

How Deposit Money Banks can Drive Financial Inclusion: Perspectives from the EFInA Access to Financial Services in Nigeria 2018 Survey

**Financial Inclusion Secretariat's Stakeholder's Forum
with Deposit Money Banks**

**Esaie Diei, CEO, EFInA
March 11, 2019**

- **Background**
- **Nigeria at a Glance**
- **Financial Access of Nigerians**
- **Banking in Nigeria**
- **Managing Savings, Credit and Remittances**
- **How Deposit Money Banks can Drive Financial Inclusion ... and Revenue**
- **Trends & Opportunities**

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 A2F 2018 Survey

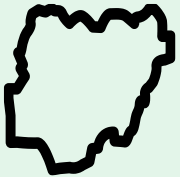
- To describe the levels of financial inclusion (i.e. levels of access to financial products and services – both formal and informal)
- To describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- To identify the drivers of, and barriers to financial 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



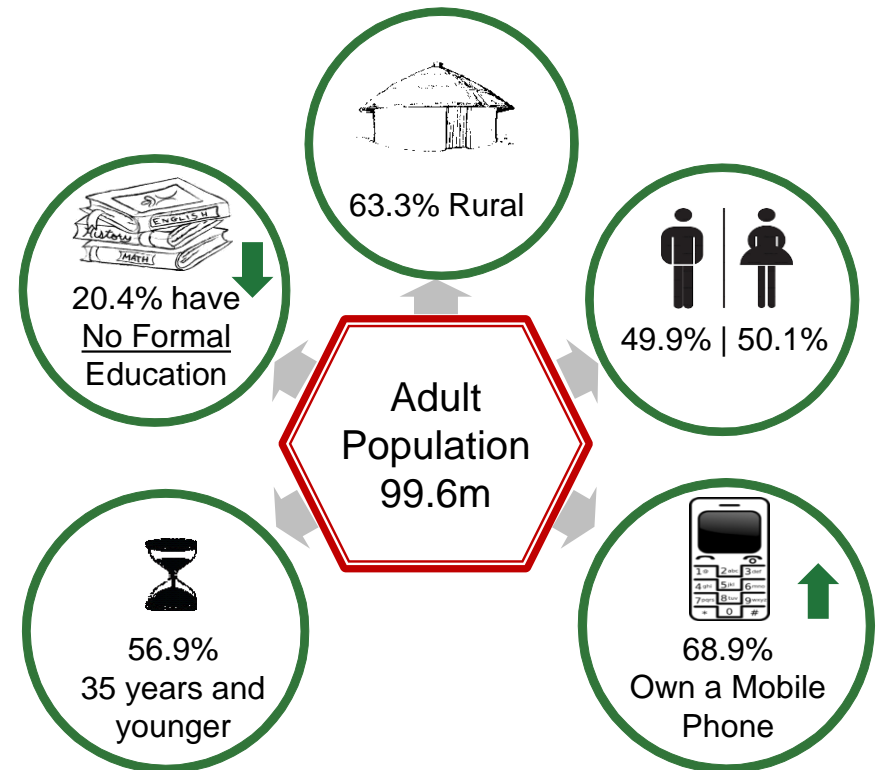
Nigeria at a Glance

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

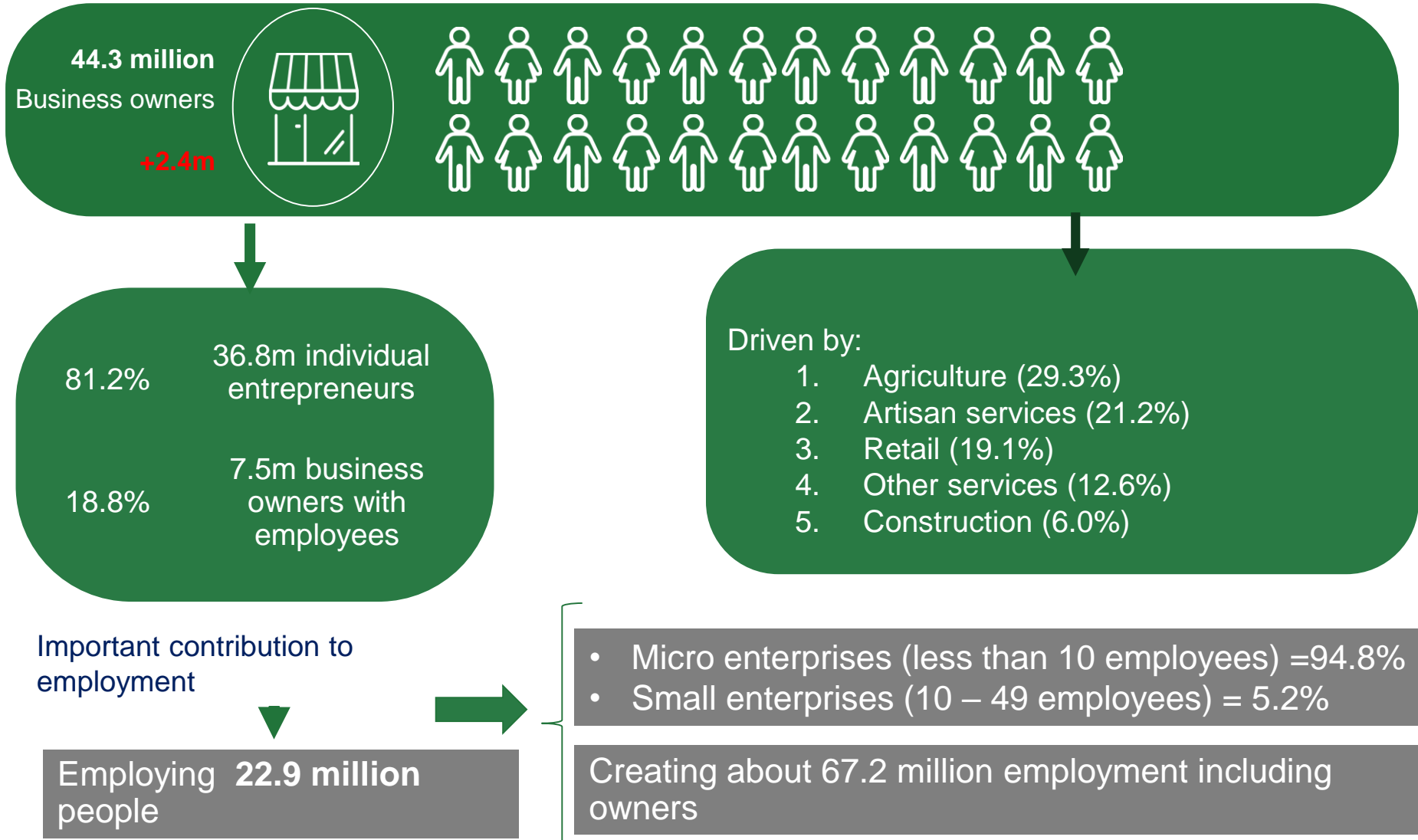


53.4%
-8.2%

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

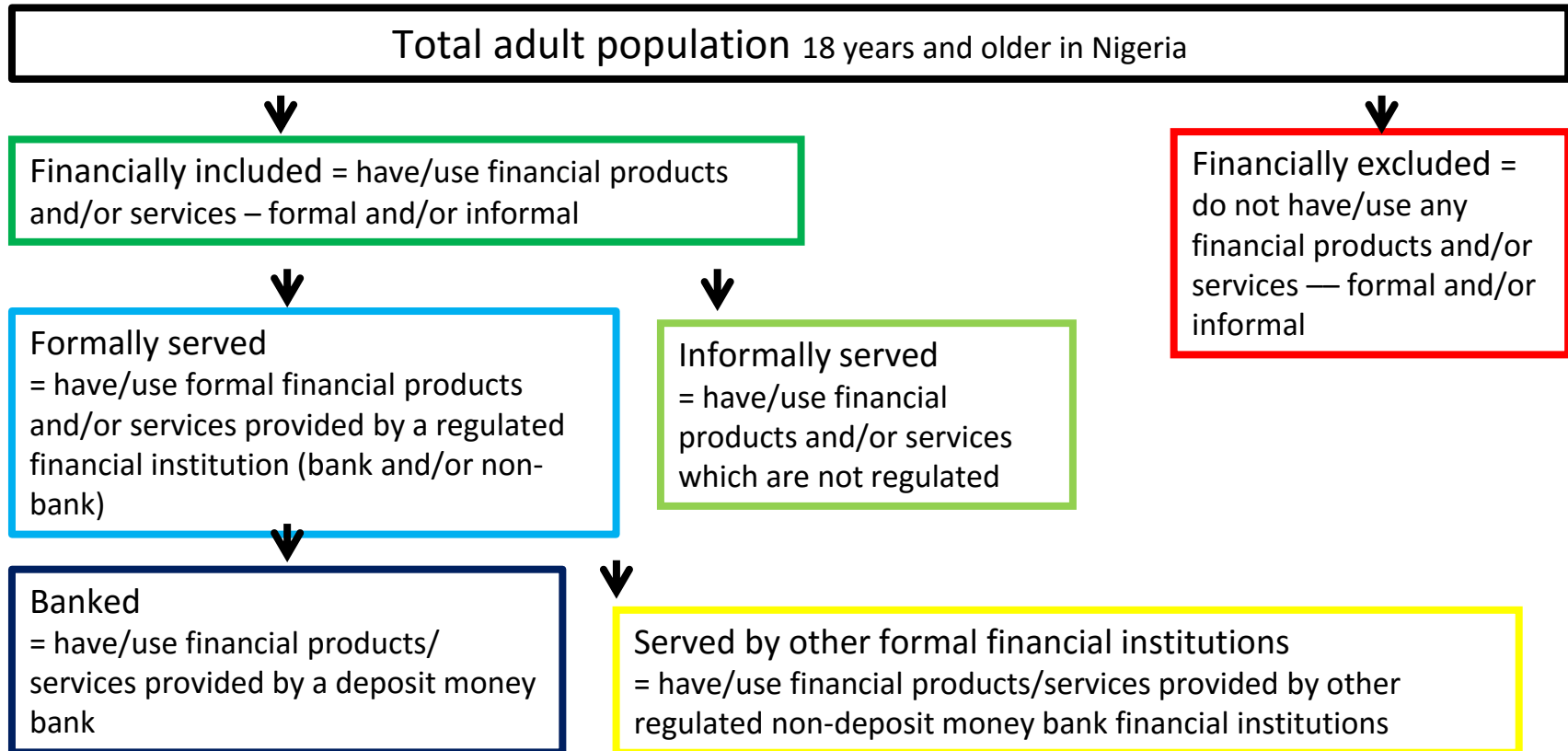
“Two years ago till now, times are generally hard, the country is not smiling at all, a lot of people are suffering because there is no money and things are expensive, no work, a lot of people are just staying at home doing nothing so I have not seen any changes up till now”
– Consensus among Focus Group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

