

Perspectives from the EFInA Access to Financial Services in Nigeria 2018 Survey: Capital Markets

**Financial Inclusion Secretariat's Stakeholder's Forum
with the Capital Markets Sector**

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March 15, 2019**

- **Background**
- **Nigeria at a Glance**
- **Financial Access of Nigerians**
- **Savings and investments**
- **Profile of current and potential users of capital markets products**
- **Recommendations**

Background

About EFInA

- Enhancing Financial Innovation & Access (EFInA) is a financial sector development organization that promotes financial inclusion in Nigeria
- EFInA's vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system. EFInA adopts a holistic approach to impact the market at three levels – micro, meso and macro levels

Leveraging A2F 2018 Surveys

- A2F research identifies the financial needs of the adult population and gives service providers data and analyses to develop innovative products to serve them
- Provides insights into regulatory and market obstacles to growth and innovation in the financial sector

Approach & Methodology

- The A2F survey has been conducted biennially since 2008.
- The size of the participants included in each of the survey prior to 2018 A2F was 24,000 with a proportional representation across states.
- Nationally representative sample of Nigerian adults (18+) across all 36 states and FCT Abuja
- Results are weighted by the National Bureau of Statistics (NBS) to provide for the total adult population and benchmarked to national population estimates for verification

Objectives of the Access to Financial Services in Nigeria 2018 Survey

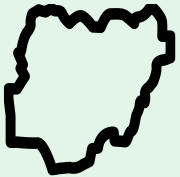
- To describe the levels of financial inclusion (i.e. levels of access to financial products and services – both formal and informal)
- To describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- To identify the drivers of, and barriers to financial access
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion
- To track financial inclusion trends in Nigeria (2018) and also to provide an assessment of changes due to interventions to enhance access and deepen inclusion

Coverage And Methodology for the A2F 2018 Survey



Design

- Provided by the National Bureau of Statistics (NBS)
- Sampling of respondents was based on equal representation (750 respondents) per State
- Allows for statistically robust headline indicators of financial access at the state, regional and national level.



Coverage

- Nationally representative sample of Nigerian adults (18+) across all 36 States and FCT Abuja
- Achieved 27,470 interviews (97% of target sample of 28,380), slightly high compared to 2016
- Household listing and data collection was conducted from August to October 2018 by Research Firm - Ipsos Nigeria, with supervision from the National Bureau of Statistics (NBS)



Questionnaire

- The questionnaire (in English), was translated into and also administered in Hausa, Yoruba, Igbo and Pidgin English



Results

- Results were weighted by the NBS to provide for the total adult population.
- Also benchmarked to national population estimates for verification



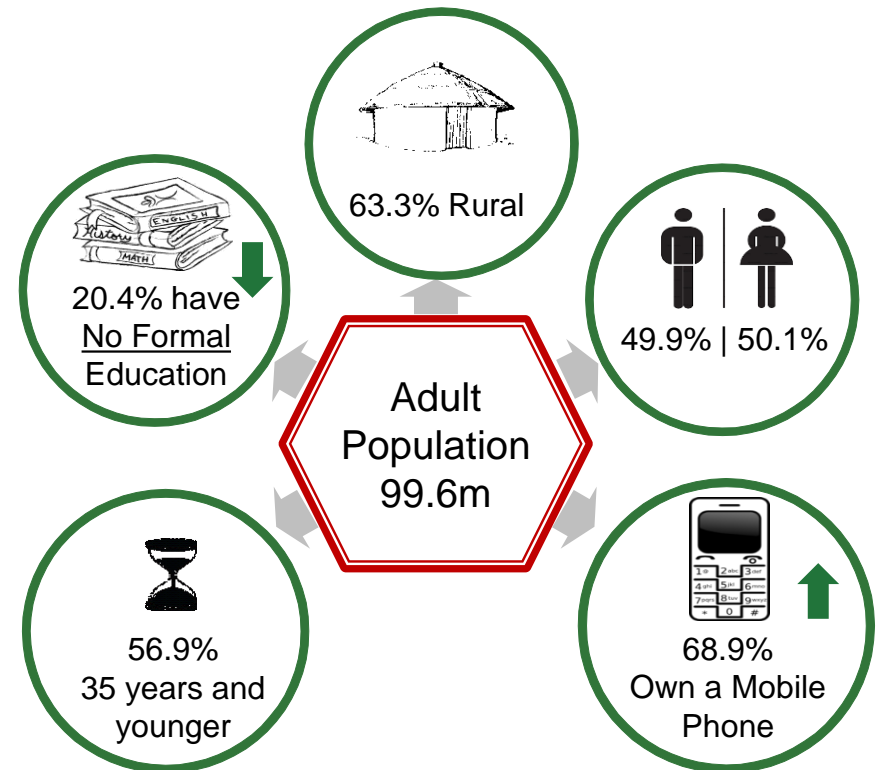
Nigeria at a Glance

Demographic Profile

The Nigerian adult population (18 years and above) is 99.6 million

Of this adult population:

- 63.1m (63.3%) are based in rural areas
- 49.9m (50.1%) are women
- 56.7m (56.9%) are 35 years and younger
- 20.2m (20.4%) have no formal education
- 5.2 average household size
- 1.6 average income earners per household



Slow economic recovery is yet to impact individuals

Formal sector



8%
-1.0%



Own business
(non-farming)



16.7%
-2.9%

Rely mainly on
farming



23.4%
+4.3%

Own business
(farming)



