPs for rural vs. urban populations²⁸

Exclusion is 1.7 times as high in rural communities as in urban ones (% of population)



Rural communities also have lower monthly income, education and trust in FSPs (% of population)



Source: Assessment of Women's Financial Inclusion, 2019 – quantitative survey

4. Gender plays a significant role in formal financial inclusion.

Women are less likely to be formally included than men, even when controlling for levels of income, education and trust. Given the NFIS's ambition to increase formal inclusion as a preferred status, it is key to look beyond absolute exclusion and to understand the gendered drivers of these differences when designing interventions.

²⁸ When controlling for all factors measured in the survey, the distinction between rural and urban is not statistically significant. Trust is measured by responses to the question, "What kind of provider do you trust the most?"




5. Three additional relevant variables (marital status, mobile phone ownership and rural vs urban location) surface when going beyond overall exclusion and instead looking at formal and informal-only inclusion.

Mobile phone ownership is a powerful predictor of formal financial inclusion. However, phone ownership, in and of itself, is not the driver of inclusion. This is evident from analysis of the non-DFS using population which showed phone owners' usage of non-digital methods of accessing financial services. Some yet-unmeasured characteristics, potentially comfort with technology and formal services, drive this relationship. Further research could present powerful messaging opportunities in this regard. Marital status has a complex and nuanced effect. Women in monogamous marriages are more likely to rely solely on informal financial services than single women who are more likely to be included formally

but are also more likely to be completely excluded²⁹. This may be because married women tend to be older and, as a result, may have deeper social networks. Such networks ease participation in many types of informal financial accounts and services. In contrast, single women may have more formal agency and comfort with technology³⁰. Individuals living in rural areas, even those with higher levels of income and education, are more likely to rely solely on informal services than those in urban areas. This gap is believed to be driven by a scarcity of access points and by the higher costs-to-serve for FSPs in rural areas. Such services likely present lower commercial viability due to the lower density of high-value/volume customers in rural areas.

²⁹ This dichotomy may point towards two subgroups in the single women: younger, more tech-savvy, highly education and financially independent women using formal services and young not-yet-married women with very little financial agency and strong dependency on their family for their finances who are probably more excluded.

³⁰ There's no statistically significant difference between women in monogamous marriages and those in polygamous marriages – or between those in polygamous marriages and those who are single



Women marrying young, therefore, have less time to develop skills, experiences, and relationships significant to employment

6. Whilst other factors (e.g. religion, marriage or age at first marriage, control over finances) commonly thought to drive the gender gap, do not exhibit significant direct effects on financial inclusion, they are generally believed to influence the gender gap in income, education, and trust in FSPs.

Contrary to expectations, in our quantitative survey, factors such as religion, age of first marriage and control over household finance show no significant direct association with either access to or usage of financial products. However, prevailing hypotheses suggest that these factors have a strongly gendered effect on differences in income and education (which, in turn, directly affect access and usage). This is also supported by some of our qualitative findings. For example, women who marry early often find their earning potential limited. In the early years of marriage, women are often expected to bear and raise children as well as take on new household chores. Women marrying young, therefore, have less time to develop skills, experiences, and relationships significant to employment, e.g., less time to go to school, learn where to buy goods to sell at the market, etc. As a result, their life-long earnings are likely to be lower than those of women who marry later. This reduces their ability to save, invest, and take loans. Since our research was not designed to determine the drivers of income, education, and trust (and the gender gap within those), we cannot reliably establish what factors contribute to the gaps observed. Attempts to make such deductions from the data collected would lead to inaccurate results. A deeper understanding of the factors driving women's lower levels of income, education, and trust in FSPs is required.

Our findings do provide possible explanations for how gender-specific sociocultural norms could result in structural constraints on women's ability to access and use financial services.

First, women typically earn less than men, and their incomes are often designated for day-to-day household spending (e.g., food, clothes, and cooking fuel). This leaves little or no disposable income with which they can purchase larger goods, make investments, or save.