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



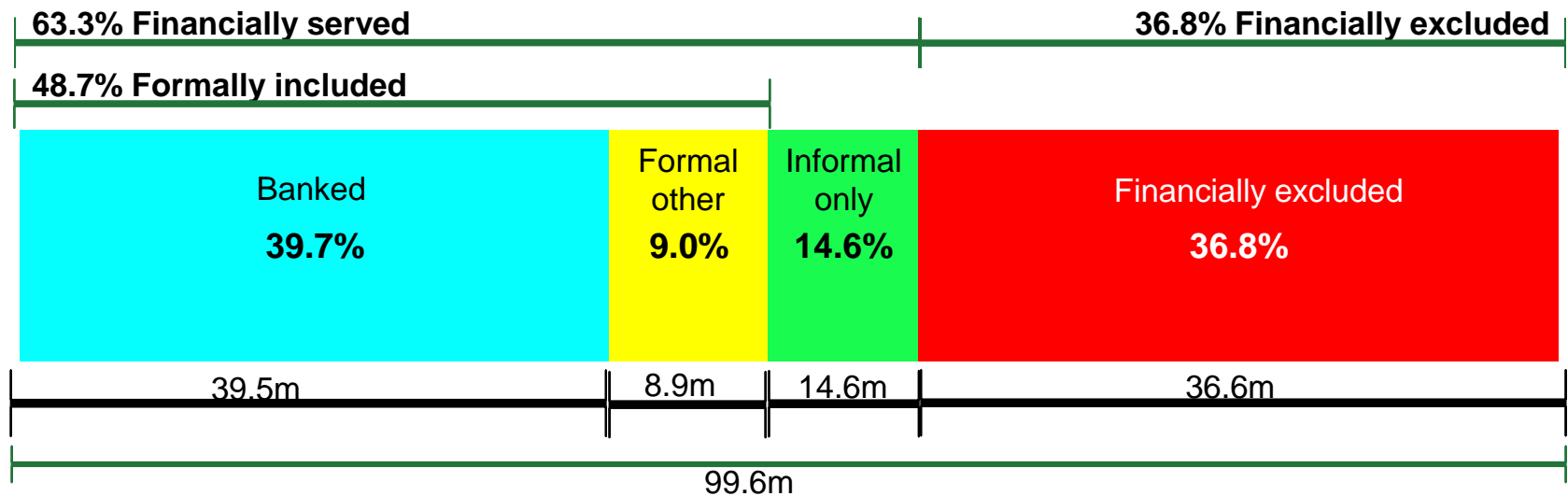
Financial Access of Nigerians

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

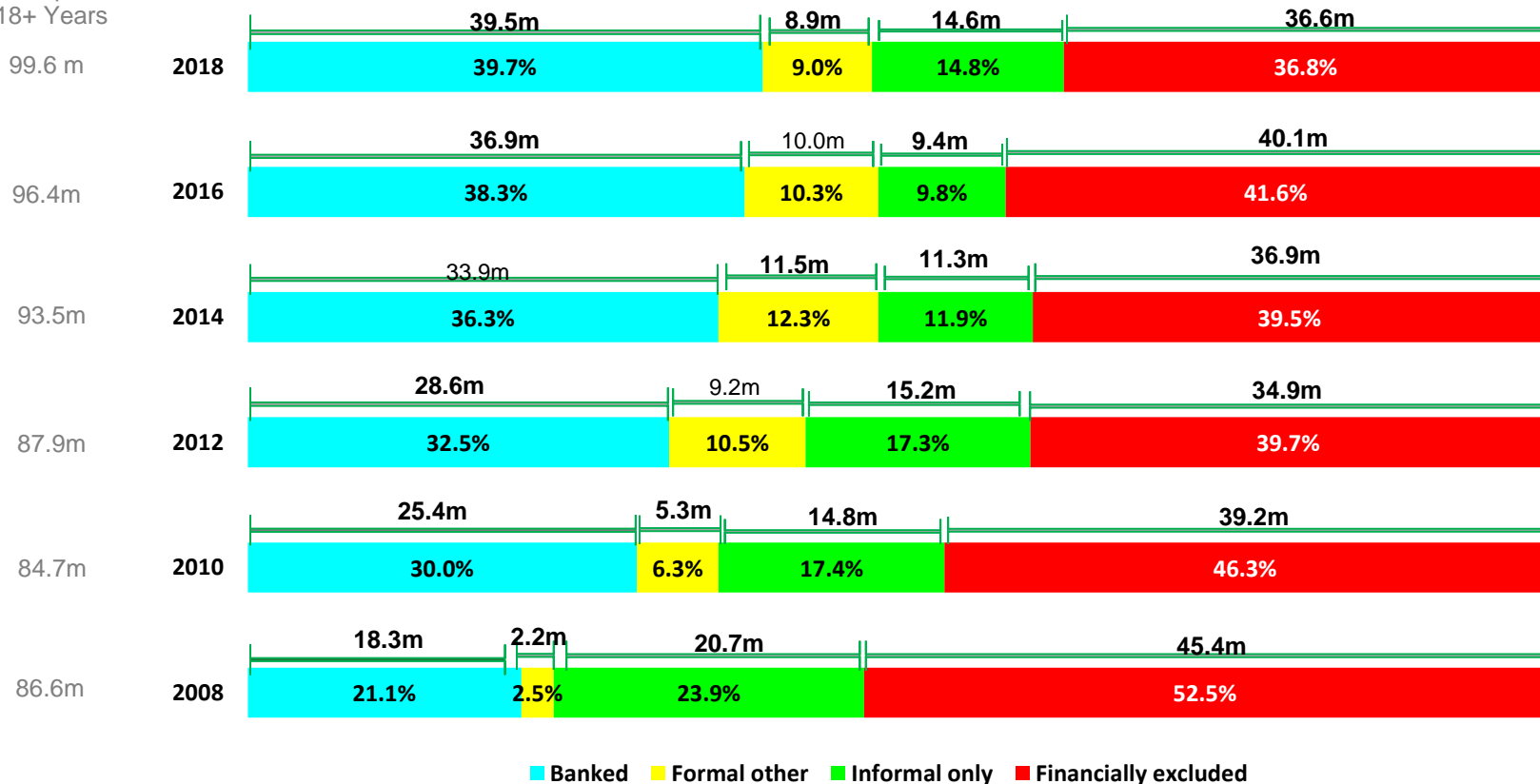


These four strands are mutually exclusive

Trends In Financial Access – 2008 to 2018

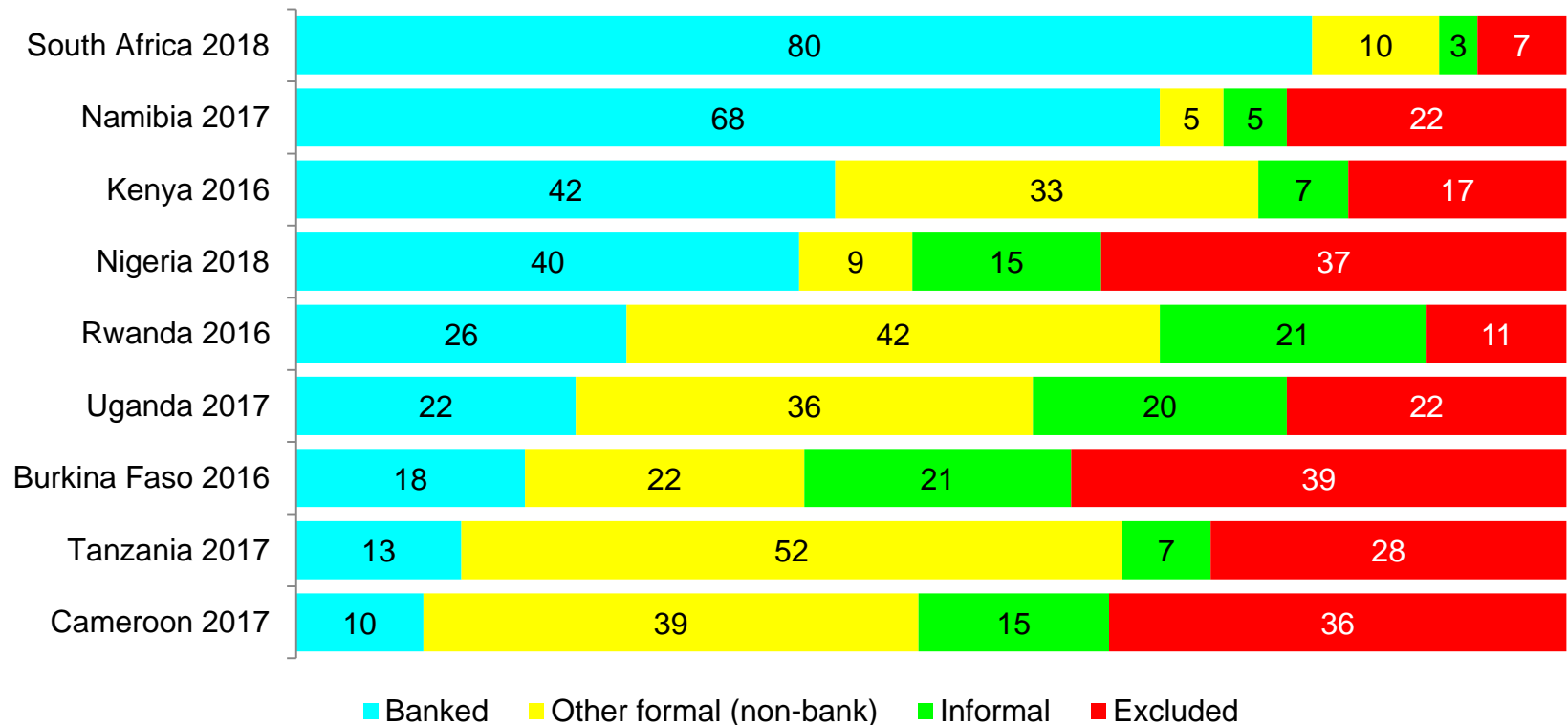
- The number of Nigerian adults that are banked has steadily increased over time, more than doubling since 2008