11.2%
+1.1%

Save regularly

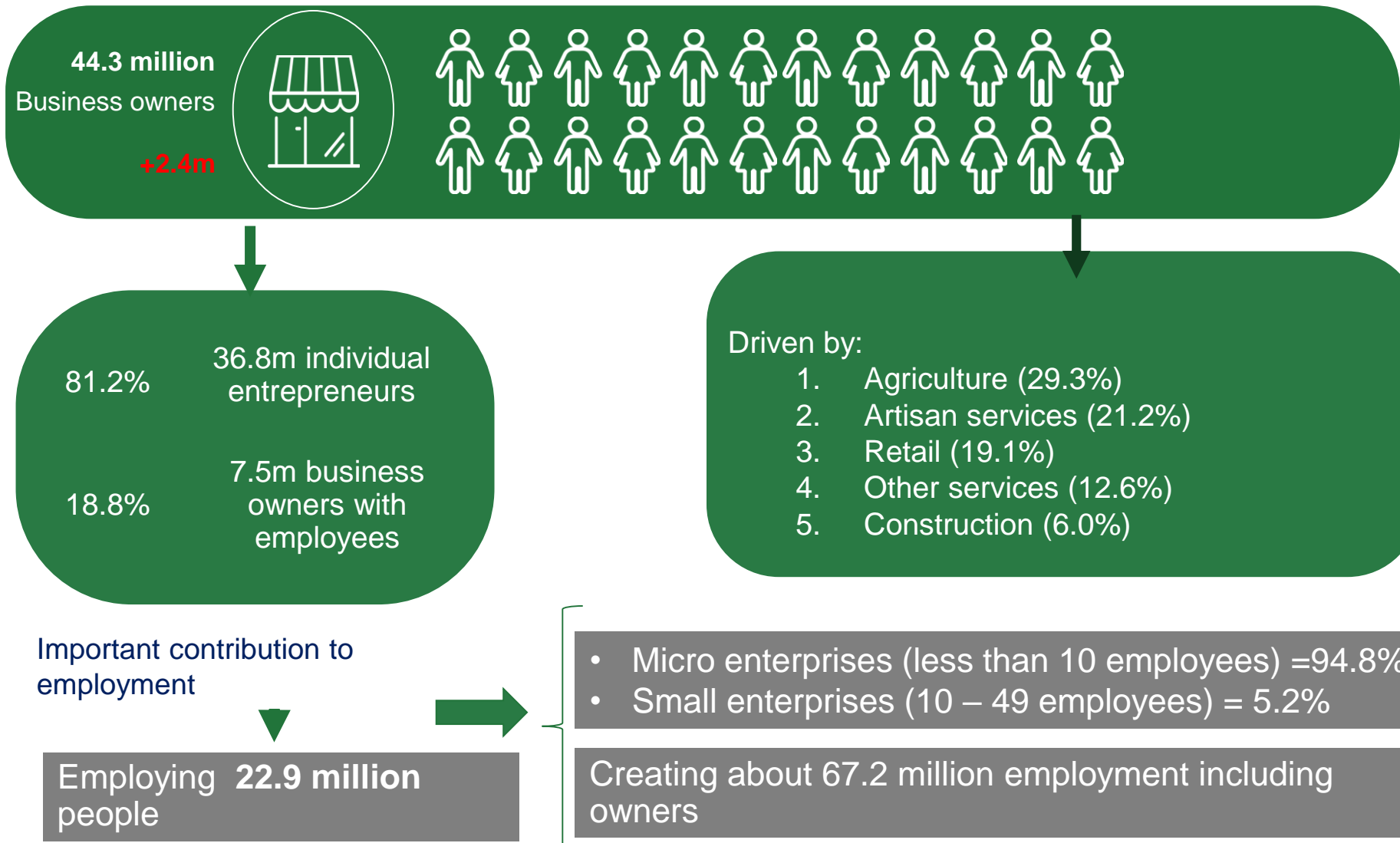


53.4%
-8.2%

Formal sector comparison in select countries	%
South Africa	36%
Kenya	14%
India	7%
Tanzania	4%

“Two years ago till now, times are generally hard, the country is not smiling at all, a lot of people are suffering because there is no money and things are expensive, no work, a lot of people are just staying at home doing nothing so I have not seen any changes up till now”
– Consensus among Focus Group Discussion participants, February 2019

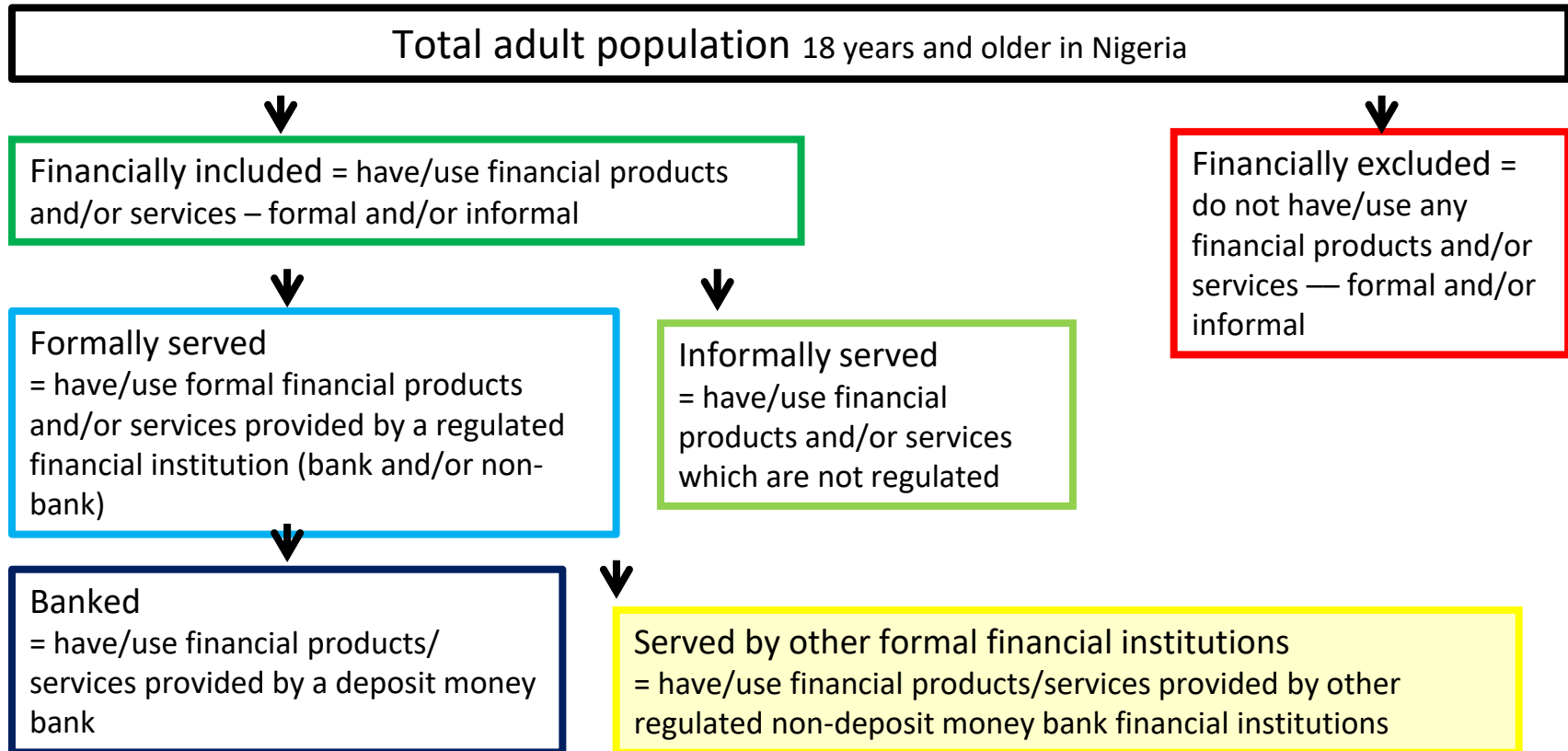
Slow economic recovery has resulted in more small businesses, largely in agriculture