**“Almost all of the time
I feel financial pressure.
Just feeding the children is
difficult. Most of the time
I trust God it will work out.”³¹**

Bil Kisu | 60 | Trader | Minna

Second, women are often time-poor, as they manage household chores, raise children, and, in some cases, also have paid jobs. More women than men are completely outside of the workforce due to cultural expectations and time poverty. Excluded women spend most of their time at home or within their community. This limits their exposure to outside localities and thus their opportunities to learn about, interact with, and access financial services. Such seclusion can foster inaccurate perceptions of bank accounts, financial service fees, and interest. For example, women’s estimates of how much money they would need to open a bank account varied from 3,000 to 50,000 Naira based on their differing perceptions of how wealthy they felt people with bank accounts were. They admitted to not having much information about such matters and were not sure where to get it. In the absence of regular use of radio or TV, and with the lack of formal FSP presence, members of rural communities rely on village announcers and community events for financial information.

Third, women are often not permitted to make independent financial decisions. Women tend to live at their parents’ homes until they get married and move in with their husbands. Men typically make the financial decisions and access available financial services on behalf of the entire household (including the women). Our HCD research did find that most women were comfortable with these roles – they felt they had sufficient knowledge about the household finances and trusted the men to keep the household’s interests in mind when making financial decisions.

7. Women in the North are more excluded than their peers in the South, which may be driven by conservative socio-cultural gender norms.

Our analysis found that geopolitical zones (GPZs) significantly impact inclusion amongst women only. There is no significant difference in rates of inclusion between a man living in the North and a man living in the South (when controlling for other factors). A potential explanation for the inclusion gap experienced by women across different regions may be the presence, in the North, of more conservative socio-cultural and gender norms that impose restrictions on women’s access to financial services, irrespective of their religion.

³¹ During our HCD research, we obtained full written permission from the women and men we spoke with to use their photos and to quote them in this study. However, for this report, we chose to remove all names, and the quotes provided are not attributable to the persons in the photos.

Interestingly, whilst such norms seem to exhibit a distinct impact on overall financial exclusion for women in the North, differences between the North and South are observed in women's adoption of savings and loan products specifically. This may be explained by the lack of informal options for transaction products. Because transaction products tend to exist only formally, Northern women may be restricted from accessing them³². To develop optimal interventions, a deeper understanding of the drivers of the GPZ effect for women needs to be developed understood.

8. Although excluded women may not have access to financial services, they do have financial needs and ambitions.

As subsequent sections discuss in more detail, the current structure of the financial system in Nigeria and its associated regulatory environment is one in which the cost of investment and the cost-to-serve for existing providers is not met with sufficient customer ability and willingness on the part of excluded women to pay. The customer group appears, therefore, to be a commercially inviable target for most existing providers. However, women continue to have financial needs and ambitions—as evidenced by their use of a range of informal products. The next section of this document provides a more in-depth understanding of these needs, ambitions and desires and offers implications for product characteristics that may meet them.



