

Perspectives from the EFInA Access to Financial Services in Nigeria 2018 Survey: Retirement Savings

**Financial Inclusion Secretariat's Stakeholder's Forum
with the Pension Sector**

**Esaie Diei, CEO, EFInA
March 14, 2019**

- **Background**
- **Nigeria at a Glance**
- **Financial Access of Nigerians**
- **Use of Savings and Pension**
- **Opportunities for Expanding Use of Pensions**

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

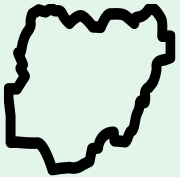
- To describe the levels of financial inclusion (i.e. levels of access to financial products and services – both formal and informal)
- To describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- To identify the drivers of, and barriers to financial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



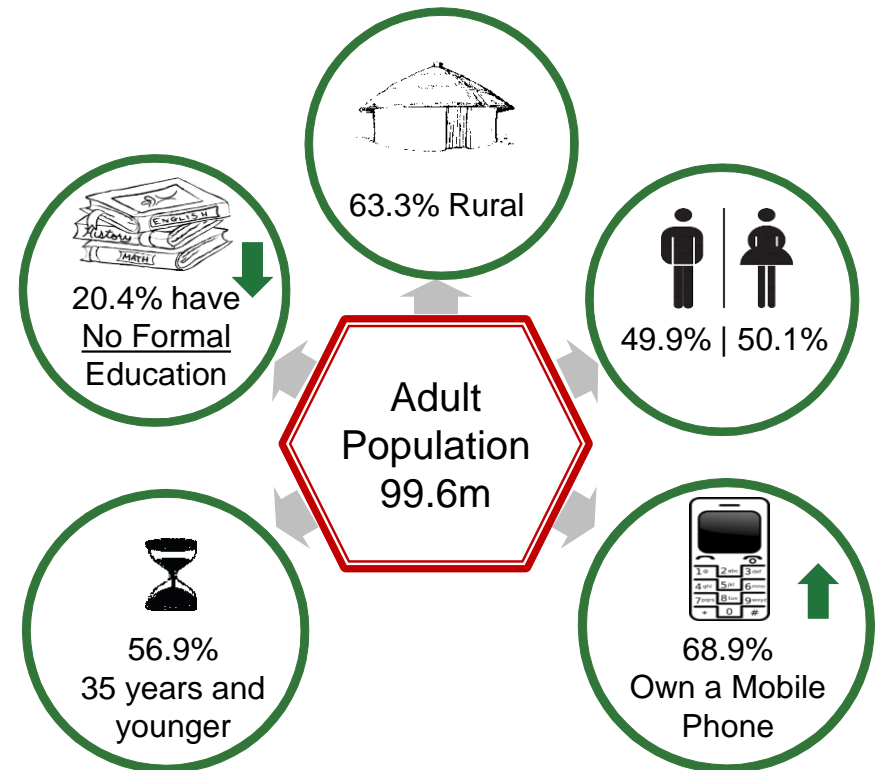
Nigeria at a Glance

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

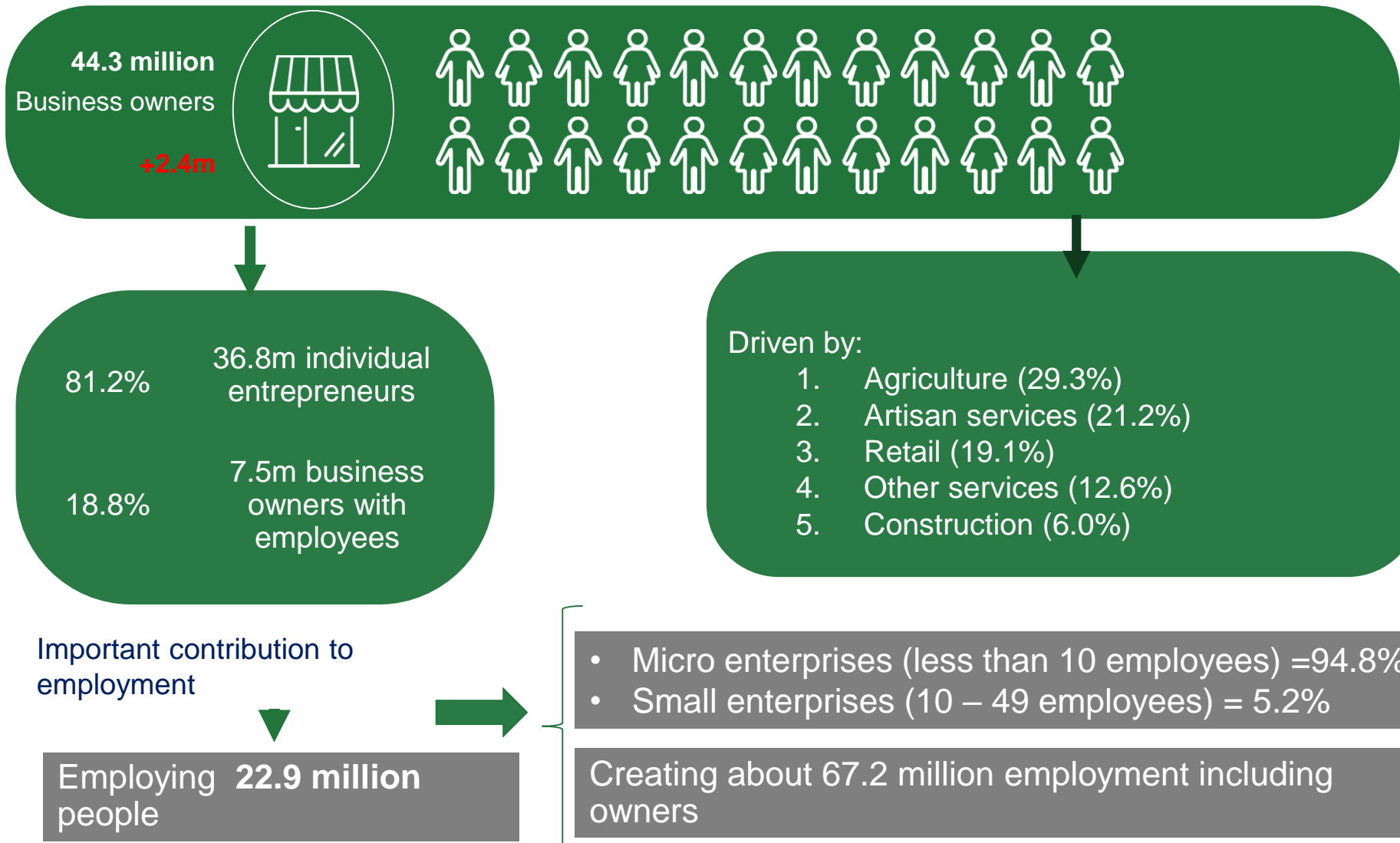


53.4%
-8.2%

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

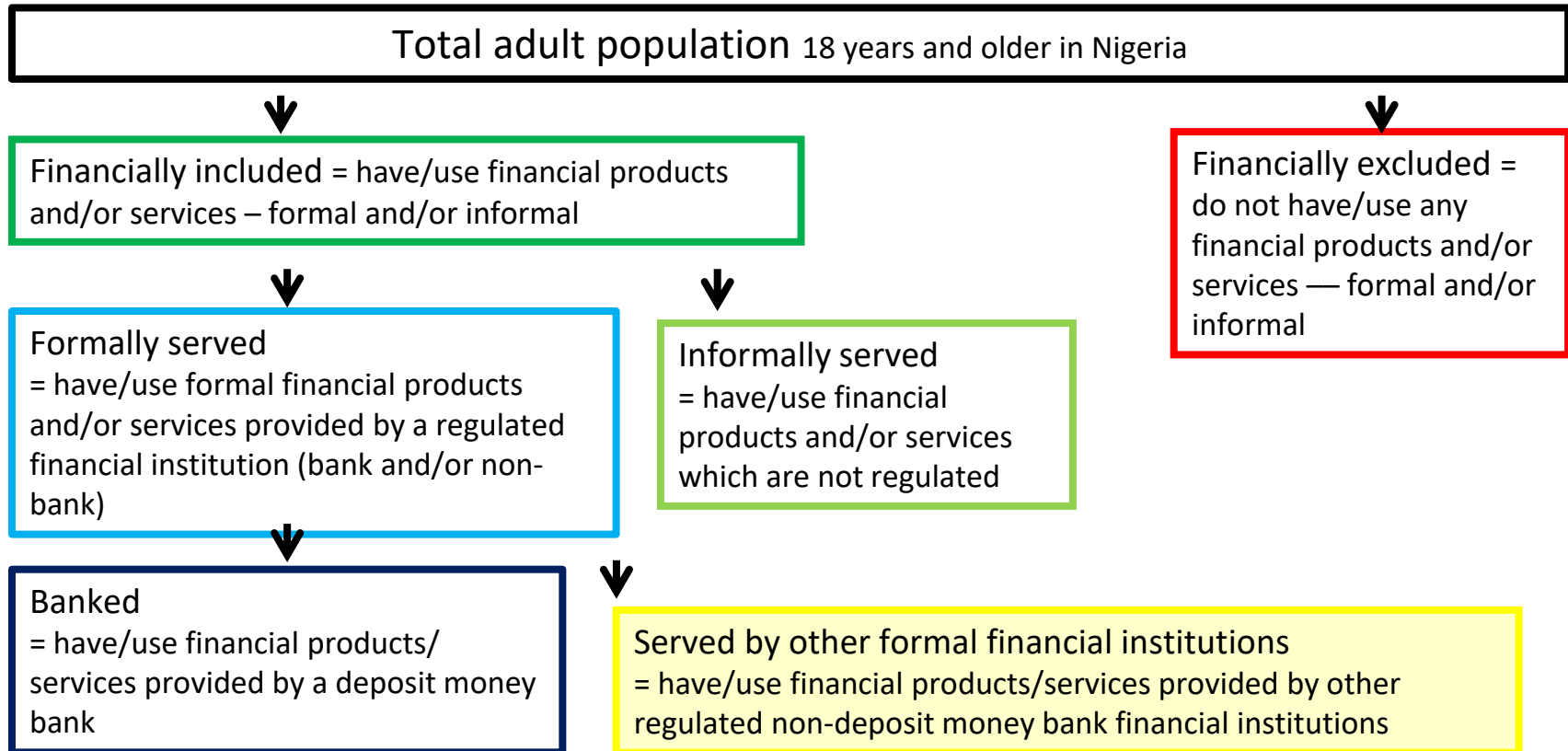
Slow economic recovery has resulted in more small businesses, largely in agriculture