Adult Population
18+ Years



Comparison of financial access across Sub-Saharan Africa

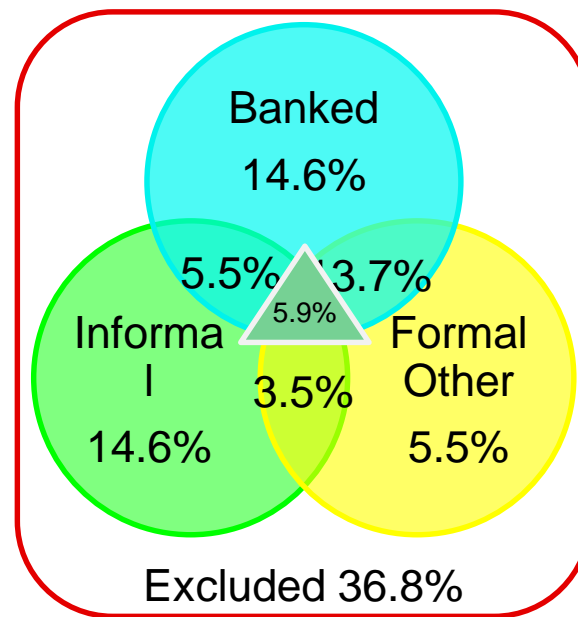
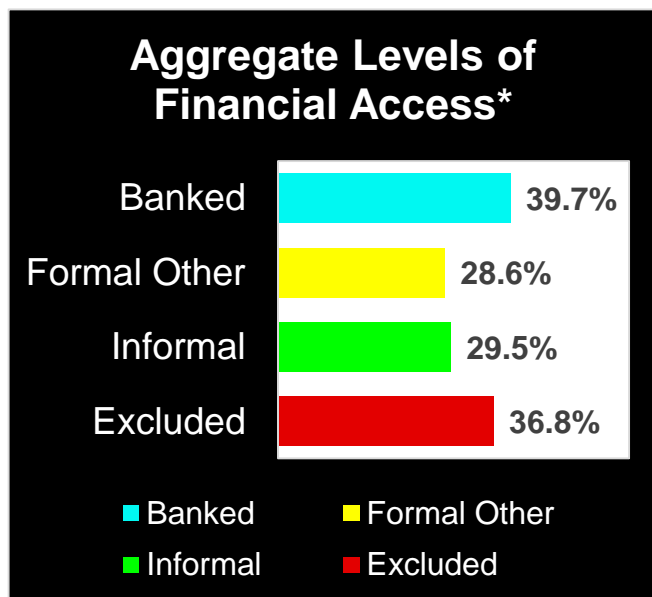
- Nigeria has a fairly large banked population (39.7%), but also a relatively high proportion of financially excluded at 37%



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

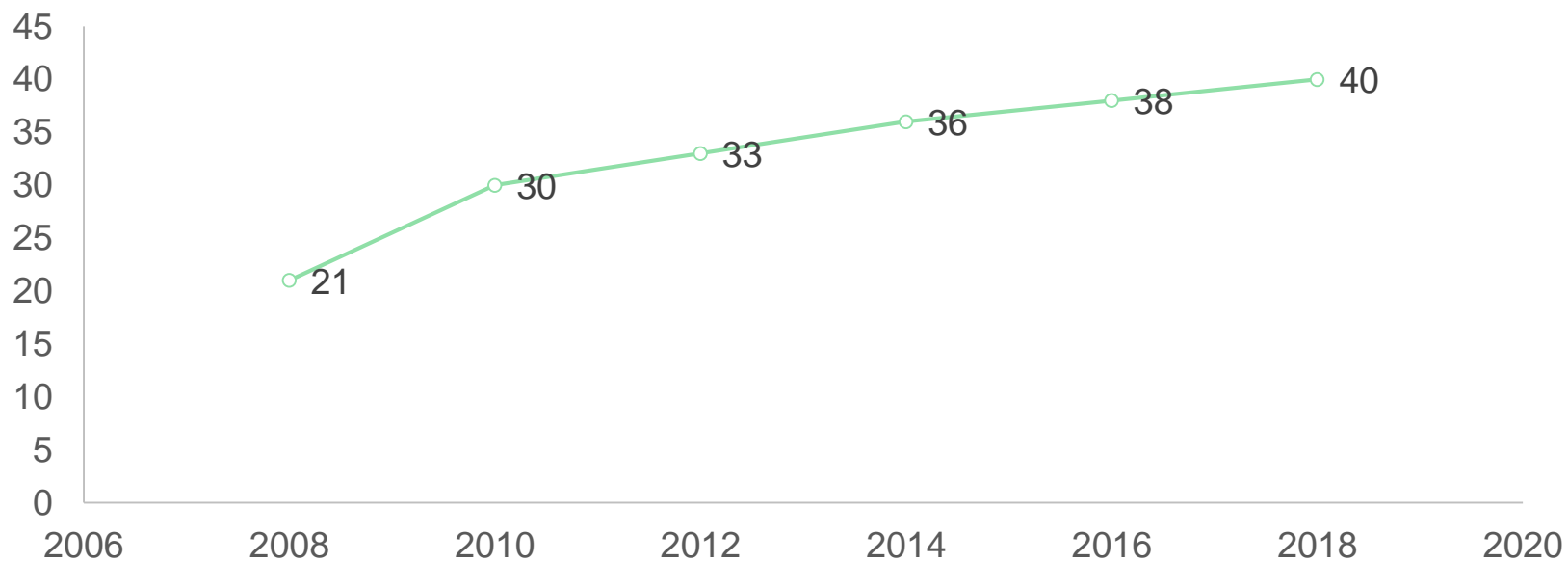


*Figures may include overlaps across access strands

Banking in Nigeria

The number of banked Nigerians has steadily increased since 2008

Number of Banked Adults in Nigeria (millions)

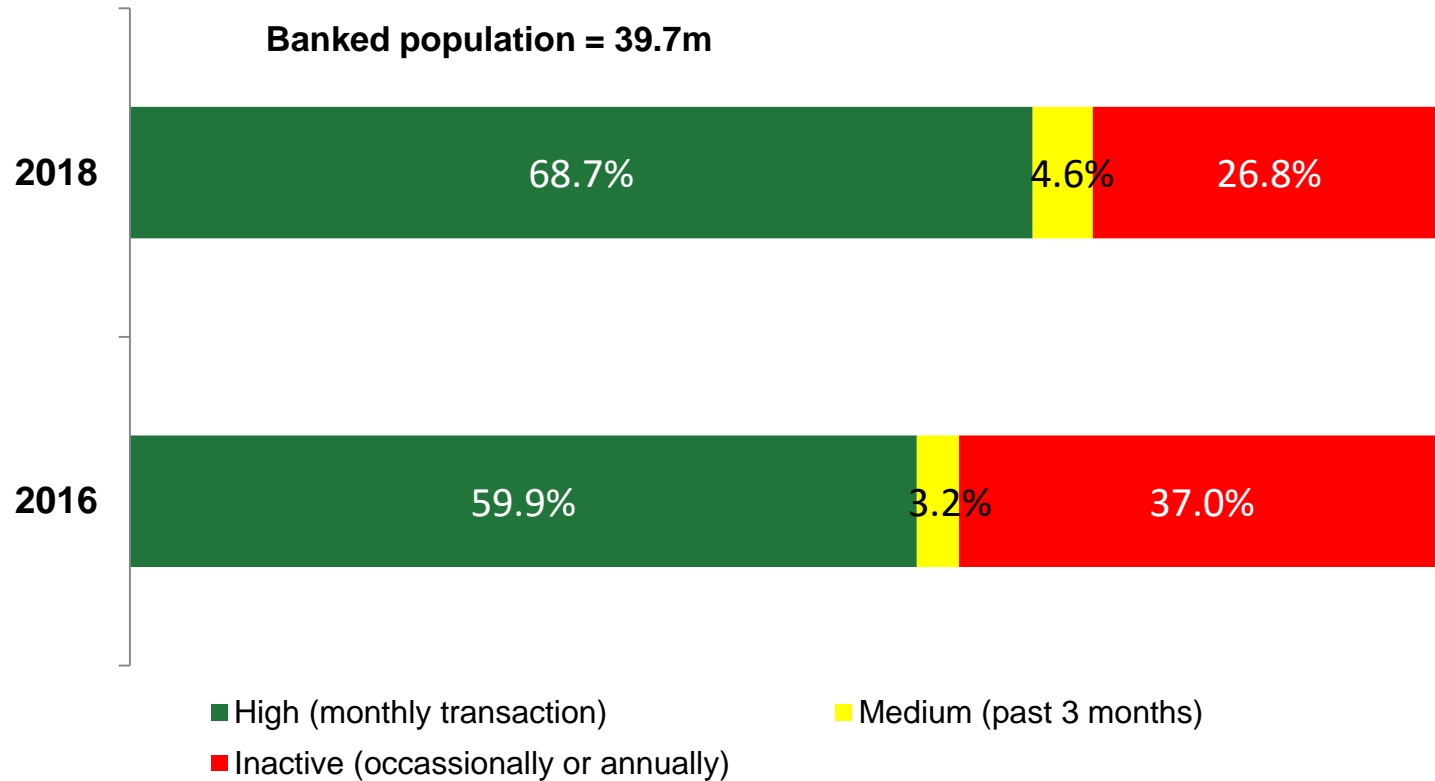


More banked Nigerians are making payments using banks; fewer are saving money with banks

Total population: 99.6 million

	2016	2018	Growth/ decline
Banked population	38.3%	39.8%	+1.4%
Remittances (send and receive)	24.2%	22.4%	-2.2%
Savings with a bank	27.7%	21.0%	-6.7%
Payments	12.1%	15.5%	+3.4%
Receive income	8.4%	9.7%	+1.3%
Loan with a bank	1.3%	1.3%	Stable
Banking agents	2.6%	3.3%	+0.6%