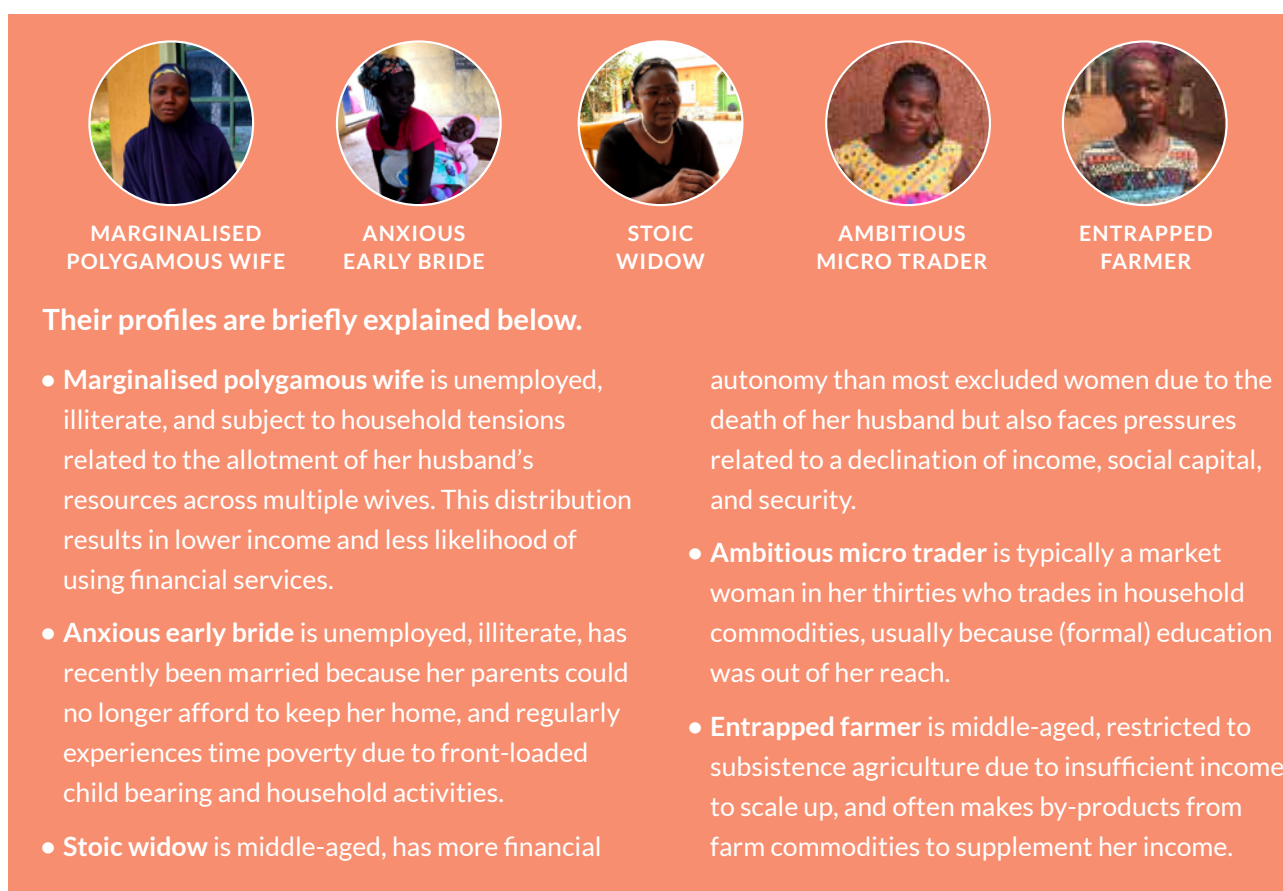
32 For savings and loan products, informal options exist that may be more readily accessible to women in the North despite the restrictive socio-cultural gender norms. Because such informal options don't exist for transaction products, women in the North may have far less access to those than women in the South. This lack of access (and thereby, use) may drive the overall differences between the two GPZs.

Understanding the needs of excluded women

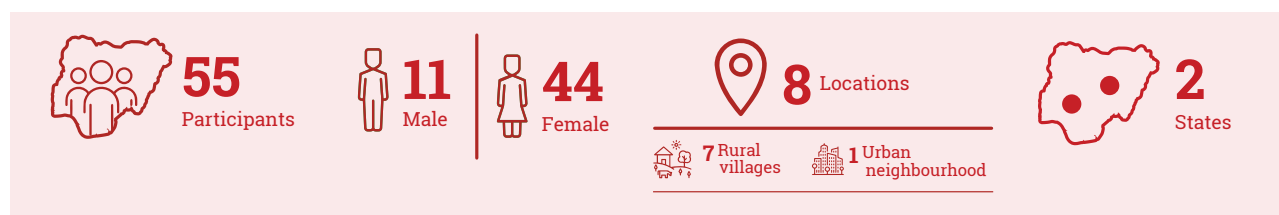
Our qualitative research focused on understanding the motivations and needs of excluded women.

It indicated that women's adoption of financial services is influenced mainly by: i) their levels of income, education, and trust in FSPs, ii) their marital status, and iii) their community. As shown in Figure 4, by mapping these three variables, five segments of women emerge³³: the 'marginalised polygamous wife', the 'anxious early bride', the 'stoic widow', the 'ambitious micro trader', and the 'entrapped farmer'.

Figure 4: Example profiles of excluded women in Nigeria



Source: Assessment of Women's Financial Inclusion, 2019 – human-centred design research and analysis.



³³ These profiles allow the audience to empathise with five key groups of excluded women in Nigeria. However, these profiles are neither mutually exclusive nor collectively exhaustive and do not measure the significance of different variables.

These profiles help crystallise the characteristics of excluded women and provide insights that could inform the design of appropriate financial services. For instance, given that low income and time poverty is a common theme across all profiles, effective product solutions will have to be low cost and available near women's homes or places of work.

Despite their low incomes and lack of trust in FSPs, many Nigerian women expressed a need for financial services.

Our analysis suggests that women want financial solutions that offer value propositions that fit the existing context of their lives. Women make multiple decisions daily to manage limited income and meet their needs. Mostly, they seek solutions that provide them with greater control over their money and allow them to balance their cash flow.