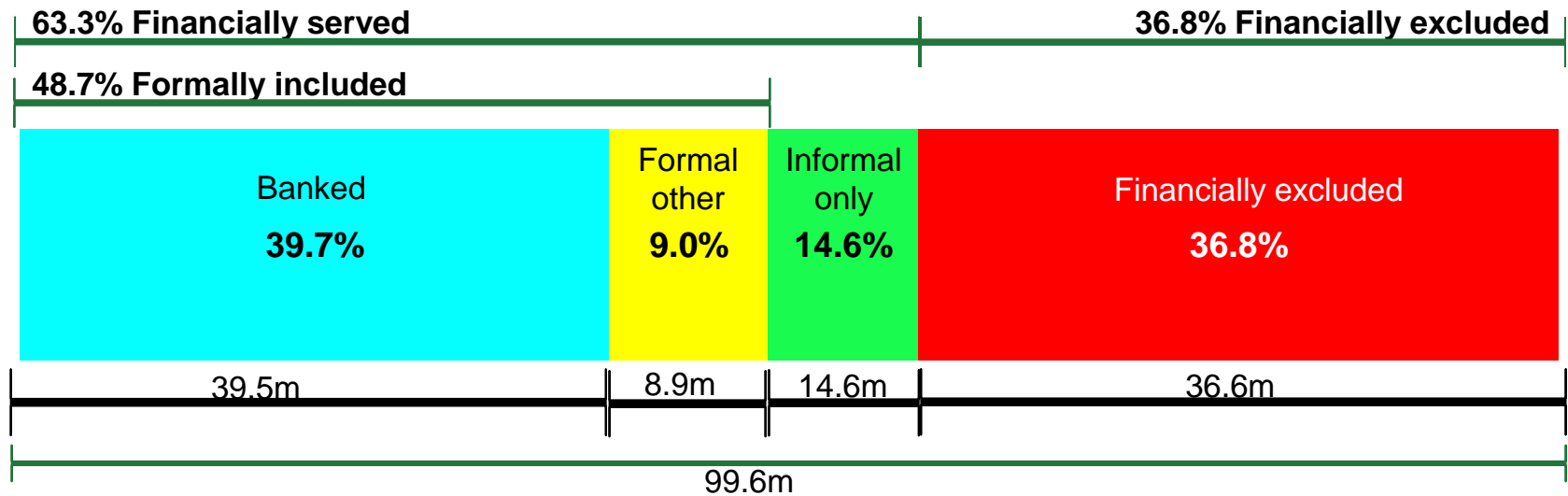
Financial Access of Nigerians

Defining financial inclusion



Financial Access Strand 2018

- Nearly half of Nigerian adults use formal financial services. Of these, the majority are banked.
- Financially excluded proportion of the adult population still remains large