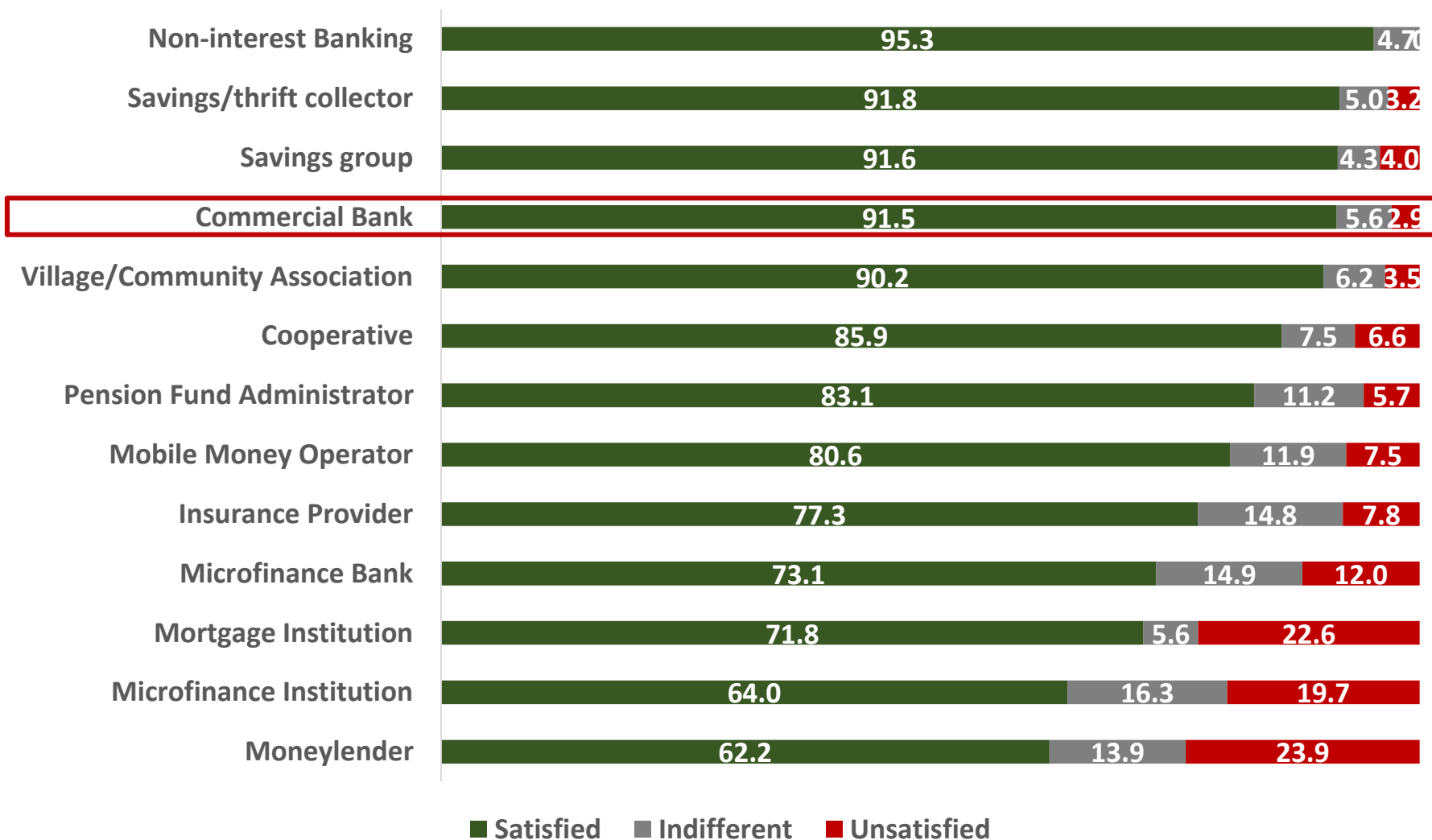
More banked Nigerians are using their bank accounts



- 68.7% of bank clients used at least one bank product during the month prior to the survey
- 4.6% used at least one product during the 6 months before the survey
- 26.8% of the banked adults have dormant account, meaning the account was not used in the 6 months prior to the survey

Most banked Nigerians are satisfied with their bank accounts

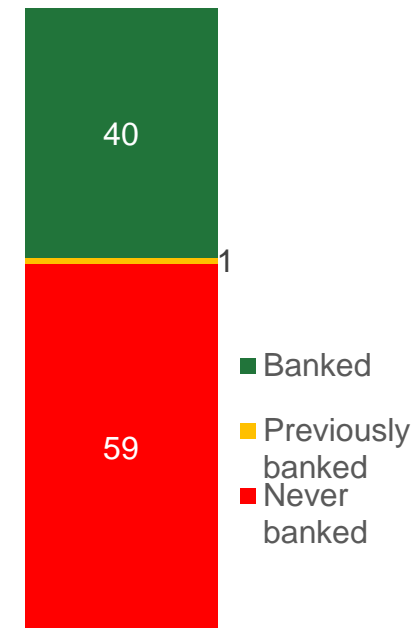
How satisfied are you with the following financial services?
Percentage of adults that use that service



Growth in bank accounts between 2016 and 2018 is about 2.6 million

	2018	2016
No. of banked adults in Nigeria	39 513 972	36 938 460
No. of previously banked adults in Nigeria	1 489 133	[not available]
No. of never banked adults in Nigeria	58 650 356	[not available]
No. of unbanked adults in Nigeria	60 139 489	59 472 988
Total population size	99 653 461	96 411 448

Banking status

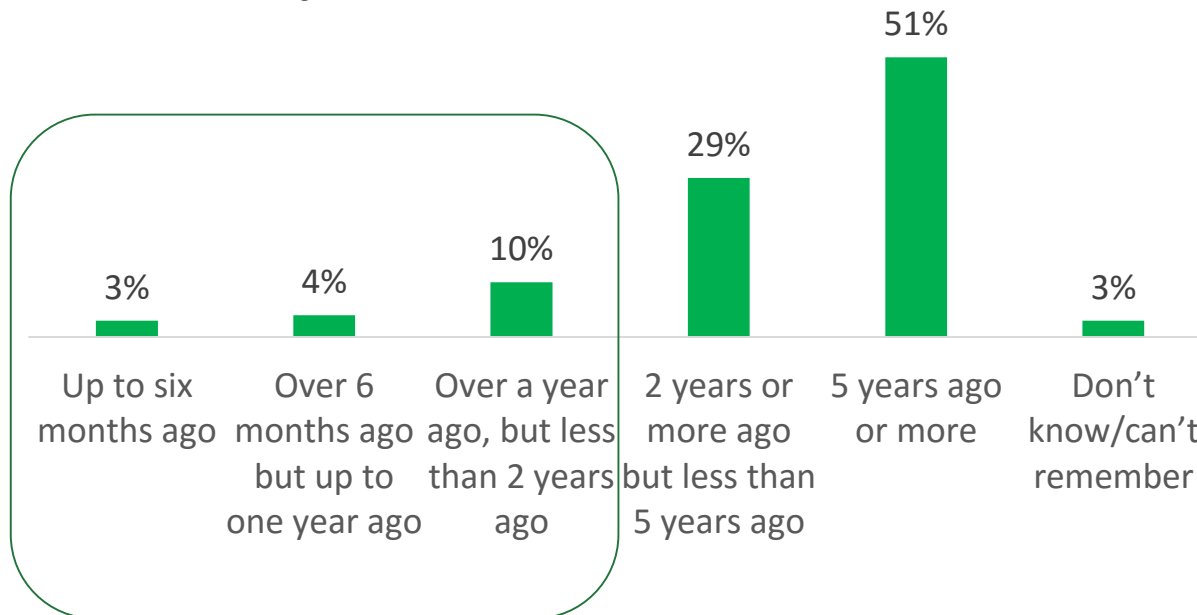


- About 6 million adults opened new bank accounts between 2016 to 2018
- 1.5 million adult are lapsed banking account holders
- 2.6 million growth recorded



About 6.3 million adults open new bank accounts since 2016

When did you open your bank account?
Percentage of banked adults



- About 17% of the banked population came into the system between 2016 and 2018
- Adults with BVN went up from 30m in 2016 to 36m in 2018

Where is the growth coming from?



Tracking the banked market

What is the take-up across groups?

		Banked in 2016	Banked in 2018
Geopolitical Zone			
South East	%	54	50
South - South	%	45	51
South - West	%	62	58
North - Central	%	35	40
North - East	%	19	22
North - West	%	14	17
Sector			
Urban	%	61	61
Rural	%	24	28
Gender			
Male	%	46	46
Female	%	30	33
Age			
18 – 19 years	%	15	20
20 – 25 years	%	31	35
26 – 35 years	%	44	44
36 – 45 years	%	46	46
46 – 55 years	%	39	41
56 years plus	%	34	36

		Banked in 2016	Banked in 2018
Main source of income			
Formal sector	%	92	93
Informal Sector	%	59	59
Farming	%	17	22
Own business	%	40	43
Money from others	%	26	27

It seem the intervention to have innovative products focusing to the vulnerable groups are starting to pay off:

- Growth driven by farmers and small business owners
- Rural
- Young adults (3.2m)

About 1.5 million adults fell out the banking system (previously banked population)

	Total Population	Previously banked in 2018
Geopolitical Zone	%	%
South – East	12	23
South - South	16	22
South - West	22	27
North - Central	14	11
North - East	12	3
North - West	23	12
Sector		
Urban	37	37
Rural	63	63
Gender		
Male	50	58
Female	50	42
Age		
18 – 19 years	7	5
20 – 25 years	20	10
26 – 35 years	30	26
36 – 45 years	20	19
46 – 55 years	11	14
56 years plus	13	27

	Total Population	Previously banked in 2018
Main source of income	%	%
Formal sector	8	3
Informal Sector	5	7
Farming	23	21
Own business	40	48
Money from others	22	20

People who churned out of the banking system since 2017 are likely to be:

- Residing in Southern zones
- Both rural and urban
- Male
- Older than 55%, and
- Business owners

Profile of the unbanked population

	Total Population	Unbanked in 2018
Geopolitical Zone	%	%
South – East	12	10
South - South	16	13
South - West	22	15
North - Central	14	14
North - East	12	16
North - West	23	31
Sector		
Urban	37	24
Rural	63	76
Gender		
Male	50	45
Female	50	55
Age		
18 – 19 years	7	9
20 – 25 years	20	22
26 – 35 years	30	28
36 – 45 years	20	18
46 – 55 years	11	11
56 years plus	13	13

	Total Population	Unbanked in 2018
Main source of income	%	%
Formal sector	8	1
Informal Sector	5	3
Farming	23	31
Own business	40	38
Money from others	22	26

Unbanked population more likely to be:

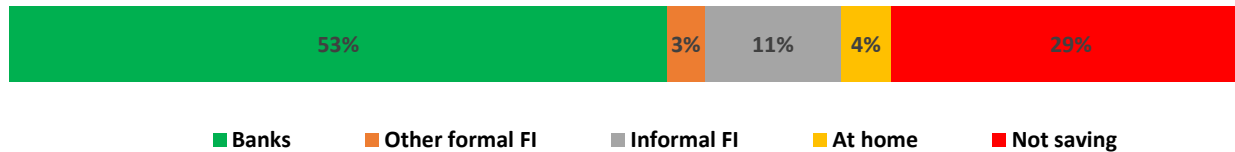
- Residing in North West and North East Zones
- Rural
- Female
- Aged between 18 – 25 years, and
- Main source of income from farming and other people

Managing Savings, Credit and Remittances

Banked Nigerians (39.5 million)

- Although 31% of banked Nigerians are borrowing money, most are not borrowing from banks

Savings



What did you mainly save/put money aside for?