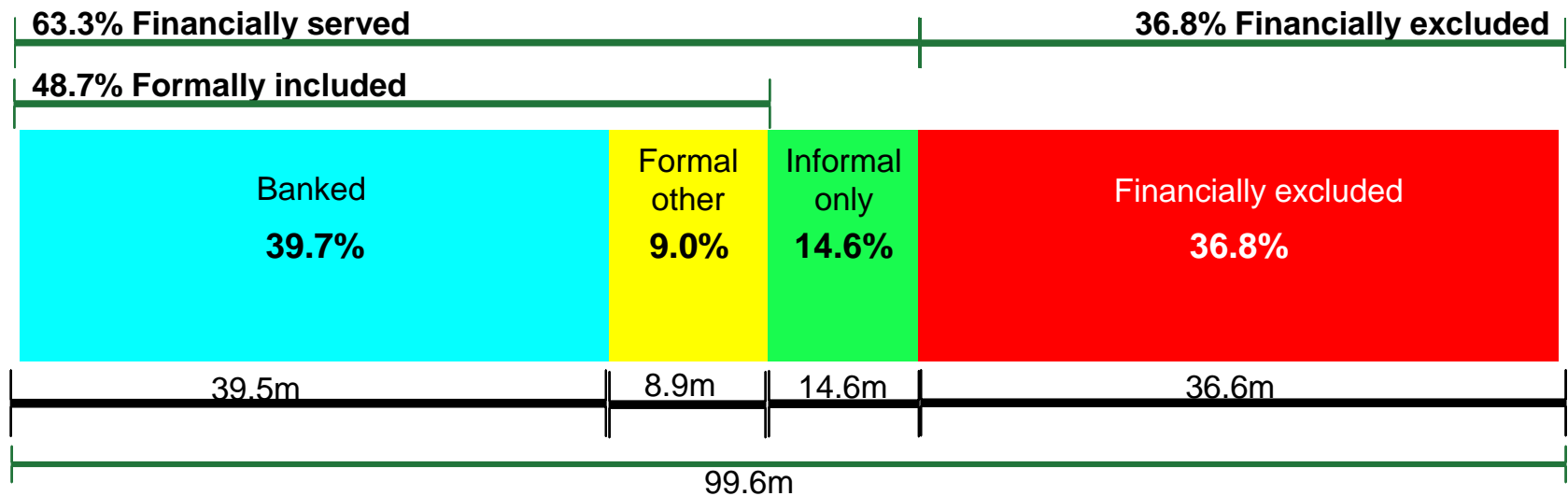
Financial Access of Nigerians

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

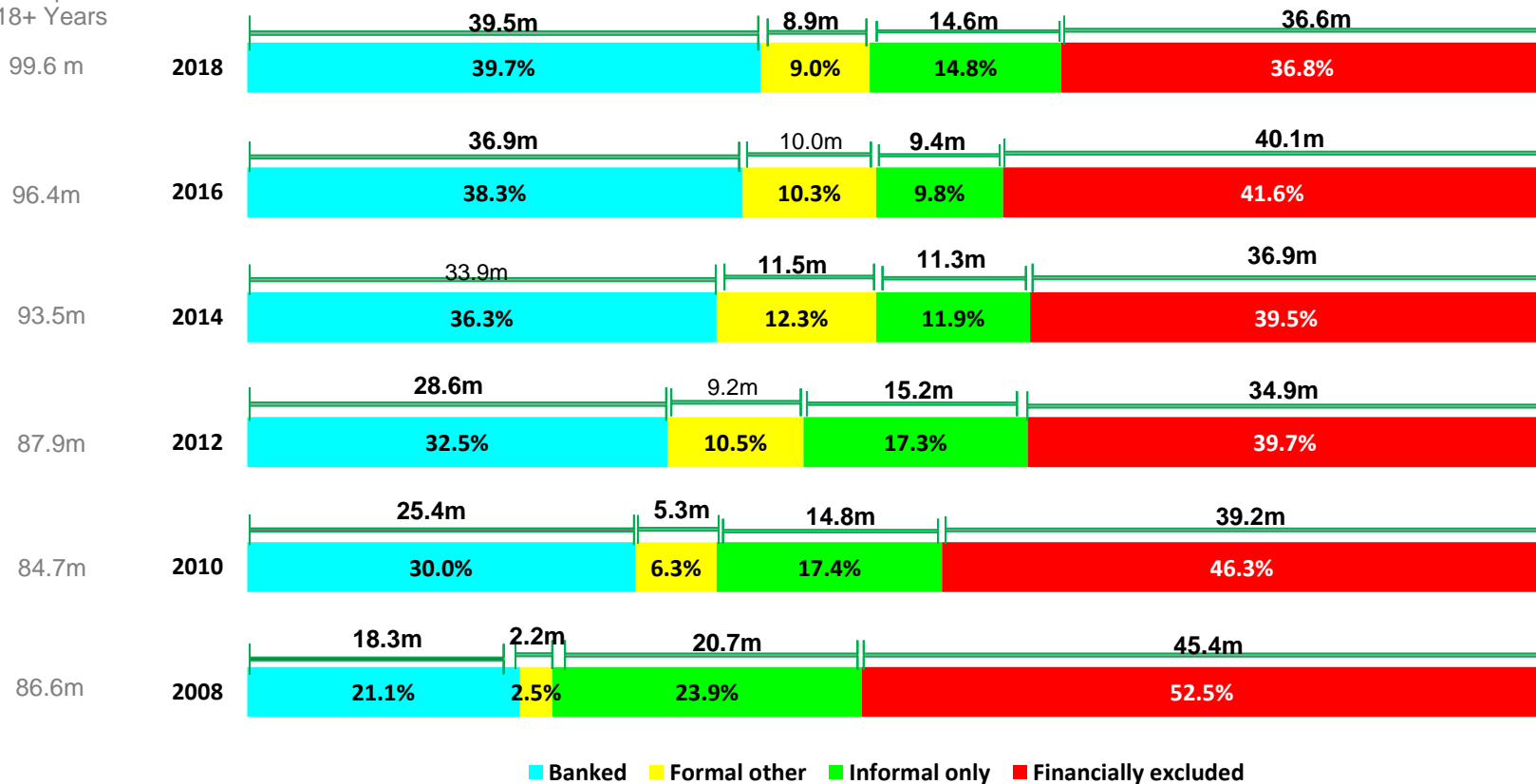


These four strands are mutually exclusive

Trends In Financial Access – 2008 to 2018

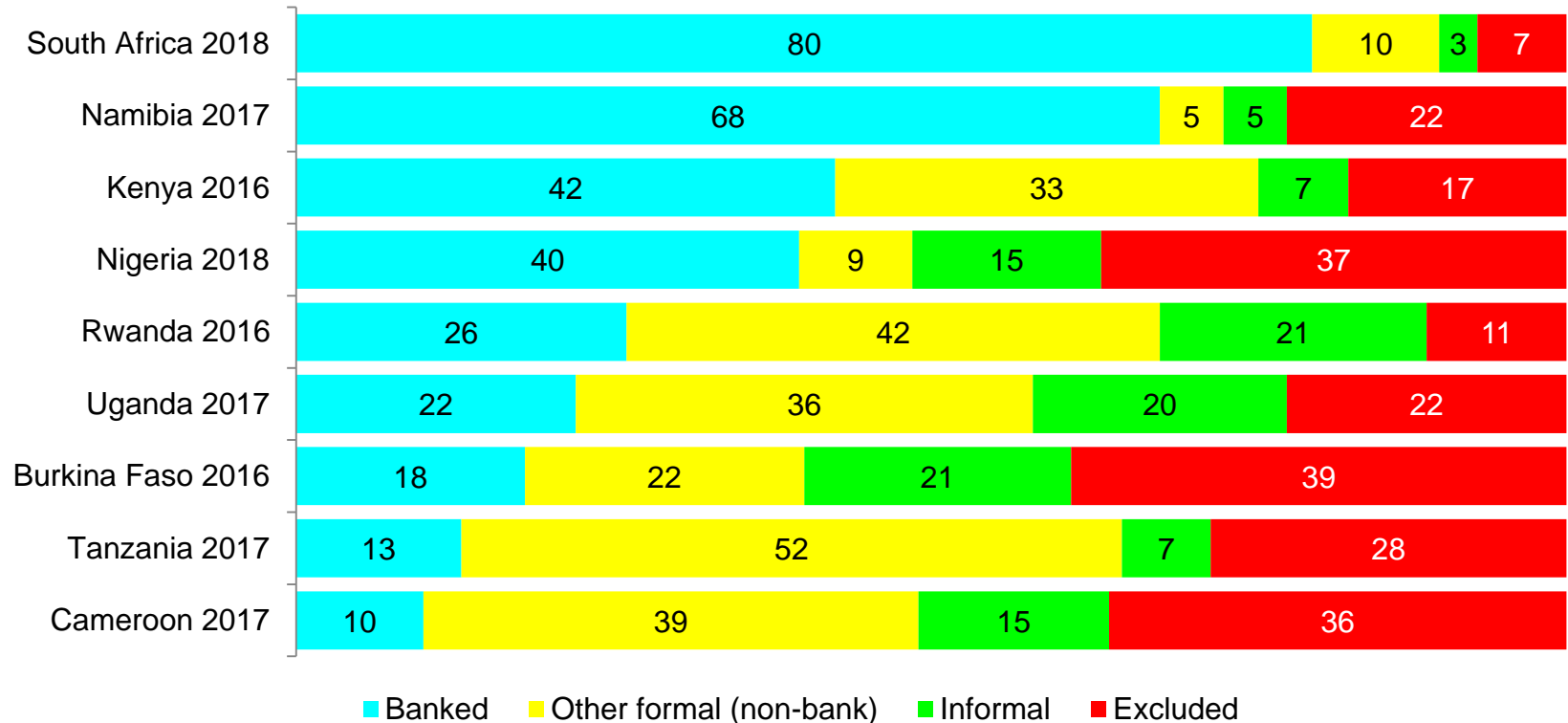