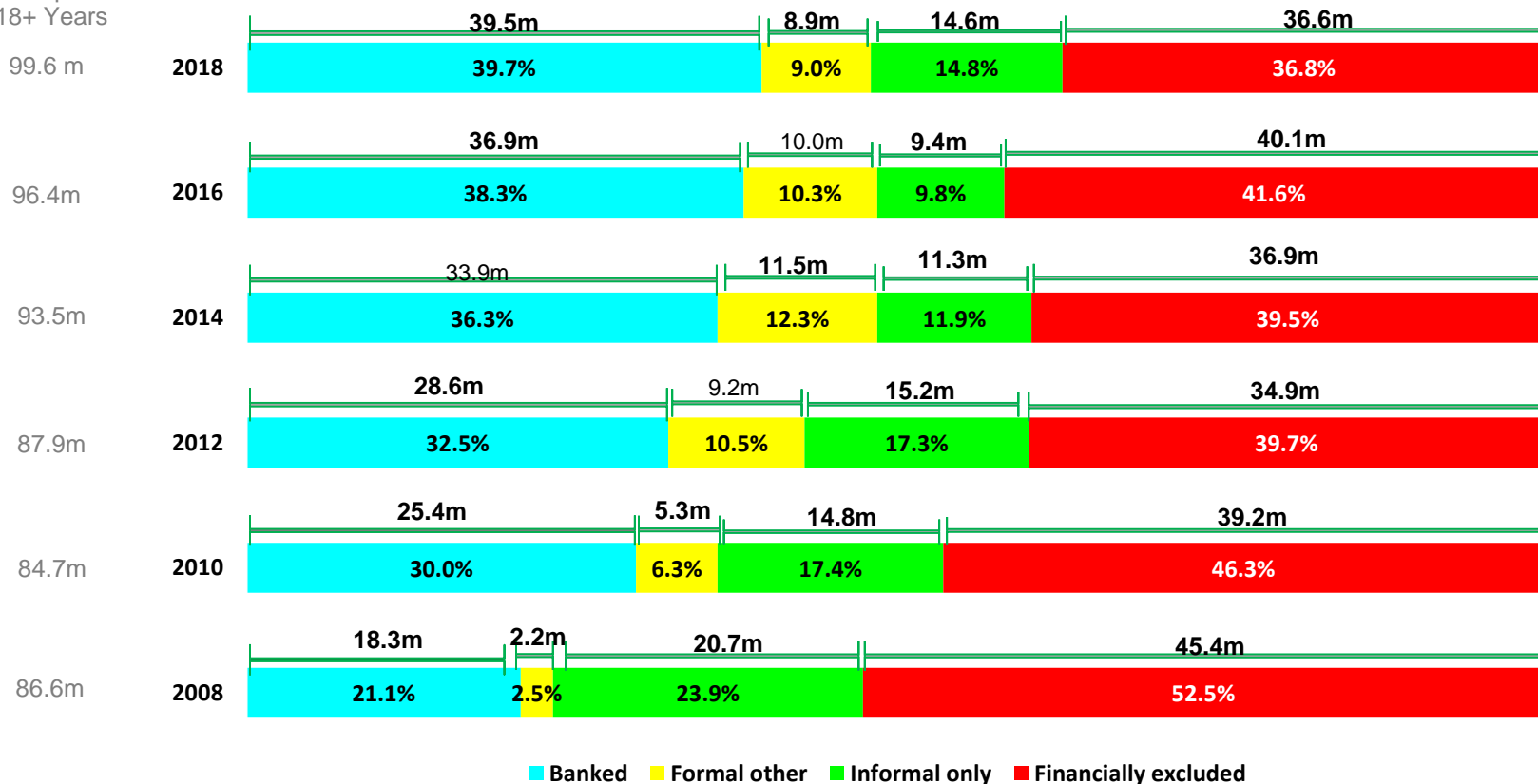


These four strands are mutually exclusive

Trends In Financial Access – 2008 to 2018

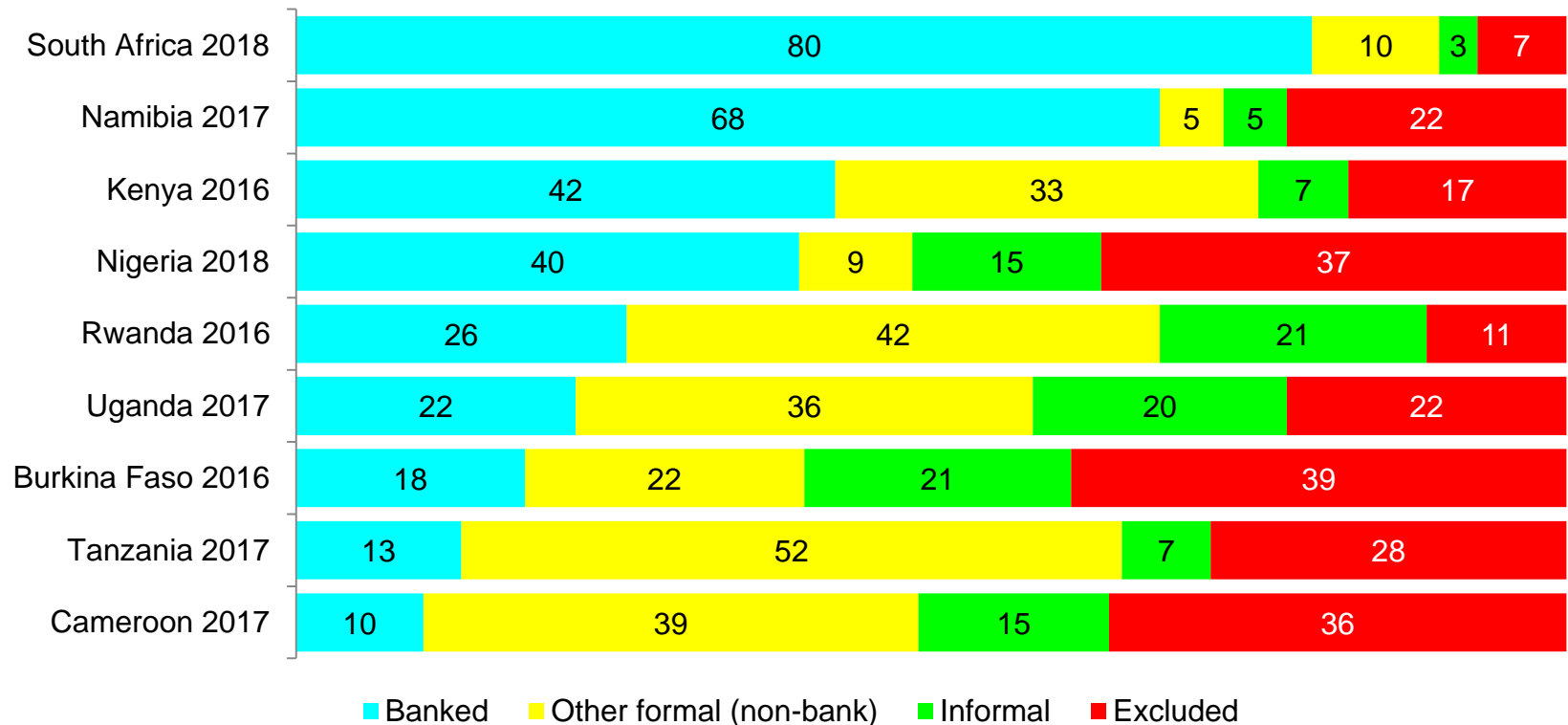
- The number of Nigerian adults that are banked has steadily increased over time, more than doubling since 2008

Adult Population
18+ Years



Comparison of financial access across Sub-Saharan Africa

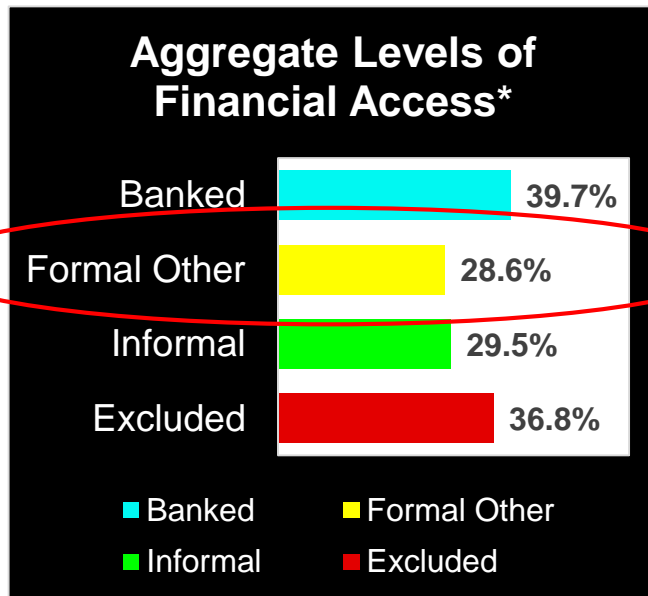
- Nigeria has a fairly large banked population (39.7%), but also a relatively high proportion of financially excluded at 37%



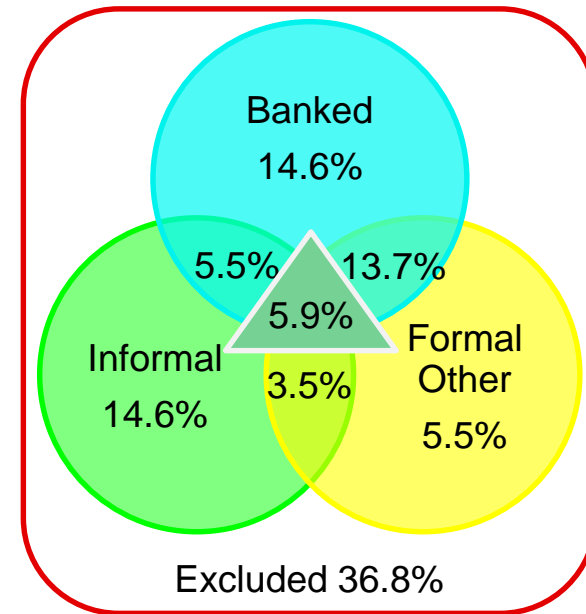
Note: There are some slight differences in the classification of products/services in the categories of the access strand between the countries