Emergencies	48%
Day to day household needs	8%
Personal needs	5%
School fees	7%

Credit



What did you mainly borrow for?

Start/expand a business	23%
food/clothing	14%
medical expenses	6%
buy fertilizer/stock/seeds	8%
help family/friends	7%
education	14%

Domestic Remittances

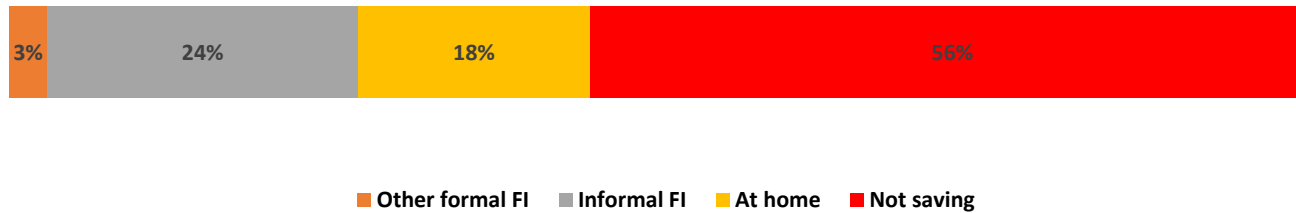


For what reason have you sent/received money

	Received	Sent
Personal Use	61%	56%
School fees	5%	12%
Business	11%	9%
Unexpected expenses	6%	7%
Food	5%	5%
Assist others during emergencies	3%	6%

Unbanked Nigerians (60.1 million)

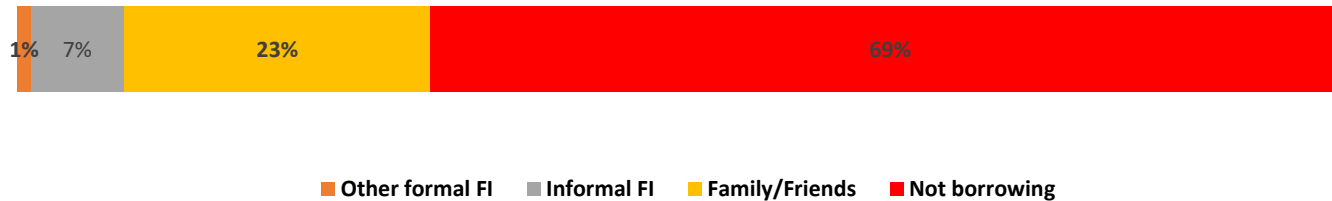
Savings



What did you mainly save/put money aside for?

Emergencies	45%
Day-2-Day household needs	14%
Personal needs	6%
School fees	5%

Borrowing



What did you mainly borrow for?

Start/expand a business	20%
food/clothing	23%
medical expenses	12%
buy fertilizer/stock/seeds	13%
buy household goods	7%
help family/friends	8%

Domestic Remittances



For what reason have you sent/received money

	Received	Sent
Personal Use	63%	47%
Food	13%	11%
school fees	4%	10%
Unexpected expenses	7%	9%
Business	6%	8%
Assist others during emergencies	4%	9%

Financially Excluded Nigerians (36.6million)

Savings



■ At home ■ Not saving

What did you mainly save/put money aside for?

Emergencies	41%
Day-2-Day household needs	22%
Personal needs	9%
School fees	4%

Credit



■ Family/Friends ■ Not borrowing

What did you mainly borrow for?

Start/expand a business	11%
food/clothing	29%
medical expenses	13%
buy fertilizer/stock/seeds	13%
buy household goods	10%
education	5%

Domestic Remittances



■ Family/Friends ■ Not remitting

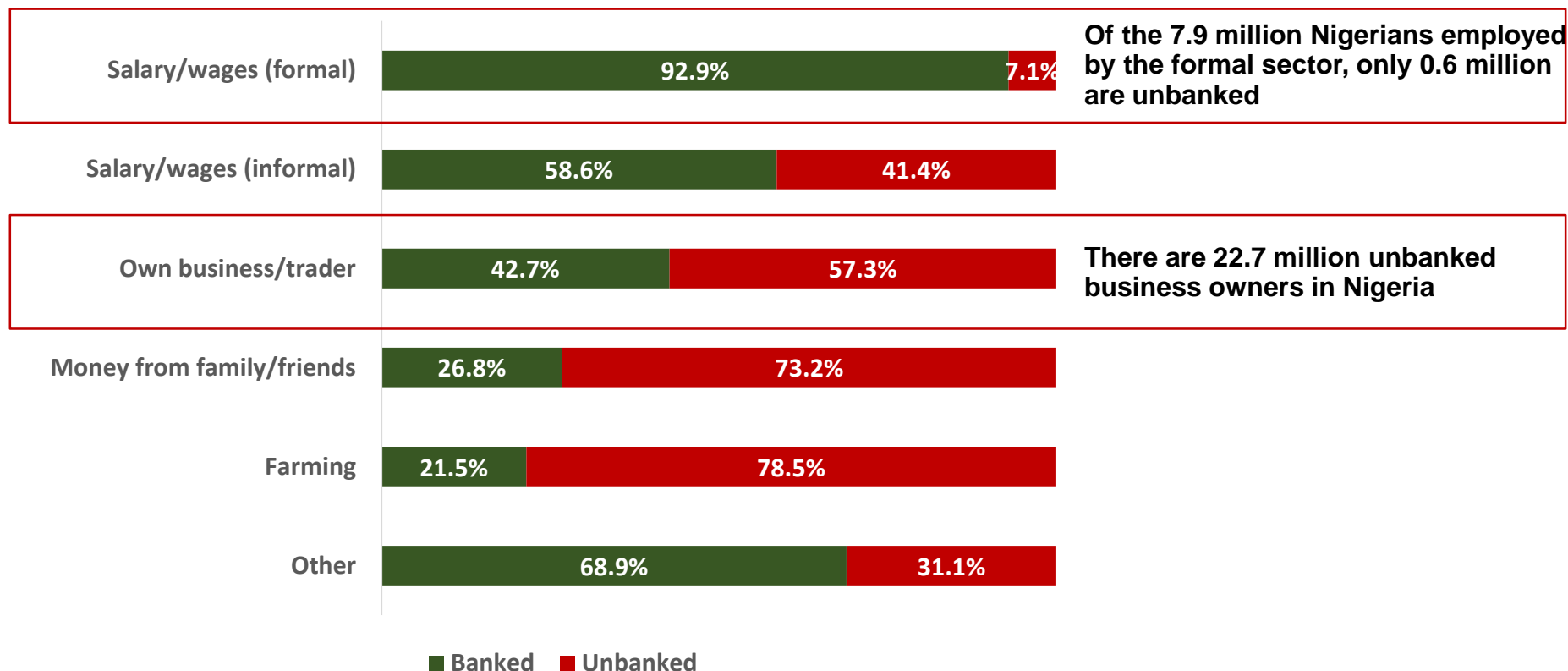
For what reason have you sent/received money

	Received	Sent
Personal Use	69%	50%
School fees	4%	10%
Business	2%	6%
Unexpected expenses	5%	9%
Food	13%	14%
Assist others during emergencies	3%	6%