Examples of relevant financial products and/or services for excluded women include:

- Family oriented financial products and services. For example, joint family accounts for household spending or savings, particularly where multiple people have a stake in household finances
- Structured savings solutions to help women save effectively while meeting their competing daily needs
- Payment systems that formalise social giving to enable tracking of contributions and create transparency in an effort to help ensure participants get some return for their contributions
- Financial products that enable widows and traders to manage business purchases and savings
- Structured group finance products that link farmers and traders to capital and markets so they can expand their businesses, increase revenue, and/or access efficiencies
- Informational services that build trust and rapport between women and FSPs by leveraging existing community structures to promote and deliver financial services and corresponding skills.

The above examples are not based on commercial viability (discussed in the next chapter) but can help stakeholders better understand women's needs.



The supply side & enabling ecosystem



In the current regulatory and macro-economic environment, most FSPs do not deem the business case to further extend their products and services to drive greater financial inclusion, to be sufficient.

Most Deposit Money Banks (DMBs) have substantially more attractive business opportunities (more profitable and less risky) in their current client portfolios. These portfolios continue to offer DMBs opportunities for further growth given the low macro-economic saturation of the financial sector. Even those DMBs that focus more directly on excluded populations, rely on donor support and on the support of concessional finance (such as financing windows from the Central Bank of Nigeria (CBN) and the Nigerian Incentive-based Risk Sharing Agricultural Lending (NIRSAL) loan guarantees) to expand and sustain their service provisions. The incentives for formal FSPs (other than DMBs) to employ “high volume, low cost” models that could meet the needs of underserved populations (often with demand for financial services but low ability and

willingness to pay) are not sufficiently aligned. Because digitisation reduces provider costs, DFS models may be most suited to addressing these populations. However, for actors that are currently allowed to operate these services (DMBs and Mobile Money Operators (MMOs)), the lack of big ‘anchor flows’, such as fully digitised government to public (G2P) and public to government (P2G) payments at a state and local level, means there is insufficient critical mass even for basic money transfer and Cash In Cash Out (CICO) services to warrant investment in the set-up and upkeep of (agent) infrastructure outside of densely populated urban centres. Mobile Network Operators (MNOs), which have anchored these services in other geographies, are excluded from doing so in Nigeria.

The business case is even harder to get right in rural settings where demand is lower and operating costs tend to be higher, whilst agency fee regulations do not allow for pricing differentiation.

The number of people in rural areas with sufficient income levels to afford formal financial services has not reached the critical mass necessary for FSPs to extend their reach.

Lack of agent exclusivity tends to cause operators to shy away from setting up new agents, making it harder to initiate momentum. While still at a nascent stage, the collective initiative from banks to develop a shared agent network seeks to address this issue.

The current and future viability of serving the underserved and unbanked will differ by provider.

It will depend on the cost to serve, the availability of alternative deployments of capital (and how serving these segments ‘ranks’ from an attractiveness perspective) and the provider’s strategy (some service providers may view financial inclusion as an opportunity for future growth which may drive a willingness to invest³⁴).

For example, Access Bank and First Bank of Nigeria have rolled out innovative savings solutions designed specifically for women. However, these products have not been extended beyond urban areas, confirming the structural challenges noted above. With the crucial support of patient, concessional impact capital, Sterling Bank is a good example of a mid-tier bank working to make progress in rural Northern areas.

There are a few promising initiatives under development that may effectively serve excluded women, but their continued commercial viability, once fully implemented, is yet to be confirmed. Some examples include:

- Shared industry initiatives/partnerships through which actors join forces to overcome barriers that are too big for any one player. Examples include the Shared Agent Network Expansion Facility (SANEF) and Diamond Y’ello.
- Regulatory innovations that improve the economics of serving unbanked and underbanked segments. Regulatory changes can help reduce overall costs to serve, and can remove or restrict access to other, more profitable deployments of capital. For example, with the proper incentives to focus on transaction products at scale, the introduction of Payment Service Bank (PSB) licenses could create opportunities for previously license-constrained and low-cost players. However, a requirement that payment service banks invest 75% of deposit liabilities in treasury bills or other government securities could constrain their ability to capitalise on other parts of the financial system. Their inability to extend loans creates a need for partnerships with other FSPs who could offer credit in order to meet all of their clients’ needs. As no full licenses have been issued yet, the contribution of PSBs to financial inclusion remains to be seen.
- Structural incentives to extend coverage to unbanked and underbanked populations such as earmarked concessional funding, mobile collateral registries, lower collateral requirements, loan guarantees, and publicly paid-for infrastructure. While such incentives improve business viability, lack of insight into cost structures, customer segments sizes, and customer ability and willingness to pay make it impossible to determine whether they will be able to tip the balance. Hence, questions for additional research and intervention design have been identified.