- The number of Nigerian adults that are banked has steadily increased over time, more than doubling since 2008

Adult Population
18+ Years



Comparison of financial access across Sub-Saharan Africa

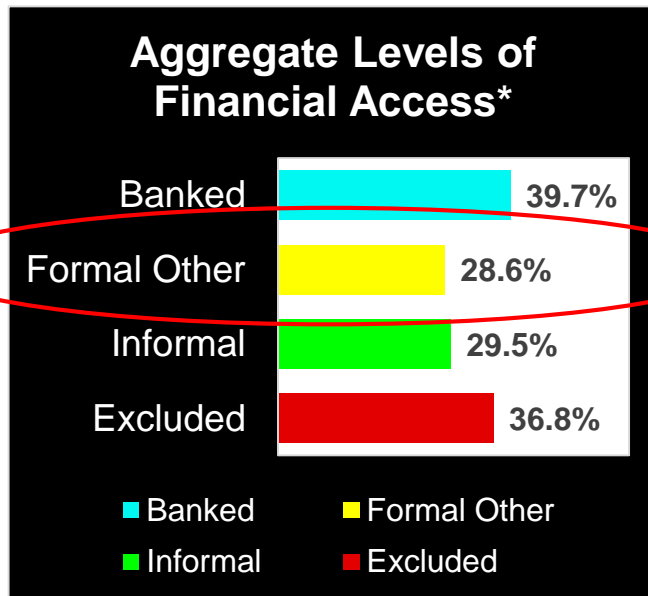
- Nigeria has a fairly large banked population (39.7%), but also a relatively high proportion of financially excluded at 37%