How Deposit Money Banks can Drive Financial Inclusion ... and Revenue

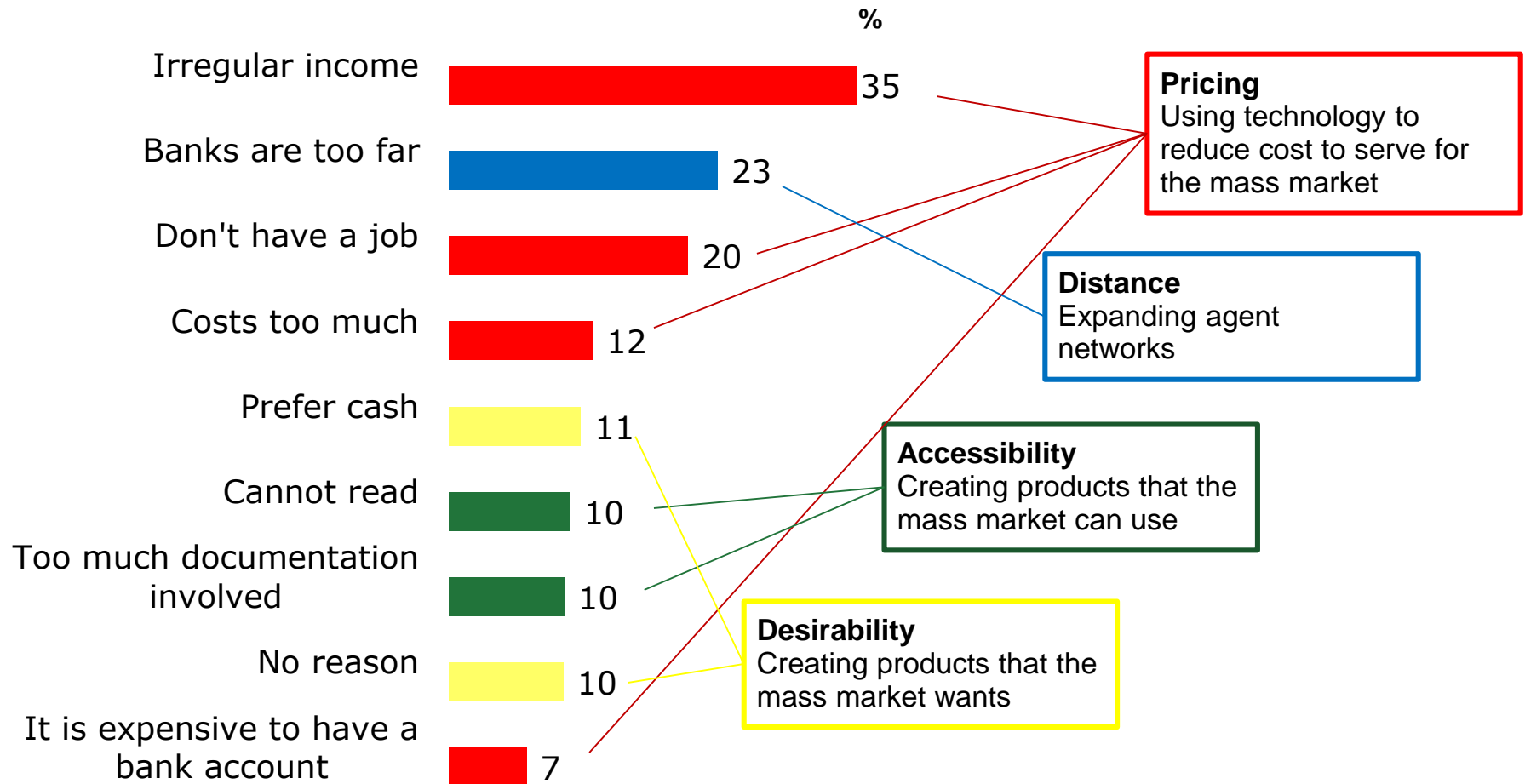
The banking market for Nigerians employed in the formal sector is largely saturated

Banking status by primary source of income



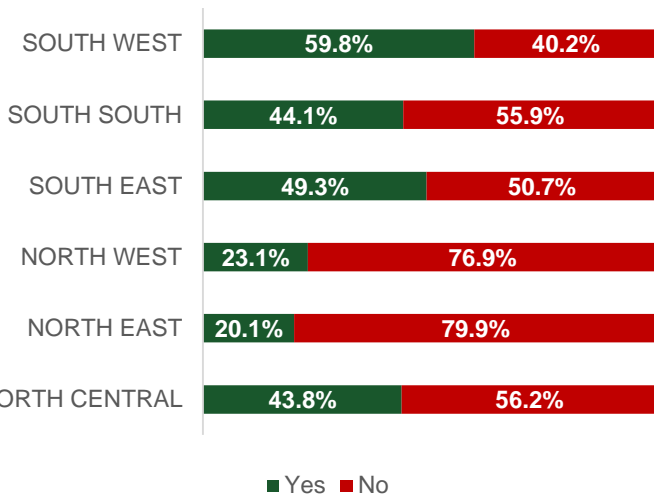
To reach the unbanked, we must address multiple obstacles...

What are the main reasons why you don't use banks?
Percentage of unbanked adults, multiple responses possible

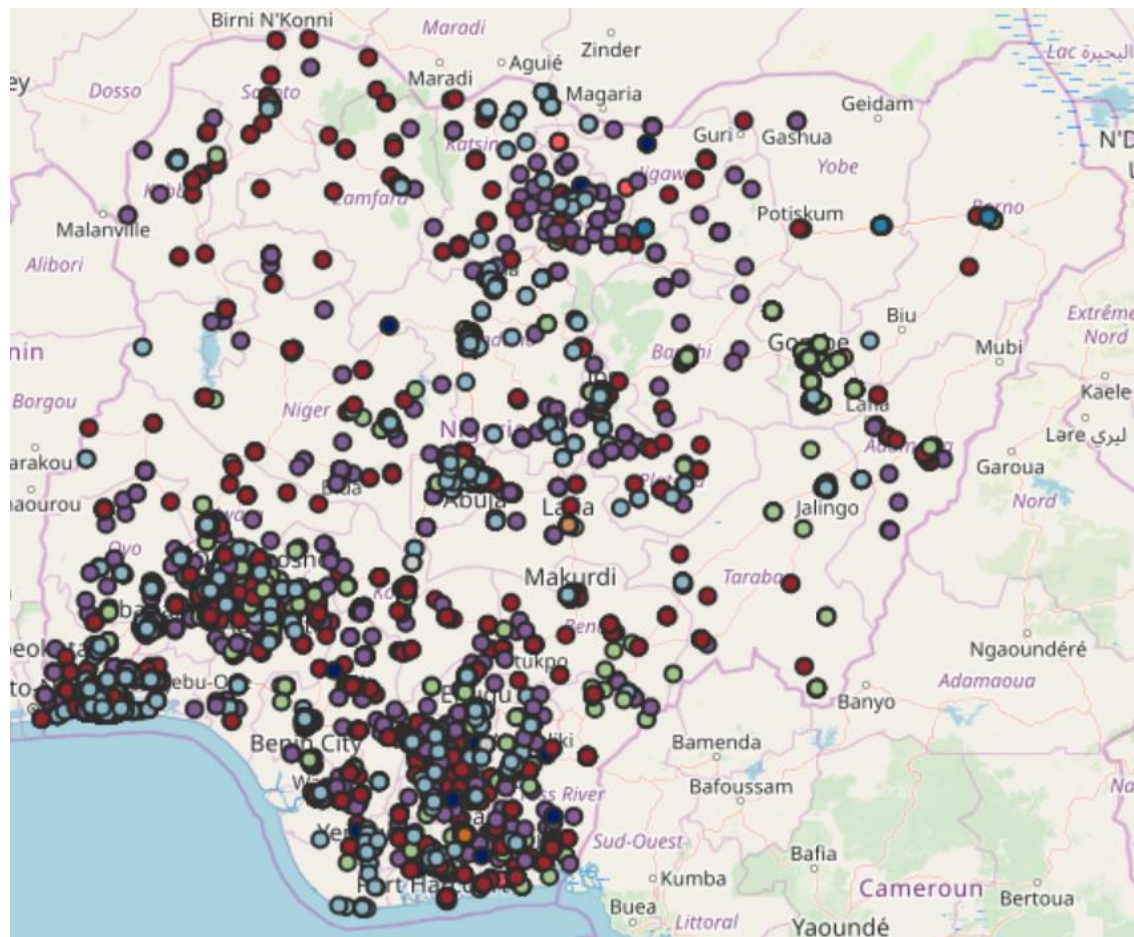


Lack of financial access points is still an obstacle for reaching the unbanked

Percentage of adults in each geopolitical zone that are aware of any financial access point near their home



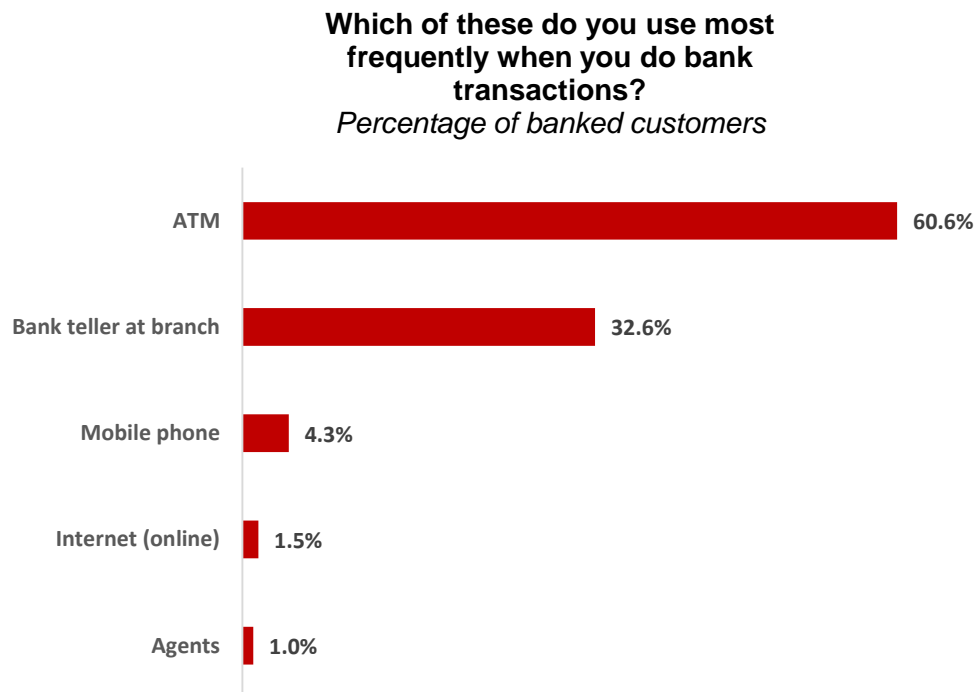
Financial Access Points in Nigeria
(bank branches, MFBs, MFIs, ATMs, agents, etc)



Source: www.fspmmaps.com (2015 data)

Use of bank agents has grown slightly but remains low

- 8.0% of banked adults say that they have used a bank agent in the past 12 months, although only 1% say that a bank agent is their most frequent channel for bank transactions
- Among those that are banked but have not used a bank agent in the past 12 months, only 3.4% (1m) are aware of a bank agent close to where they live

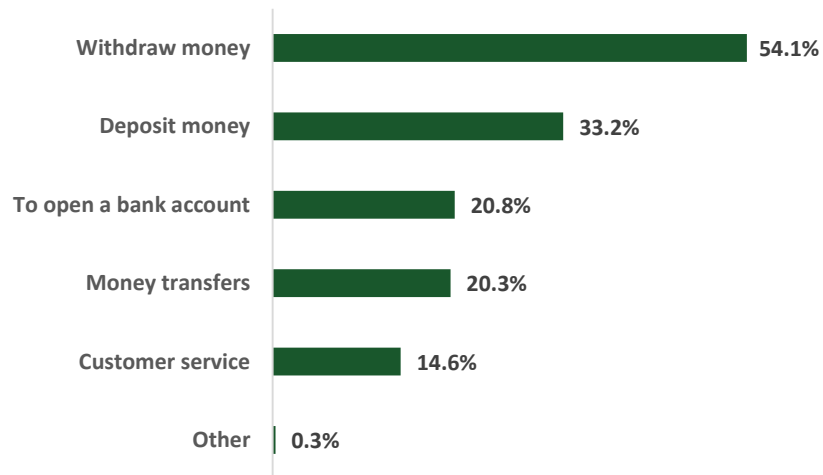


Nigerians mostly use bank agents for reasons of convenience

- Banked adults mostly use agents to withdraw and deposit money
- The main reasons cited for using agents relate to convenience, although some also use agents based on quality of service, personal relationships, and for price reasons