Overlaps in Financial Access

- Consumers generally use a combination of financial products and services to meet their financial needs
- 15.0% use a combination of formal and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone



Capital Market fits here – “formal other”



*Figures may include overlaps across access strands



Savings and Investments

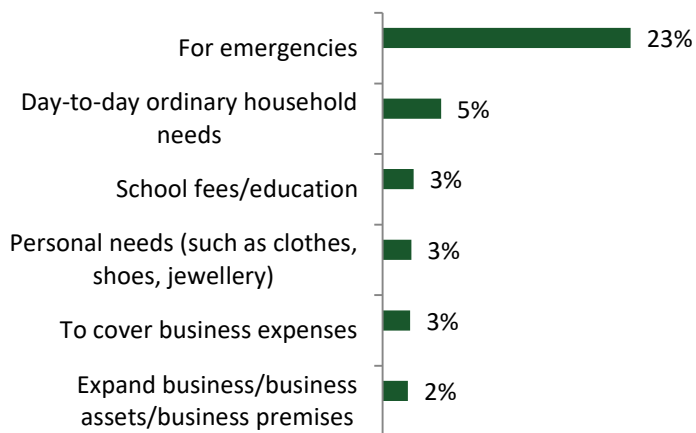
Just over half of Nigerian adults are saving or putting money aside, mostly for emergencies

- 55 million adults (55% of adults) are saving or putting money aside, down from 66 million in 2016
- 16 million adults save at home or carry their savings with them
- Although in-kind savings (investments) remain a significant form of savings, less than 5 million adult Nigerians invest in the capital market.



Reasons for saving

Percent of adults who save



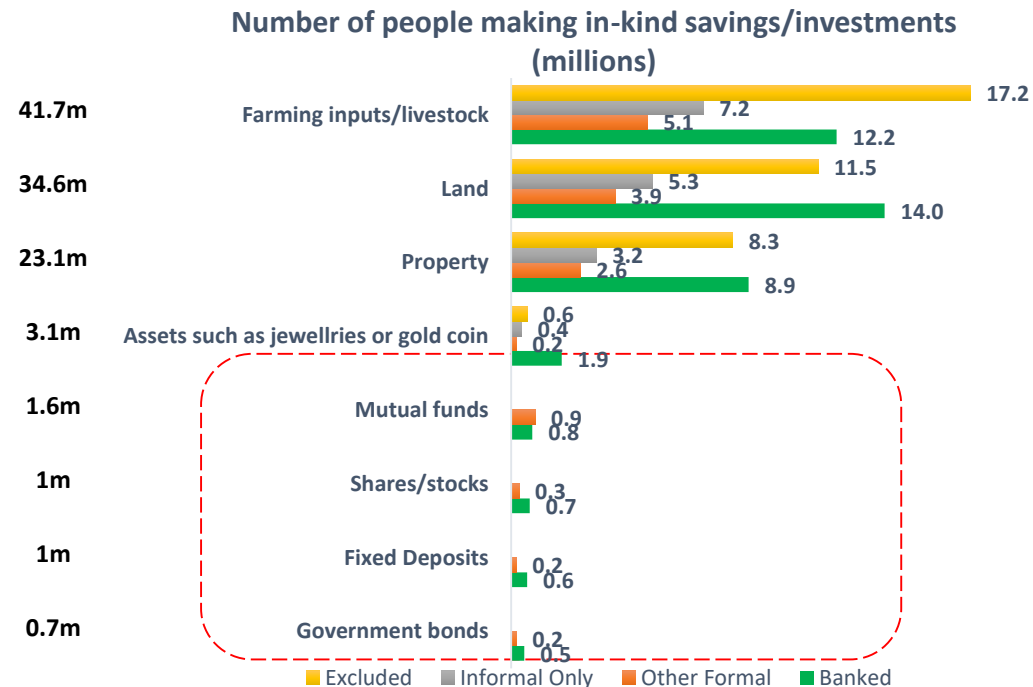
How do you save?

Percent of adults that are saving

Saving with a bank	38%
Saving with other formal institution	10%
Informal channels	43%
Family/friends or at home	33%

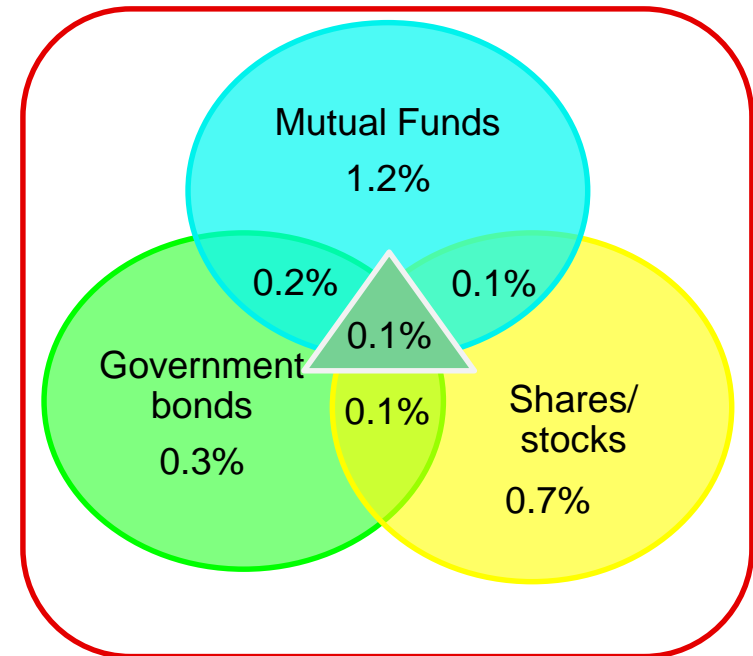
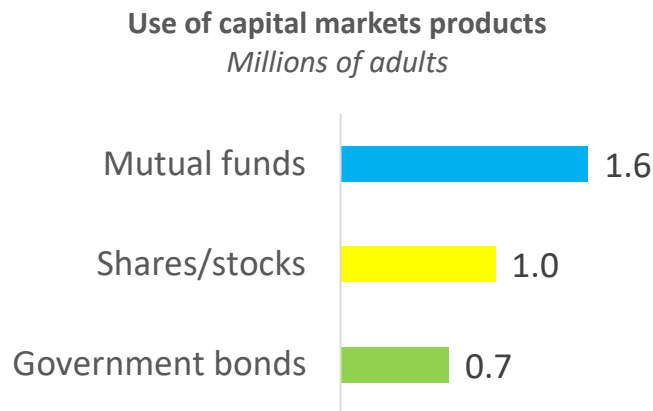
Nigerians make investments in a range of assets

- The most common forms of investment are in land, farming inputs/livestock, and property
- Although the majority of those making investments are banked, a significant number of adults that do not use any formal financial services invest in farming inputs/livestock, land, property or jewelry/gold



Adults investing in mutual funds, stock or bonds

- 3 million adults (3% of adults) are currently saving in the form of capital markets investment
- Consumers scarcely use a combination of securities to meet their financial needs



**Figures may include overlaps across access strands*

General Perceptions about Savings

Savings

Savings is not just an act of keeping money aside for the future, it is a habitual behaviour that is painstakingly cultivated to ensure basic or emergency needs are fulfilled.