Given the low potential returns and high investment costs, FSPs in Nigeria have limited appetite or incentive to expand their services to low income populations, particularly those outside urban areas.

34 This would create a willingness to invest and innovate earlier and more aggressively – however, in our conversations with FSPs, financial inclusion was not raised as a core commercial strategic focus by any of them given the broader constraints cited here and the relative unattractiveness of underserved segments.

Recommendations to address the gender gap and advance the financial inclusion of women

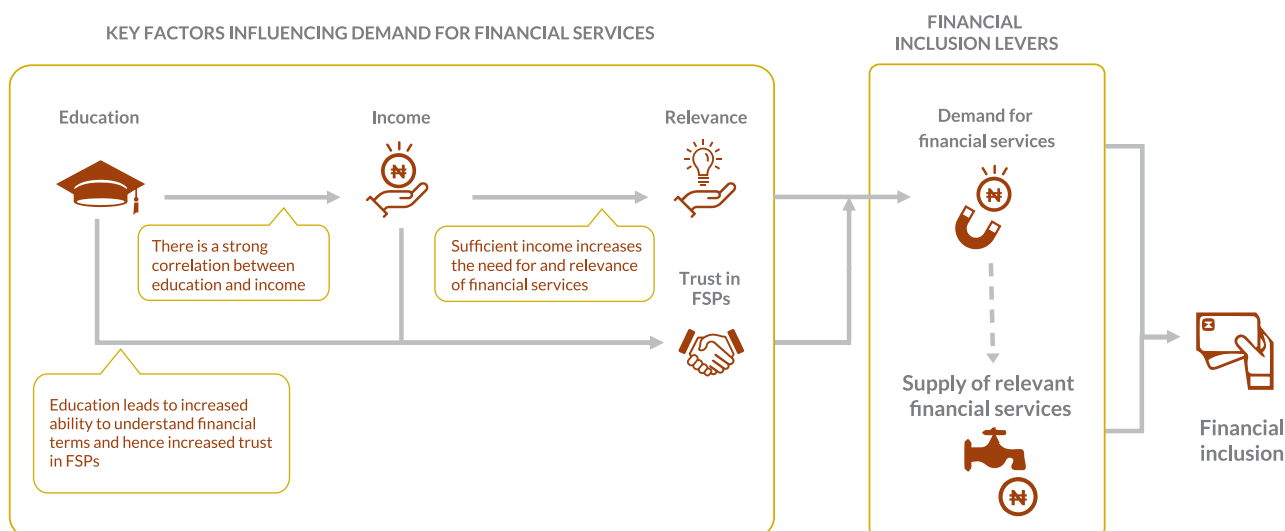
As demonstrated, we know that the financial inclusion gender gap in Nigeria is driven by a core set of interconnected factors, including lack of income, lack of education, and low trust in FSPs, that limit demand for financial services.

These factors are both gendered – women consistently exhibit lower levels than men – and interlinked. In the current context of low demand and a challenging regulatory and macro-economic environment, FSPs do not deem the business case to extend their products and services to drive greater financial inclusion, to be sufficient.



Figure 5 shows how levels of education, income, and trust in FSPs collectively drive demand for financial services, incentivise the supply of relevant financial products, and ultimately increase financial inclusion.

Figure 5: The linkages between core factors drive demand and, thereby, incentivise the supply of relevant financial services.



To understand the drivers of exclusion, three categories of questions should be explored:

- **What drives the underlying (gendered) gap in education and income?**
Given the unexpected findings, not all questions are answered. A deeper understanding³⁵ of the factors driving women's lower income and education is required.
- **What drives trust in FSPs and why do women have lower levels of trust?**
We know that one in three women do not trust any FSP, compared to one in five men. We also know that people who use only informal financial services, have most trust in informal FSPs and those who use formal services, have most trust in formal FSPs. However, is trust a precursor to usage or does usage result in trust? Given that the role of trust in FSPs is particularly pronounced in access and usage, further work is needed to identify what is required to build and sustain such trust.
- **What are the effects of other significant factors such as mobile phone ownership and marital status? For example, are phone owners more comfortable with technology and the formal economy? Are monogamously married women more respected in the community and hence more able to access informal services?**
Further research is required to understand and interpret the interrelationships between such significant factors and financial inclusion – in the absence of that understanding and interpretation, it will be hard to design appropriate interventions as the underlying key relationships and binding constraints are not known.