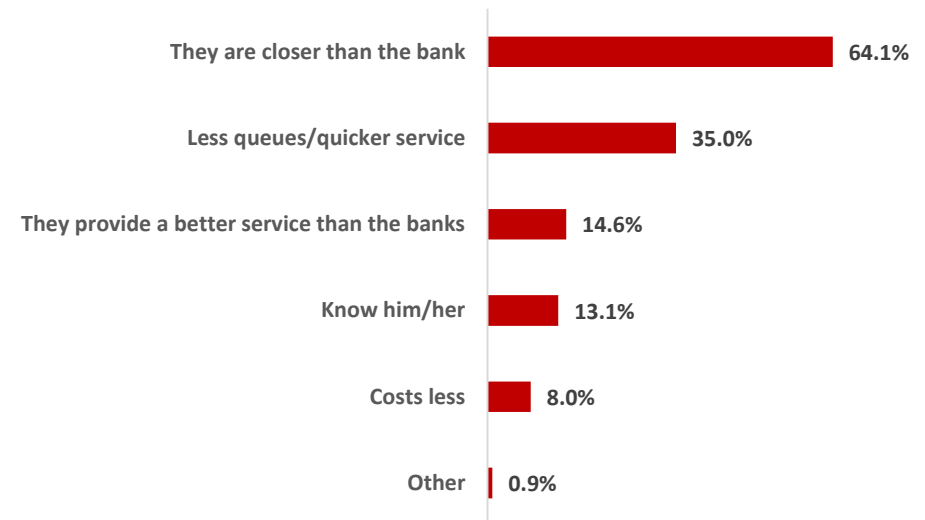
What do/did you use the bank agent for?

Percentage of adults that have used a bank agent in the past 12 months. Multiple responses possible

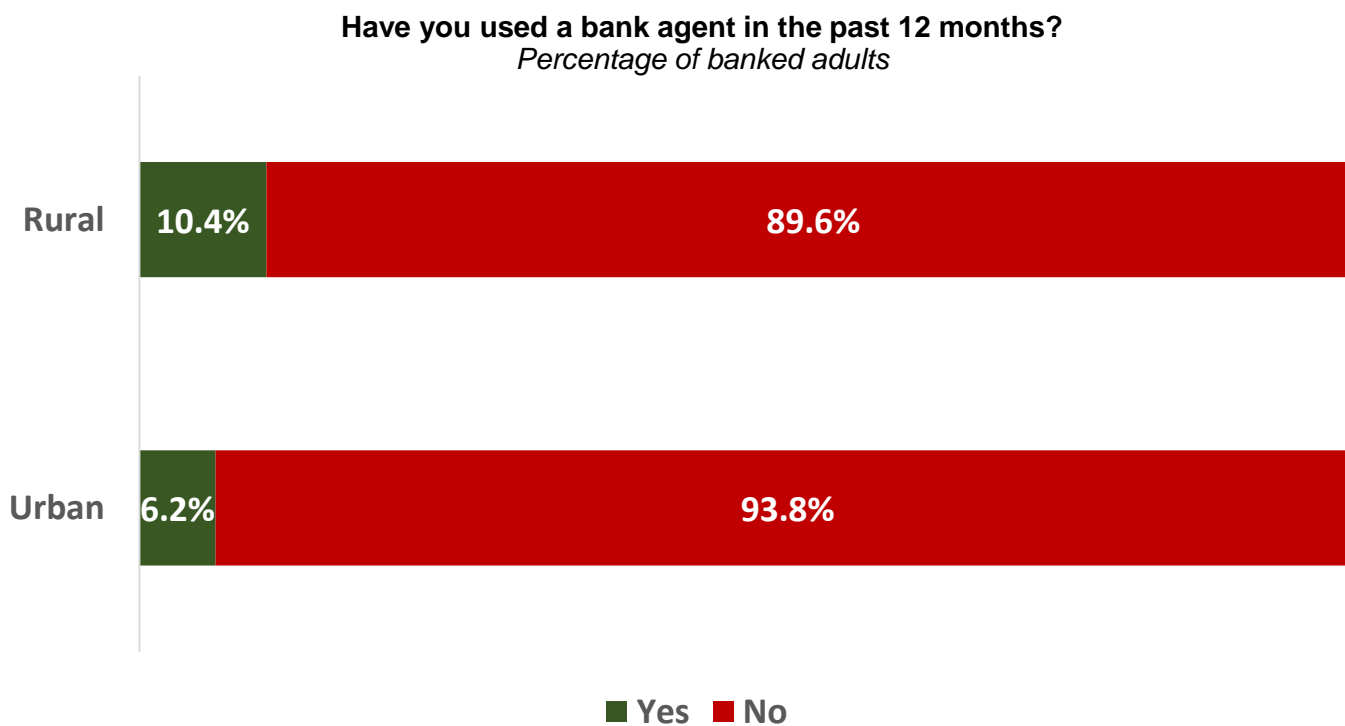


Why do/did you use a bank agent?

Percentage of adults that have used a bank agent in the past 12 months. Multiple responses possible



Bank agents are used more frequently by rural customers



Nigerians will be inclined to use agents that are..



Relatable

Trustworthy

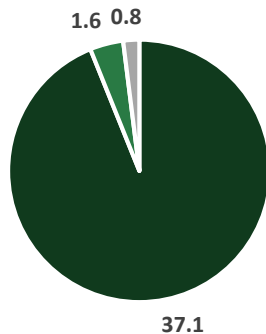
Easily
accessible

Visible in
the
community

Almost all banked adults, and the majority of unbanked adults, own or use a mobile phone

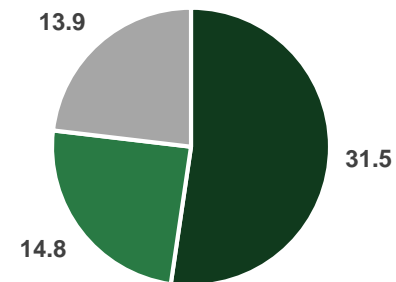
- 98% of banked adults either own a mobile phone or use a mobile phone that belongs to someone else
- 77% of unbanked adults (46.2 million) either own or use a mobile phone
- Think about designing services to reach the 1.6 million banked adults and nearly 15 million unbanked adults that do not own a phone, but use a phone that belongs to someone else
- 91% of banked adults and 73% of unbanked adults say that they are prepared to learn how to use new technology

Mobile Phone Use - Banked
Number of Banked Adults (millions)



- Own a mobile phone
- Do not own, but use a mobile phone owned by someone else
- Do not own or use a mobile phone

Mobile Phone Use - Unbanked
Number of Unbanked Adults (millions)

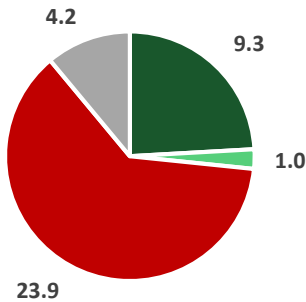


- Own a mobile phone
- Do not own, but use a mobile phone owned by someone else
- Do not own or use a mobile phone

Some banked customers are transacting via USSD channels and internet banking

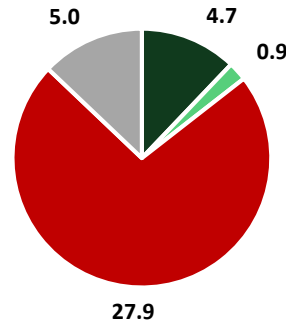
- Use of mobile money remains low, although it has grown since 2016

Use Bank USSD Codes (eg *120*)
Number of banked adults (millions)



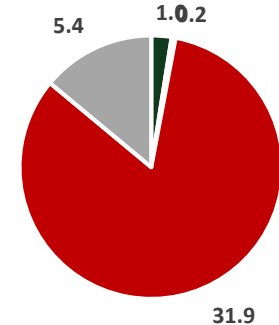
- Have /use it now
- Used to have it in the past 12 months
- Never had it
- N/A or do not know

Use Internet Banking
Number of banked adults (millions)



- Have /use it now
- Used to have it in the past 12 months
- Never had it
- N/A or do not know

Use Mobile Money
Number of banked adults (millions)



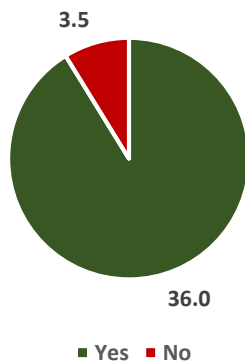
- Have /use it now
- Used to have it in the past 12 months
- Never had it
- N/A or do not know

Both banked and unbanked express some interest in learning new technology and using mobile money

Banked

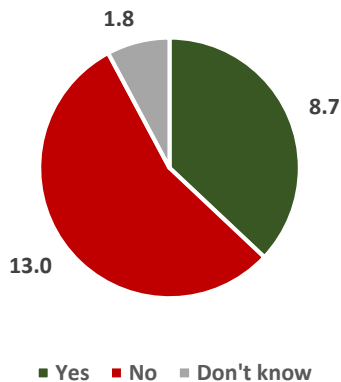
Are you prepared to learn how to use new technology?

Number of banked adults (millions)



Would you be interested in mobile money?

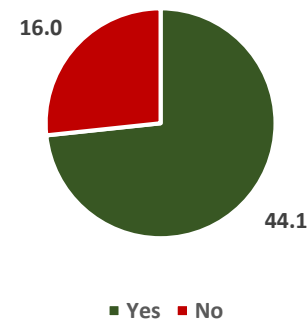
Number of banked adults (millions)



Unbanked

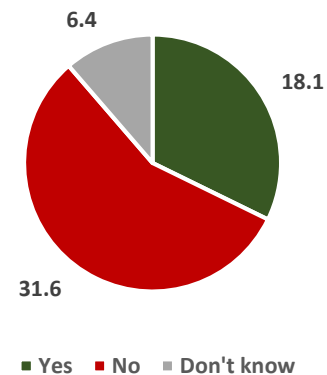
Are you prepared to learn how to use new technology?