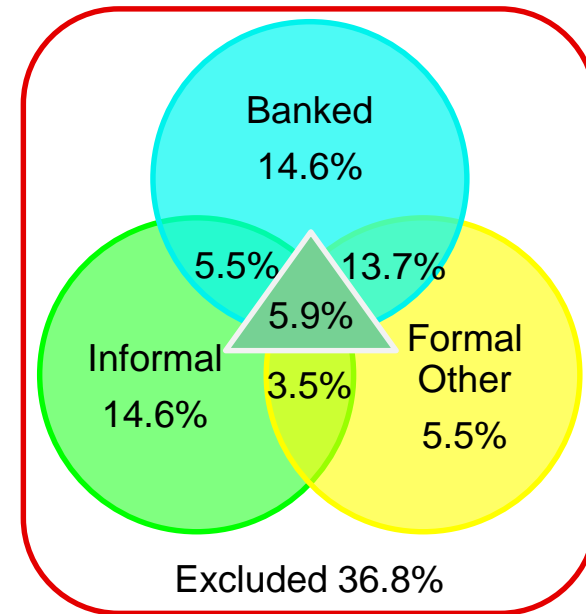
Note: There are some slight differences in the classification of products/services in the categories of the access strand between the countries

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



Pension fits here – “formal other”



*Figures may include overlaps across access strands

Use of Savings and Pension

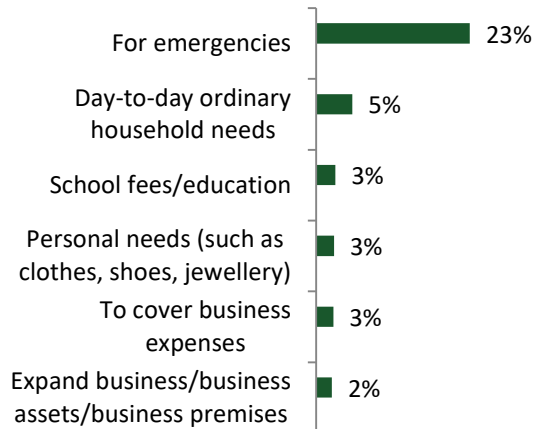
Just over half of Nigerian adults are putting money aside, mostly for emergencies

- 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
- In-kind savings (investments) remain a significant form of savings; even for those who do not put money aside.



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%

Top 3 in-kind savings (investments)

	% of the Adult population	% of the Non-savers
property	23.2%	22.2%
land	34.8%	29.9%
livestock	41.8%	42.0%

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

	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)
Perceived Benefits	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 	<ul style="list-style-type: none"> 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	Informal sector & Financially excluded	<ul style="list-style-type: none"> Unsafe, i.e. prone to theft or fire outbreak. Supports financial indiscipline 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Theft or any other calamity MAY 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



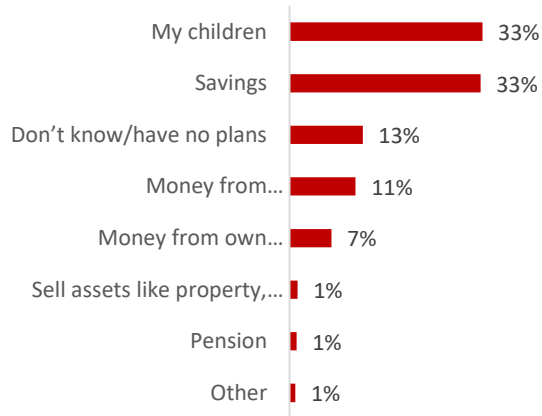
Segment	Piggy bank	Contribution	Bank deposit	Cooperative
Business owners & Formal sector	<ul style="list-style-type: none"> • Prone to theft 	<ul style="list-style-type: none"> • Prone to fraud 	<ul style="list-style-type: none"> • Slow ATM service delivery due to poor internet connection • Comes with 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

Most adults under the age of 55 plan to rely on savings or their children when they are old

- 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

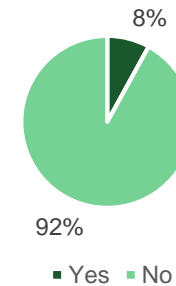
Thinking about old age, how will you mainly ensure you will have the money you need?

Percent of adults younger than 55



Have a pension

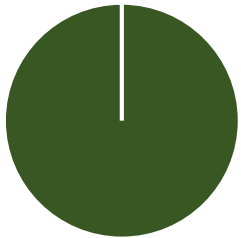
Percent of all adults



Profile of pension-holders in Nigeria

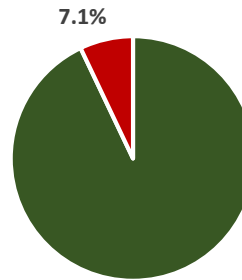
- Pension holders are likely to be formally employed, banked, male, and live in urban areas
- Almost all existing pension holders either own or use a mobile phone

Primary source of income
Percentage of pension-holders



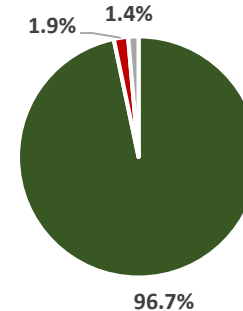
■ Salary/wages (formal sector)