As a result, our overarching recommendation is to build demand by prioritising activities and interventions that will increase women's levels of income, education and/or trust in FSPs³⁶.

35 This research surfaced the paramount importance of income, education and trust in FSPs yet wasn't designed to determine the drivers of income and education (and the gender gap within those). Since the research did not include a full range of possible drivers for these aspects, we cannot reliably establish the (key) factors that contribute to the gap observed. It is possible an important driver was not included which would invalidate a driver analysis based on the data we have.

36 One could also target income, education, and trust in FSPs across genders as a 'tide that lifts all boats'. However, although such actions would increase women's overall inclusion, they could also widen the gender gap as it is possible that men would benefit more than women. Because of the highly gendered nature of these elements, it is hard to develop effective interventions on income, education, and trust in FSPs that would benefit both genders equitably unless women are the explicit focus from the start.

Our prevailing insights suggest that low income and education, and lack of trust in FSPs have a strong and strongly gendered effect on financial exclusion and are consequently the most important levers to pull when aiming to improve women's financial inclusion. However, this study was not designed to determine the drivers of income, education, trust in FSPs, or the gender gap within each. Going forward, it will be important to not only determine the drivers behind these factors but also to identify which elements are anchors and which are corollaries or consequences of the anchors. Such determinations will be critical to designing appropriate interventions that focus on the binding constraints.

In parallel, FSPs and other stakeholders can explore options for improving the commercial viability of serving financially excluded women.

Currently, the extent to which low-cost solutions can make serving excluded women commercially viable **without** improving their livelihoods, is unknown in Nigeria. There is no shared knowledge on cost drivers/ business case which makes it hard to design and prioritise the right interventions.

A concerted effort is needed to (i) determine the gap in commercial viability, (ii) understand the scope of the opportunity in terms of the sizes of different segments, their needs, their willingness and ability to pay, and what they are willing to pay for, and (iii) identify opportunities for cost reduction through joint initiatives and economies of scale. As the answers to these questions will vary partially by FSP, given differences in cost structures and strategic alternatives, close collaboration with providers will be crucial. Taken together, an understanding of these aspects will enable stakeholders to (i) determine the binding constraints, (ii) prioritise interventions and innovations and (iii) determine what is sufficient to 'tip the balance' towards commercial viability (and if not, how much subsidy will be needed and/ or what increase in livelihood is needed to overcome that).

Such innovations and interventions may take the form of collective (industry) action, individual provider changes, or shifts in policy and regulation. For example, DFS can reduce FSP costs. However, the viability of DFS would be greatly enhanced by:

- (i) a shift in Nigeria's regulatory framework to enable lower-cost operators (such as MNOs) to enter the market;
- (ii) anchor demand from digitising G2P and P2G payments, which would require policy changes and a concerted government effort at state and local levels; and
- (iii) more appropriately aligning incentives around agency banking.

Unfortunately, immediate efforts to improve commercial viability are likely to be insufficient to make all women attractive customers for FSPs. Some will remain excluded until bigger shifts in viability are realised through the increase in levels of income, education, and/or trust in FSPs; further innovation; or saturation of more attractive opportunities for FSPs.