Number of unbanked adults (millions)



Would you be interested in mobile money?

Number of unbanked adults (millions)



Unbanked Nigerians think banks are not for them

Financially excluded and informally served Nigerians participating in focus group discussions expressed the sentiment that banks are “too formal”, “for the elites/educated/gainfully employed” and “lacking human face”

PERCEIVED BENEFITS OF BANKS

- Safety of funds – not prone to theft
- Access to multiple channels of transacting - seamless banking methods via ATM, Mobile App, mobile banking, SMS banking



PERCEIVED ISSUES AND CONCERNS

Concerns about safety of deposits

- Worries that money will be lost if banks go bankrupt

Inconvenient

- Long queues, slow ATM service due to poor internet connection
- Proximity challenge – some rural areas do not have banks within their communities

The processes

- Bank processes are prone to human error – wrong signature, identification cards, wrong account details, poor network, fraud
- Lack of transparency in the processes

Fees

- High/hidden bank charges – eg, card maintenance, renewal, etc.

Difficulty in accessing loan

- Perceptions that customers get only what is saved
- Impractical criteria for eligibility

Poor customer service



Perceptions of Banks Among Unbanked



All these banks are for the government workers and the educated people, we here do not have enough money to feed not to talk about savings”

Financially Excluded, Gombe rural



Sometimes you see a lot of queue at the ATM and they will say there is no network so they cannot withdraw money so I think you may not get your money back”

Formally Excluded, Consensus



Like for me I have dreams for my business, there is a limit I want to push my business to and when I reach that limit I will need bank account or POS for people to be paying me”

Informal, Benue urban



The network in this area is very poor so even when you have money in bank you cannot have access to it at any given time”

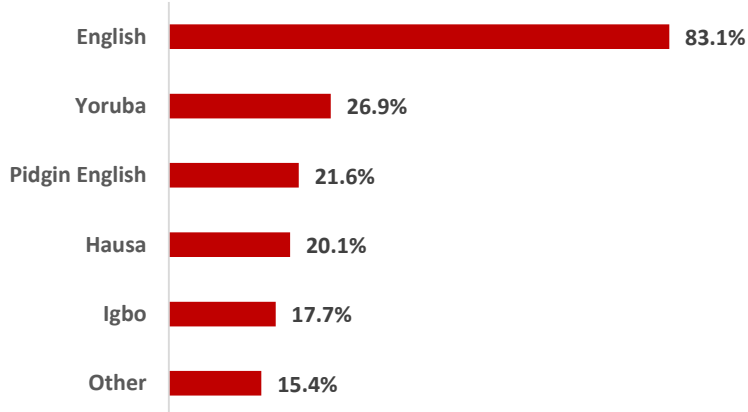
Consensus, Ondo

The majority of banked customers can speak and read English; the majority of unbanked customers cannot

Banked

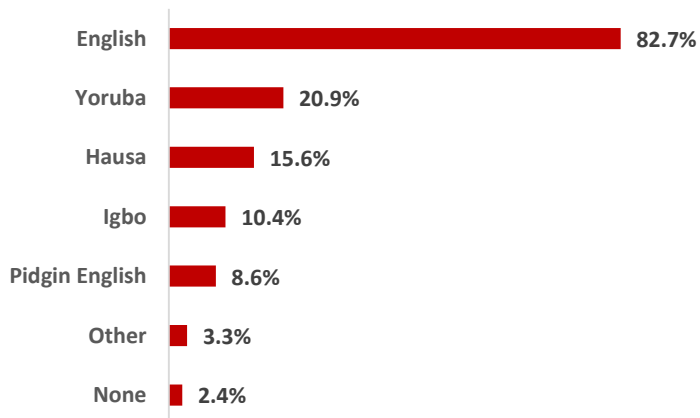
Which language(s) can you speak fluently?

Percentage of banked adults



Which language(s) can you read comfortably?

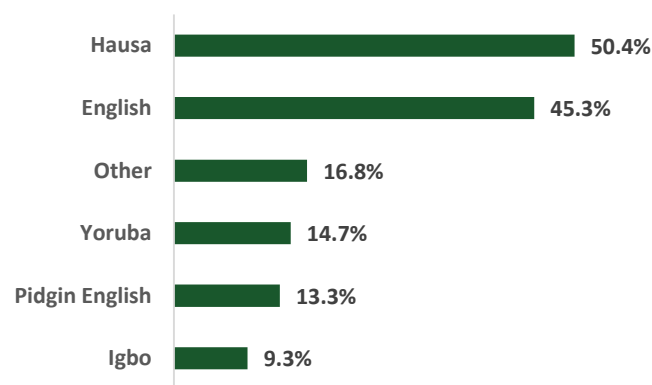
Percentage of banked adults



Unbanked

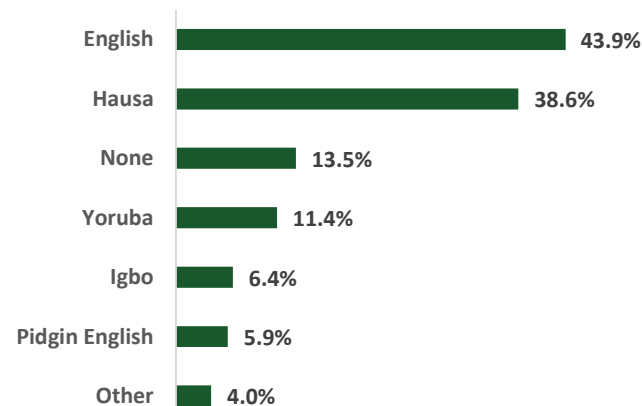
Which language(s) can you speak fluently?

Percentage of unbanked adults



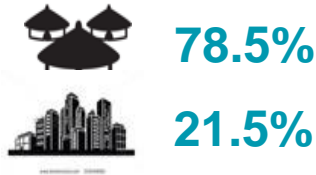
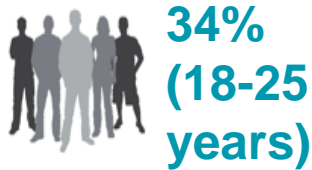
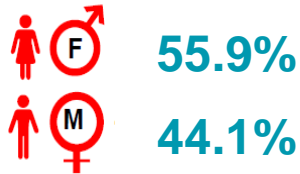
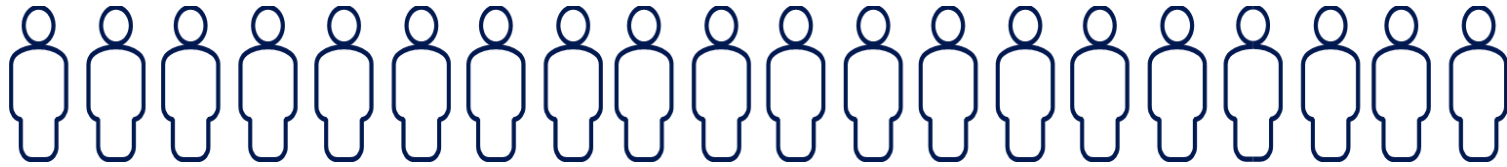
Which language(s) can you read comfortably?

Percentage of unbanked adults



Profile of the Financially Excluded

36.6 Million Adult Nigerians (18 years and older) are financially excluded



North West
38.4%
North East
18.3%

Median income **N15,000**



71.3% have or use a mobile phone



23.5%

Small scale farming



37.3% can read English comfortably



22.4%

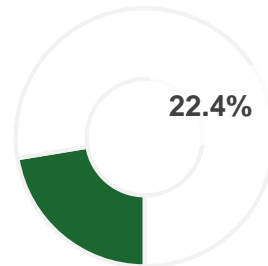
Save money at home

- Not aware of mobile money (95.9%)
- Not aware of banking agents (89.4%)
- No access to any financial institution (76%)

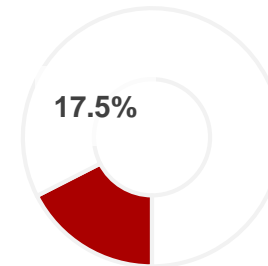
Profile of the Financially Excluded

	Excluded Population
	36,640,750
Income	
Below N15000	37.2%
N15000 – N35,000	26.3%
N35001 – N55,000	5.5%
N55,001 – N75,000	1.7%
More than 75,000	1.6%
Refused	9.8%
Don't know	17.9%
Highest Level of Education	
Primary School	23.4%
Secondary School	34.7%
University/ OND/ HND	1.9%
Post University	0.2%
Non-formal education	20.2%
No education	19.4%

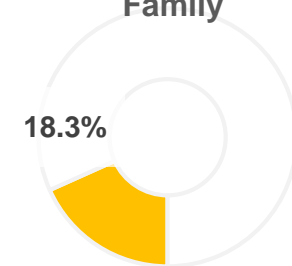
**Saved
(Past 12 Months)**



**Borrowed (Past
12 Months)**



**Received money
from Friends/
Family**



Trends in financial access

- Use of bank services has steadily increased since 2008
- Although banks are commonly used for saving and sending/receiving money, other important financial needs, such as payments and credit, are managed largely outside of the formal financial system
- Although access to financial services for the nation as a whole has expanded over the past 10 years, significant differences in financial access persist between different regions and demographic groups
- Most banked and unbanked Nigerians own or use a mobile phone, although many unbanked do not live near any bank branch, agent or other financial access point

Opportunities

- Use of digital financial services provides an opportunity to reach the mass market with financial products that are desirable to end users, technically feasible and economically viable
 - Informal and cash-based financial behaviours of Nigerians demonstrate that there is a large, latent market for products like microsavings and microcredit
 - To achieve significant market uptake, banks must design user-centric solutions, keeping in mind the specific needs of various market segments such as youth, women, and Nigerians in different regions
- Deploying agent networks at scale is essential to expanding reach to the unbanked population
- Banks can partner with other providers (insurance providers, fintechs, etc) to increase their value proposition to customers and deepen financial inclusion

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

Contact

info@efina.org.ng

Website

www.efina.org.ng