Banking status
Percentage of pension-holders



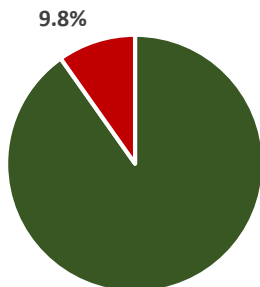
■ Banked ■ Unbanked

Mobile phone ownership
Percentage of pension-holders



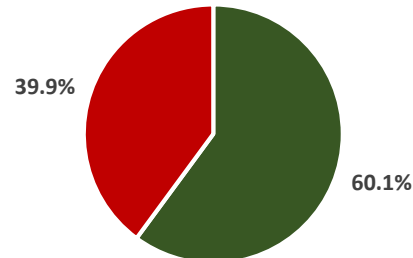
■ Own a mobile phone
■ Do not own, but use a mobile phone
■ Do not own or use a mobile phone

Can read English comfortably
Percentage of pension-holders



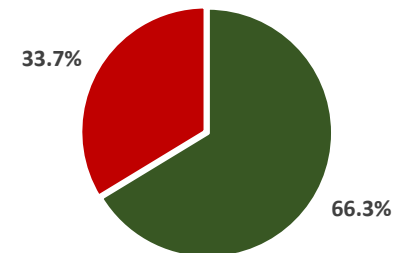
■ Yes ■ No

Urbanisation
Percentage of pension-holders



■ Urban ■ Rural

Gender distribution
Percentage of pension-holders



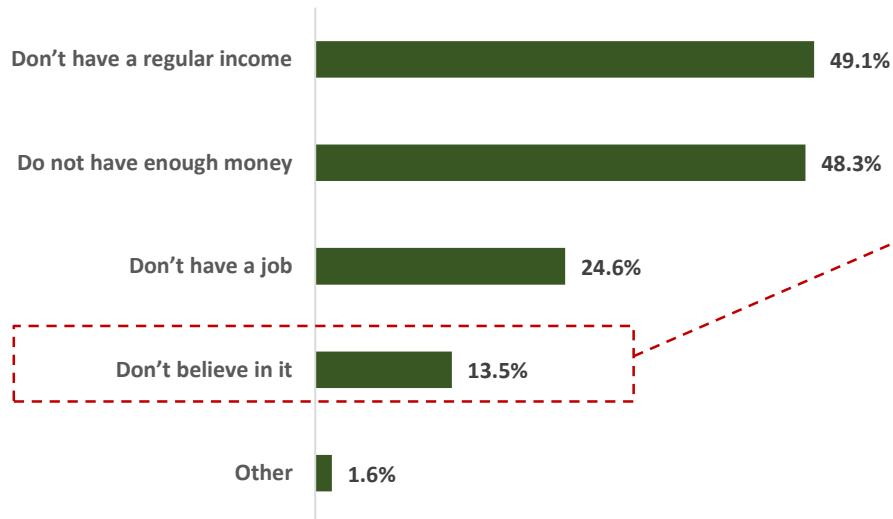
■ Male ■ Female

Opportunities for Expanding Use of Pensions

Irregular income and not having enough money are the most frequent reasons given for not making regular retirement contributions

- Of those not making regular retirement savings, nearly half cite irregular income as a reason. This indicates that pension products with flexible contribution timing could be useful in reaching those without pensions

Of adults not making regular contributions to ensure that they have money to meet financial needs when they are old and cannot work – reasons why not



Of adults that say they do not believe in making retirement contributions: reasons why they do not believe in it



Nigerians tend to think of pension as being for government workers

- Many Nigerians are aware of the term “pension” and associate it with retirement.
- Most focus group respondents stated that pension is mainly for government workers – provision after retirement. Most participants especially the informal and financially excluded are ignorant of the fact that, pension is for all



PERCEIVED BENEFITS

- Enhance financial situation at old age
- guarantee for old age and future



PERCEIVED ISSUES AND CONCERNS


- Savings is often not easily accessible
 - Participants recalled media news and word of mouth stories regarding public protest over unpaid pension
 - Inability to access funds when needed, even if the pensioner requires urgent funds
- No knowledge about the process/requirement, how it works, who can participate, in case of death, how easy is it for ‘next of kin’ to access the money, etc
- No physical building like bank

PARTICIPANTS SAY....




It is good but we have heard of cases when some old people didn't get paid and they died"

Consensus




I am just wondering that is you are not a government worker how do they you contribute"

Consensus



The best pension is to invest in your children and you are sure they will take care of your old age"

Informal, Akwa Ibom



I make little money daily and reinvest it into my trade, I don't have money to save even in my asusu so how do I get money to save for pension"