Savings goes beyond simply keeping money aside but can include acquisition of properties, farm produce, livestock etc. that can be sold in exchange for money at the time of need.

Many focus group respondents that are financially excluded or only use informal financial services feel more comfortable with their traditional means of savings as they feel indifferent towards bank - they do not understand the concept of banking.

When to start saving for old age

Across the board, focus group respondents say that savings should start as soon as one starts earning money.

Some stated that by eighteen years old when an individual is an adult, then the person should start saving. A few added that savings are most paramount when when one is married and has more responsibilities.

Some participants strongly believe that investment in children education is the best form of saving for the future.

Channels of savings used by financially excluded and informally served

Perceived Benefits

Segment	Piggy bank	Re-investing into the business	Adashe/Ajo/Esusu /Cooperative (Informal group)	Keeping money with family/friends (North - Kano & Gombe)	Save money with a trader (North - Kano & Gombe)
Informal sector & Financially excluded	<ul style="list-style-type: none"> Relieve the stress of going to bank (proximity) as money is within reach Helpful to address emergencies Any amount can be saved 	<ul style="list-style-type: none"> Money is reinvested into business - Livestock/poultry /farm produce – to increase profit Give peace of mind because money is not out of reach (in the bank) 	<ul style="list-style-type: none"> Savings is suitable for time bound projects Simple and less cumbersome process – less paper work, no PIN/identification card required Easy access to loan Low interest/nil interest on loan For coop, dividend (as benefit) is shared at year end 	<ul style="list-style-type: none"> Channels is trusted – money is perceived to be safe with family &/or friends Quick access to money at any time 	Some keep money with traders (trusted because they often have daily inflow) knowing that these traders will invest the money on behalf of the ‘investor’. Money is returned as soon as requested




Perceived Issues & Concerns

Segment	Piggy bank	Re-investing into the business	Adashe/Ajo/Esusu /Cooperative (Informal group)	Keeping money with family/friends (North - Kano & Gombe)	Save money with a trader (North - Kano & Gombe)
Informal sector & Financially excluded	<ul style="list-style-type: none"> Unsafe, i.e. prone to theft or fire outbreak. Supports financial indiscipline 	However in case of robbery /hazard all can be lost	<ul style="list-style-type: none"> Prone to fraud - tendency for a member/the collector to abscond with borrowed funds Interest is not given on savings except within the coop groups Lack of cash flow – due to delay in repayment of loan 	Theft or any other calamity MAY result in total loss of money	Theft or any other calamity WILL result in total loss of money




Channels of Savings For Business owners & The Formal sector

Perceived Benefits



Segment	Piggy bank	Contribution	Bank deposit	Cooperative
Business owners & Formal sector	<ul style="list-style-type: none"> • Easy access to cash 	<ul style="list-style-type: none"> • Convenience - quick access to bulk amount of funds suitable for time bound projects 	<ul style="list-style-type: none"> • Safety of funds • Promotes cashless lifestyle – ATM, Mobile banking, POS • Convenient – easy deposit and withdrawal 	<ul style="list-style-type: none"> • Access to loan with little or no collateral • Loan attracts low/nil interest • Usually results in profit/dividends sharing

Perceived Issues And Concerns

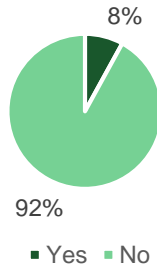


Segment	Piggy bank	Contribution	Bank deposit	Cooperative
Business owners & Formal sector	<ul style="list-style-type: none"> • Prone to theft 	<ul style="list-style-type: none"> • Prone to fraud 	<ul style="list-style-type: none"> • Slow ATM service delivery due to poor internet connection • Comes with hidden/unnecessarily charges • Cumbersome process in opening account • Mobile banking requires data (excluding SMS banking) 	<ul style="list-style-type: none"> • Lack of cash flow – delay in repayment of loan

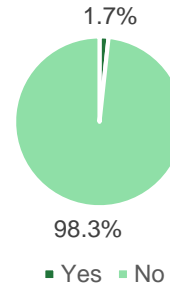
Long-term savings and risk management

- 13% of adults under the age of 55 have not made financial plans for old age
- Only 1% of adults under the age of 55 plan to primarily rely on a pension in old age

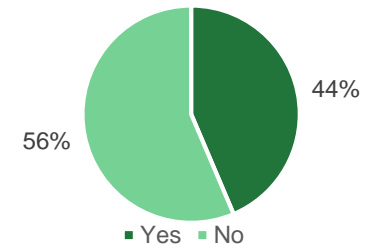
Have a pension
Percent of all adults



Have Insurance
Percent of all adults

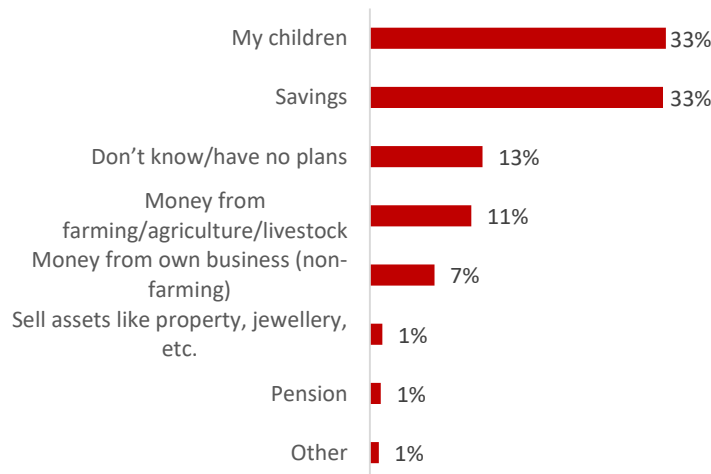


In the past 12 months, have you experienced running out of money and could not cover your expenses?
Percent of all adults