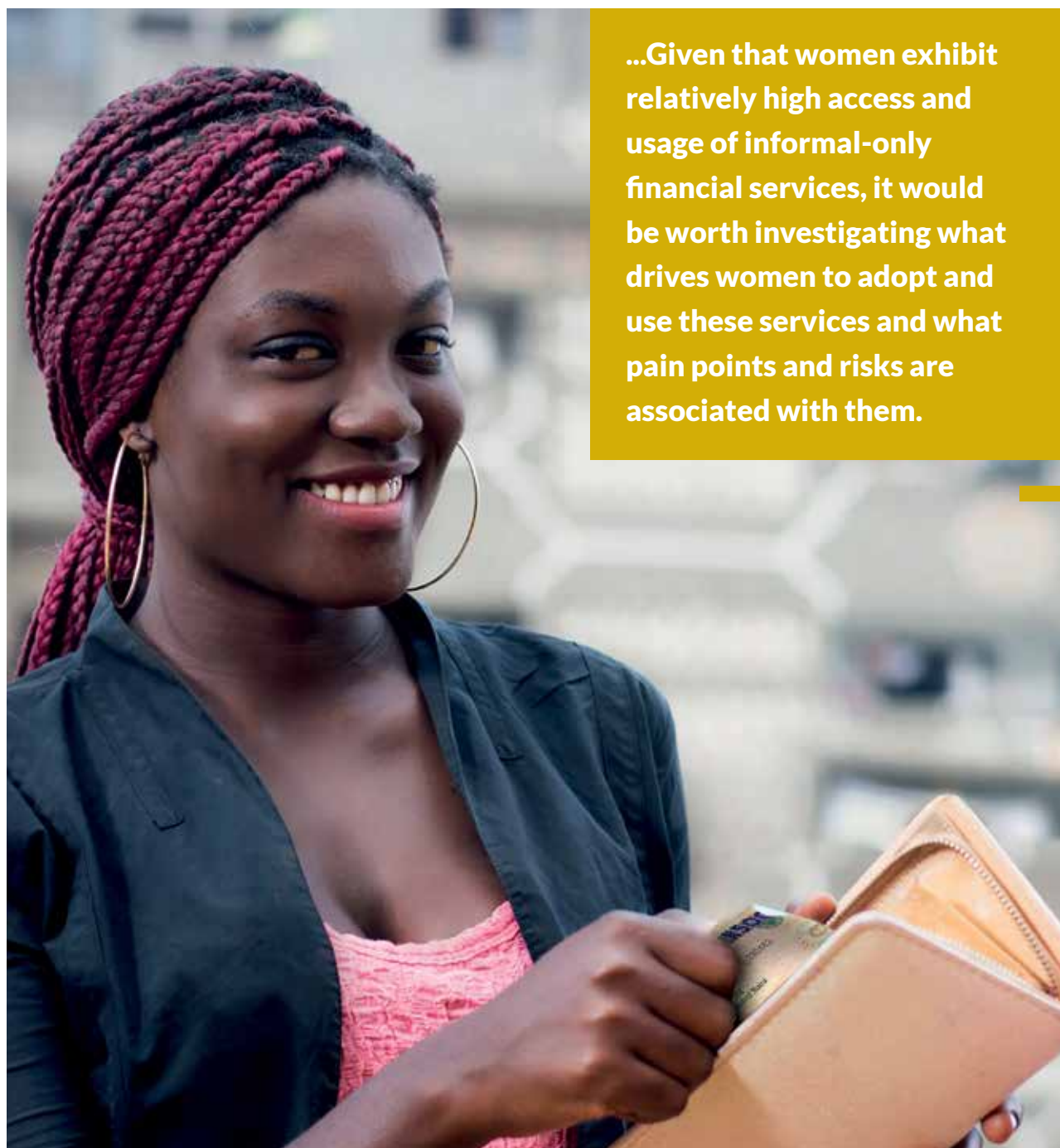
Stakeholders who choose to focus on driving social impact by providing financial services/products to these groups now or those that choose to focus on segments that are likely to remain excluded in the medium term, need to recognise that:

- (i) it is very likely that continued subsidy will be required in the long term (until these segments become commercially viable);
- (ii) offerings must be relevant to the unbanked female population (and not just aspirational) meeting them 'where they are' with their low levels of education, income, and trust in FSPs; and
- (iii) where possible, products and services should be designed to increase income, education, and/or trust in FSPs.

CBN and EFInA are well placed to guide and/or manage the FI ecosystem and to generate the knowledge required to address the gender gap, quantify the key supply and demand elements that determine the viability of the business case for serving excluded and/or underbanked women, and promote and drive learnings across interventions and stakeholders for improved alignment and collective action.

Such alignment could be achieved by building and maintaining a case library of insights and a catalogue of interventions (linked by financial exclusion factors and impact), by defining an aligned set of metrics and methods for measuring impact, and by advising others as to what data to collect and how. These measures would help establish an evolving baseline of collective information and data.

Furthermore, given that women exhibit relatively high access and usage of informal-only financial services, it would be worth investigating what drives women to adopt and use these services and what pain points and risks are associated with them. This could uncover the feasibility of employing informal financial services as stepping stones towards formal inclusion.