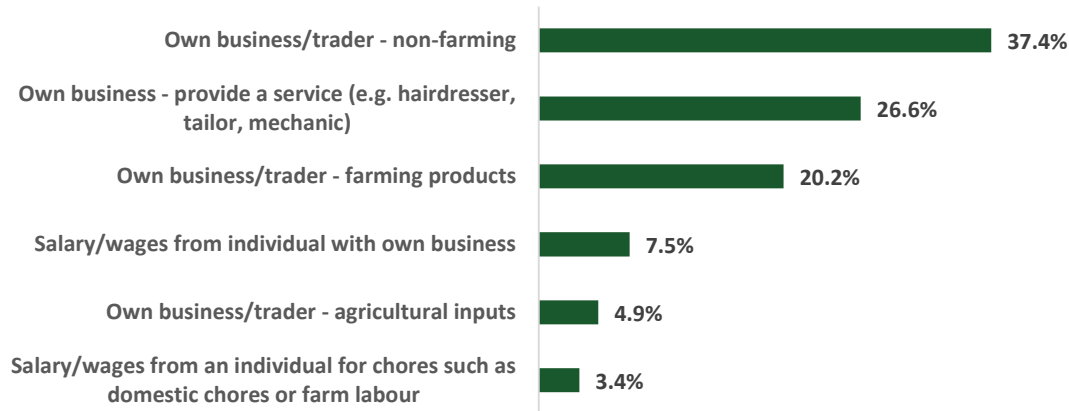
Financially Excluded, Kano urban

44.5 million adults are working in the informal sector

- Of those, most receive income from their own businesses
- Most earn income daily or weekly, although 12.6% earn money at irregular intervals

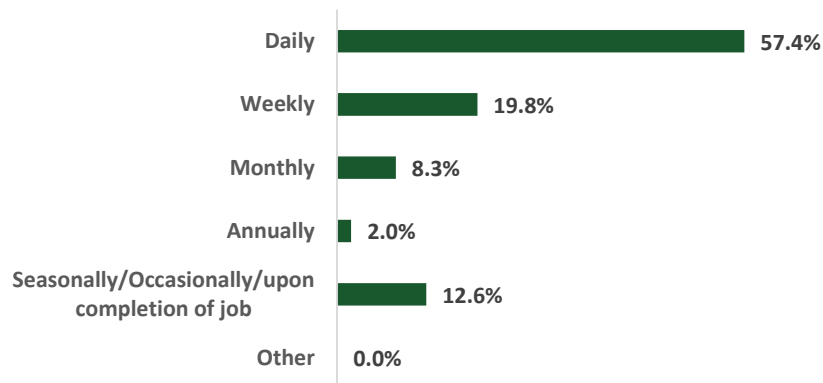
Primary source of income

Percentage of adults working in the informal sector



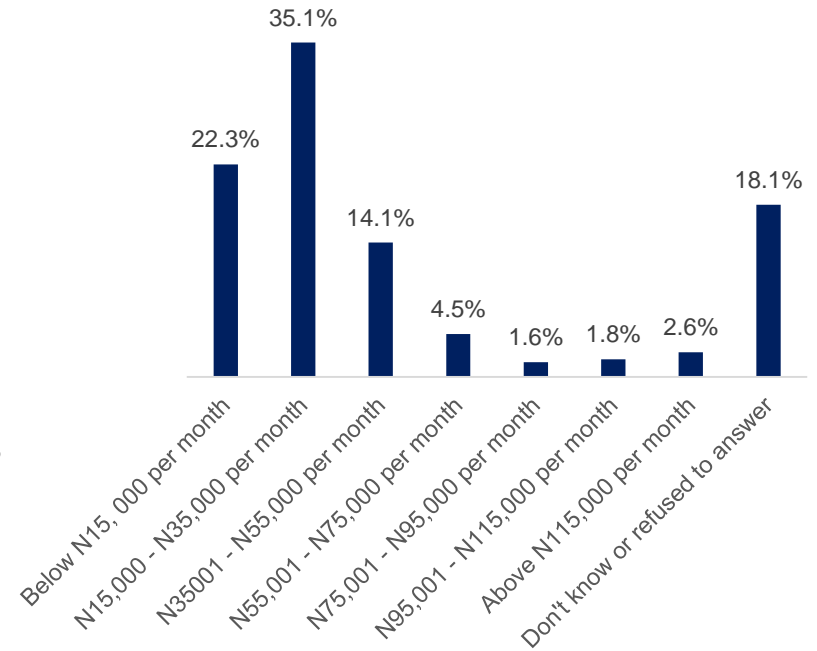
Frequency of income

Percentage of adults working in the informal sector



Average monthly income

Percentage of adults working in the informal sector



Most informal sector workers plan to rely on their children or savings in retirement

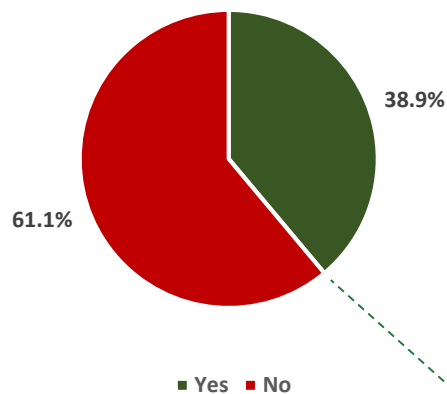
How will you ensure that you have money to meet your needs when you are old and cannot work?
Percentage of informal sector workers



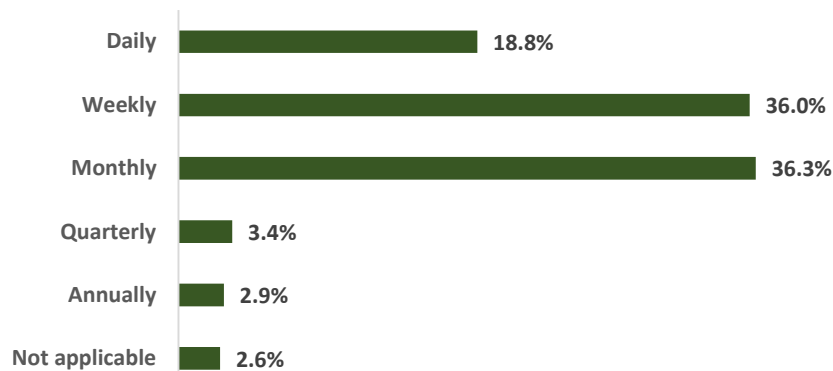
16.7 million adults in the informal sector are making regular savings/contributions for retirement