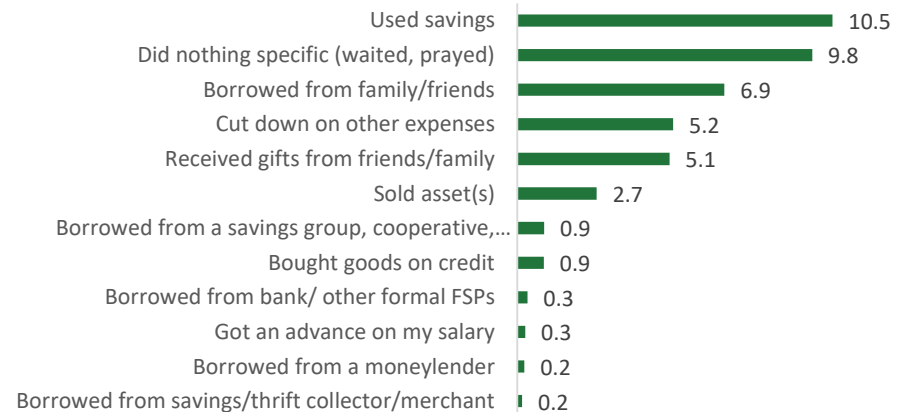
Thinking about old age, how will you mainly ensure you will have the money you need?

Percent of adults younger than 55



Coping mechanism

Percent of those who run out of money to cover expenses



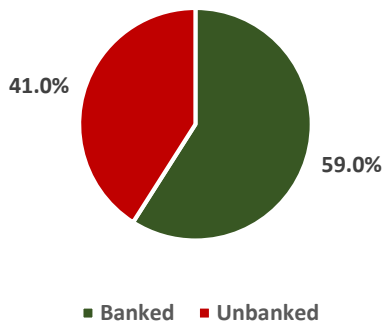
Current and Potential Users of Capital Markets Products

Profile of adults that own stocks, mutual funds or bonds

- 3.0 million adults in Nigeria are investing in either stocks, bonds or mutual funds
- More than 40% of adults that own either stocks, mutual funds and/or bonds are unbanked

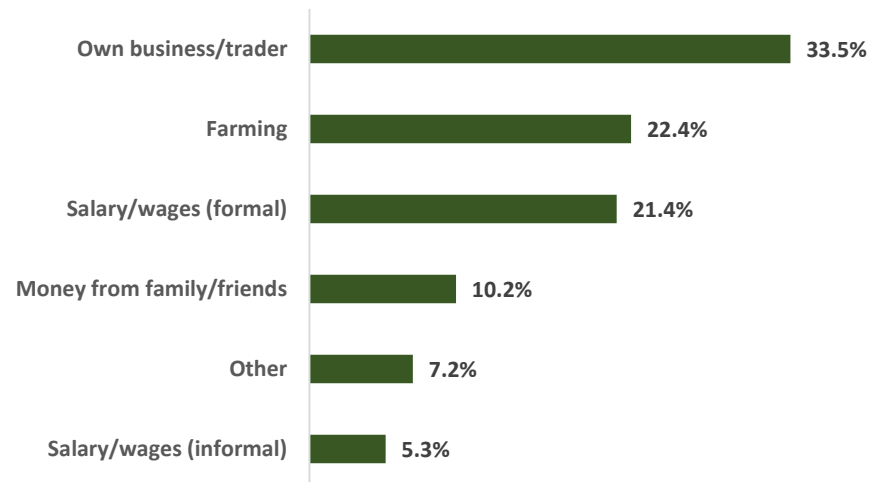
Banking status

Percent of adults that own stocks, mutual funds and/or bonds



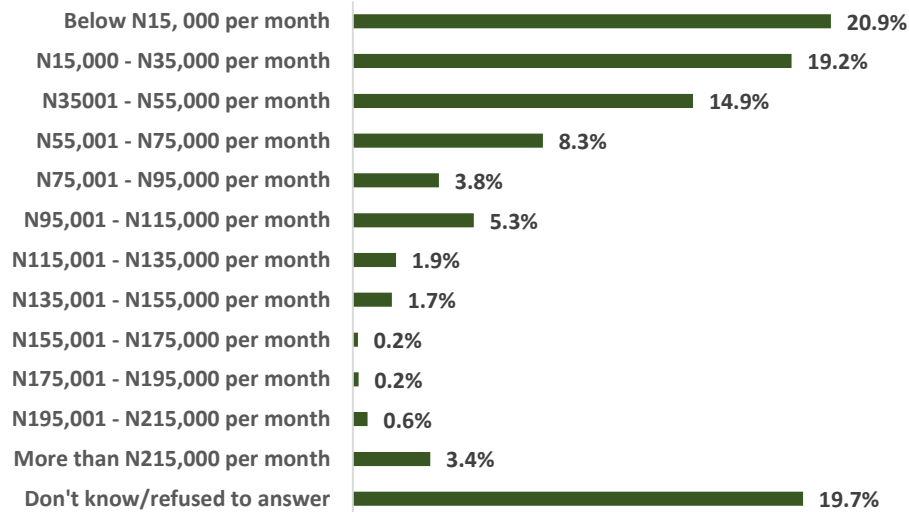
Primary source of income

Percent of adults that own stocks, mutual funds and/or bonds



Average monthly income

Percent of adults that own stocks, mutual funds and/or bonds

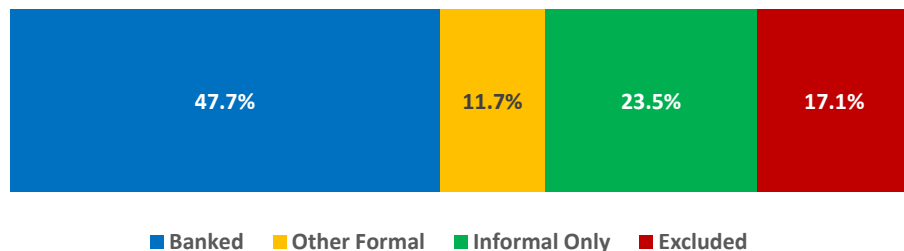


Profile of adults that are saving money and investing outside of capital markets

- **31.2 million adults** in Nigeria are both saving money and making some sort of investment outside of capital markets (in land, property, agricultural inputs/livestock, or precious metals/jewelry)
- Nearly a quarter of Nigerians in this group only use informal financial services
- More than half live in the northern zones (North West, North East, North Central)