...Given that women exhibit relatively high access and usage of informal-only financial services, it would be worth investigating what drives women to adopt and use these services and what pain points and risks are associated with them.

What next?

This study focused on understanding the gender gap and the drivers, barriers, and needs of excluded women.

Our analysis revealed that low levels of income, education, and trust in FSPs are the core factors determining exclusion for both men and women. They are also key drivers of the gender gap, given that women have lower levels of each than men. However, this project did not prioritise understanding what drives women's lower income, limited education, and lack of trust in FSPs, or their higher likelihood to rely solely on informal financial services.

Income inequality adversely affects living standards and is a multifaceted issue deeply rooted in the Nigerian context.

The causes and effects of low income, limited education, and lack of trust in FSPs are 'macroeconomic', gendered, and interlinked. Therefore, as a first step, we recommend that stakeholders further discuss our findings to ensure alignment and collaboration. Following this, additional research to assess the drivers of these factors among women will deepen understanding and help actors to develop tailored solutions.

Identifying appropriate pathways towards commercial viability, with or without improvements in income, education, and trust in FSPs, will also require an analysis of capacity building priorities and policy gaps.

Within this effort, a stakeholder mapping exercise will be helpful to identify whether current capacity constraints could best be solved through a 'build, expand, or partner' approach.

In addition, informal financial services need to be improved to overcome their downsides as long as they continue to play a key role in meeting financial needs.

The NFIS focuses strongly on enhancing formal financial services given their overall benefits. That said, women currently rely much more strongly on informal financial services than men do.

These services play an important role to manage liquidity, transact efficiently, build resilience from shocks, and create opportunities. However, they are often costly and can be high risk, particularly given the lower level of consumer protection they provide. By addressing these downsides, informal financial services could strengthen the customer experience and improve the quality of their product.

This report presents a clear call to achieve gender equity by helping women access and use financial services to create and sustain economic opportunities, reduce poverty, and build financial resilience.

In order to achieve these aims, stakeholders must tailor initiatives to increase women's income, education, and trust in FSPs, work towards commercial viability, and acknowledge the need for continued subsidies until women's income, education and trust in FSPs improves and/or it becomes commercially viable to serve currently excluded women.

Additional resources and related publications

In addition to this executive summary, this study contains three related publications:

The full study findings:

- PowerPoint document capturing both study set-up and study findings, including recommendations for intervention and additional research
- Glossary of terms included to allow the reader to develop a comprehensive understanding of quantitative findings
- References to technical report where relevant, enabling the reader to dive deeper, if required

The technical report:

In-depth description of all the technical and statistical aspects of the quantitative analysis, including

- Approach to tool development, including translation, scripting and testing
- Approach to field team recruitment and training
- Sampling approach, including geographical coverage, sampling methodology and implementation (at state, EA, household and respondent level), replacement methodology and outcomes
- Data handling protocols and outcomes, including team organisation of field work, quality control protocols and outcomes
- Weights to get to representativeness at various levels (as tested and aligned with Nigerian Bureau of Statistics)
- The design of various type of statistical analyses (descriptive, bivariate, multivariate) including explanation of software used
- Challenges, mitigation measures and outcomes as a result
- The full survey questionnaire (including skip logic) in the annex
- Comparison between Access to Financial Services in Nigeria Survey and this survey (Assessment of Women's Financial Inclusion Survey 2019)

The quantitative dataset:

Cleaned and coded survey data for further analysis (in SPSS).

Authors and key stakeholders



Central Bank of Nigeria

The Financial Inclusion Secretariat (FIS) of the Central Bank of Nigeria is leading the promotion of financial inclusion in Nigeria as part of the Development Finance Department's strategic focus areas. The CBN through the FIS is deploying a team to undertake all coordination activities.

Enhancing Financial Innovation & Access (EFInA) is a financial sector development organisation that promotes financial inclusion in Nigeria. It is funded by the UK Government's Department for International Development (DFID) and the Bill & Melinda Gates Foundation.



Dalberg is a global group working to build a more inclusive and sustainable world where all people, everywhere, can reach their fullest potential. Dalberg partners with and serve communities, governments, and companies throughout the world, providing an innovative mix of advisory, investment, research, analytics, and design services. Three Dalberg businesses – Dalberg Advisors, Dalberg Research and Dalberg Design – worked together to conduct this study.

This report was funded with support from the Bill & Melinda Gates Foundation





Central Bank of Nigeria