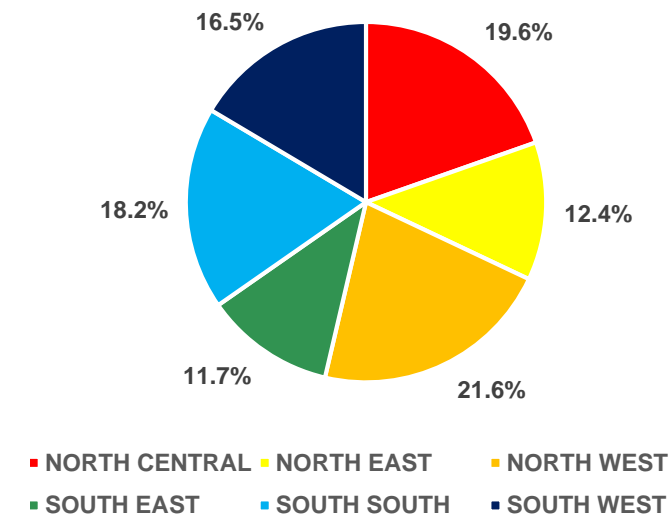
Financial Access

Percent of adults that invest in land, property, agricultural inputs/assets, and/or jewelry, and are saving



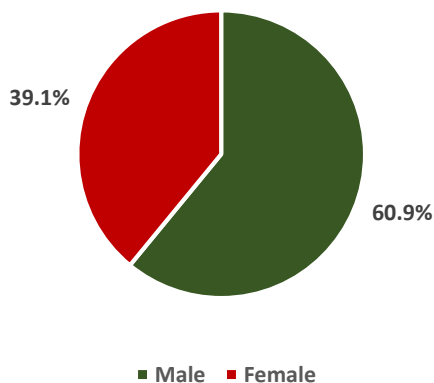
Regional distribution (by geopolitical zone)

Percent of adults that invest in land, property, agricultural inputs/assets, and/or jewelry, and are saving



Gender distribution

Percent of adults that invest in land, property, agricultural inputs/assets, and/or jewelry, and are saving

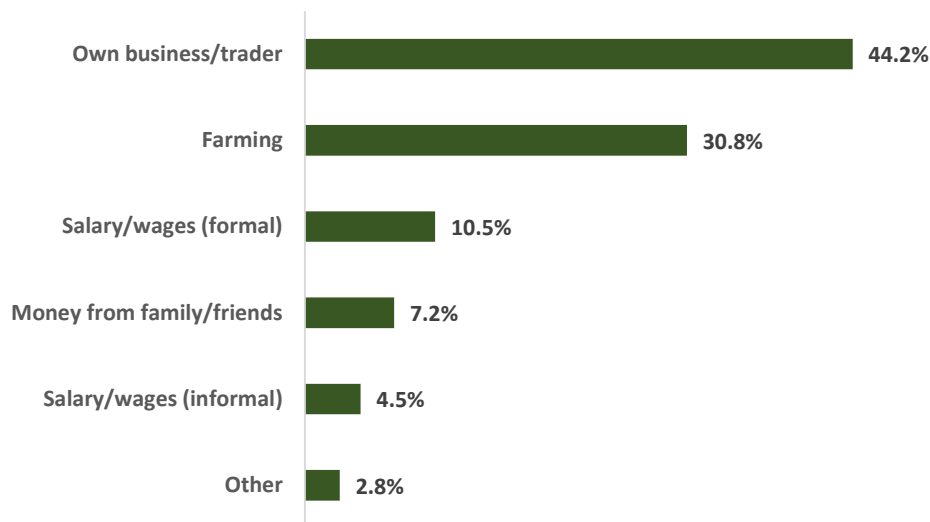


Profile of adults that are saving money and investing outside of capital markets (continued)

- 13.8 million Nigerians in this group (44.2% of those in this group) say that their primary source of income is their own business
- Most earn less than N55,000 per month

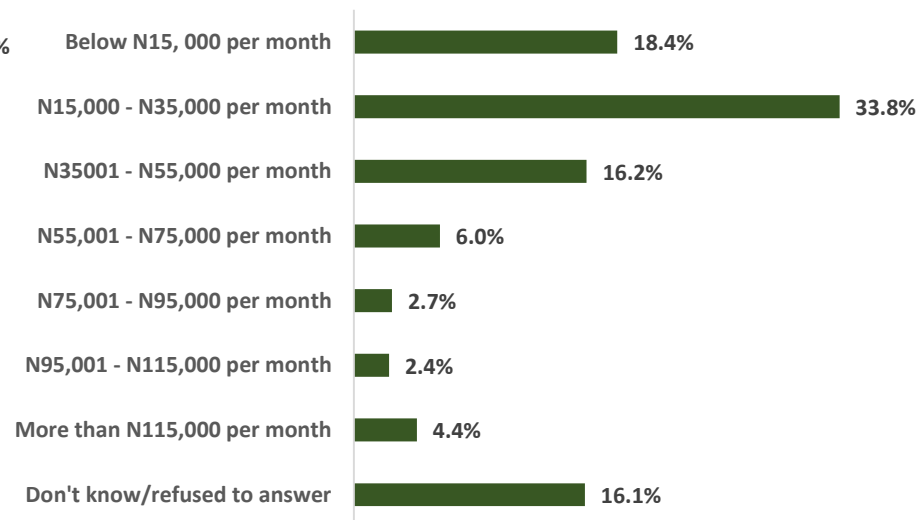
Primary source of income

Percent of adults that invest in land, property, agricultural inputs/assets, and/or jewelry, and are saving



Average monthly income

Percent of adults that invest in land, property, agricultural inputs/assets, and/or jewelry, and are saving



1 - Take a human-centred design approach

- Look at the ways that people are already saving and investing – for old age and other needs
- Take into consideration how often they want to invest in capital markets products, and how much money they want to invest at a time

2 – Consider innovative digital models

- Think about ways to make products like treasury bills accessible to the mass market

2 - Education & Awareness:

- Make sure that customers understand risk associated with capital markets

For more information...

Visit www.efina.org.ng for:

- More results from the EFInA Access to Financial Services in Nigeria surveys, including in-depth analysis on topics such as women, youth, remittances, digital finance, etc.
- Results of additional studies on topics such as financial service agents, microinsurance, mobile money, financial services regulation, etc.

Request data from the full EFInA Access to Financial Services in Nigeria surveys (available years: 2008, 2010, 2012, 2014, 2016, 2018)

- Comprehensive data that can be segmented in multiple dimensions, e.g., gender, geopolitical zone, age, education, etc.
- Can request the full dataset, a limited number of variables, or custom analysis from EFInA
- To submit a data request, visit www.efina.org.ng

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