- Most make contributions weekly or monthly, although 18.8% make retirement contributions daily

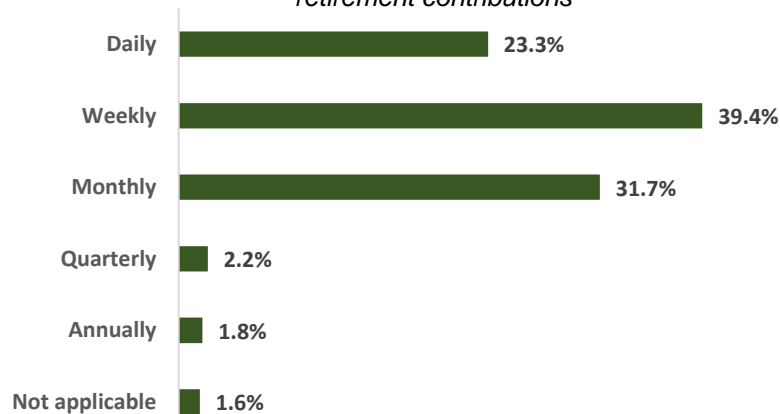
Are you making regular contributions to ensure that you have money to meet your financial needs when you are old and cannot work?
Percentage of adults working in the informal sector



How often do you make these retirement contributions?
Percentage of informal sector workers who are making regular retirement contributions



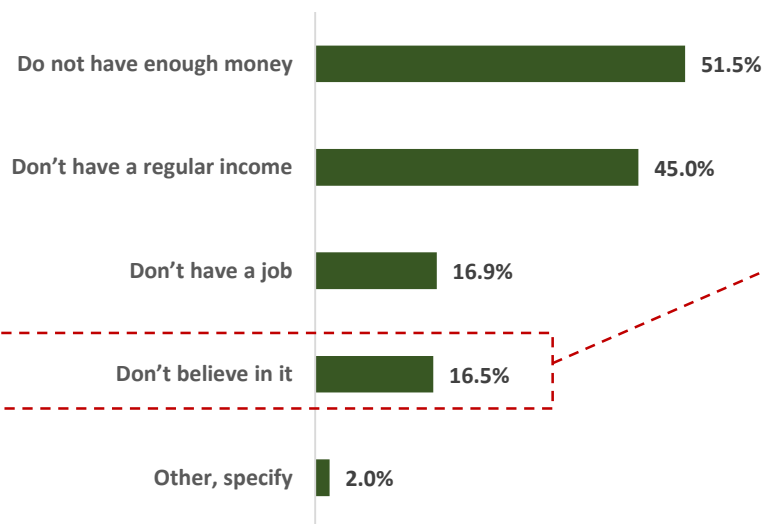
How often would you like to make retirement contributions?
Percentage of informal sector workers who are making regular retirement contributions



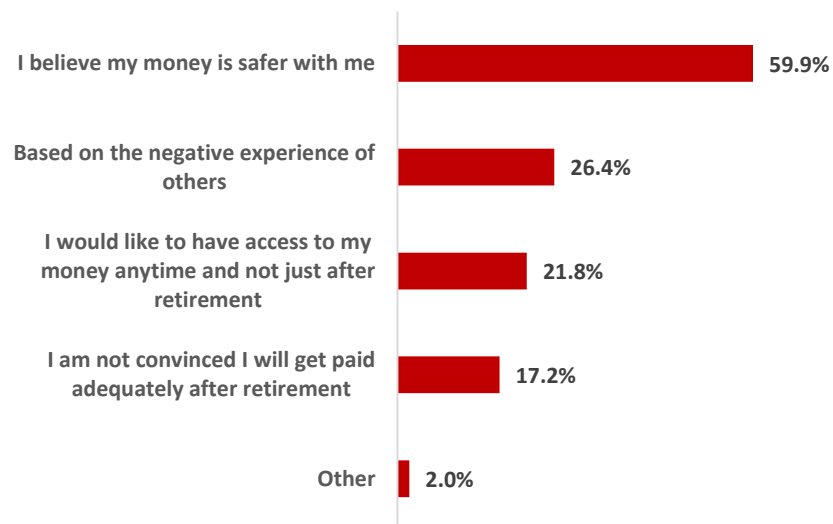
26.3 million informal sector workers are not making any regular retirement contributions

- Informal sector workers that are not making retirement contributions tend to cite not having enough money or irregular income as barriers
- This demonstrates the potential to reach this group with micro pension products that cater to small, irregular contributions

Of informal sector workers not making regular contributions to ensure that they have money to meet financial needs when they are old and cannot work – reasons why not



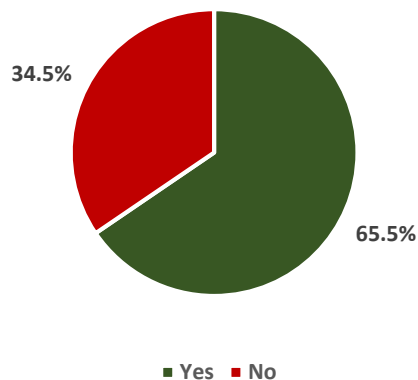
Of informal sector workers that say they do not believe in making retirement contributions: reasons why they do not believe in it



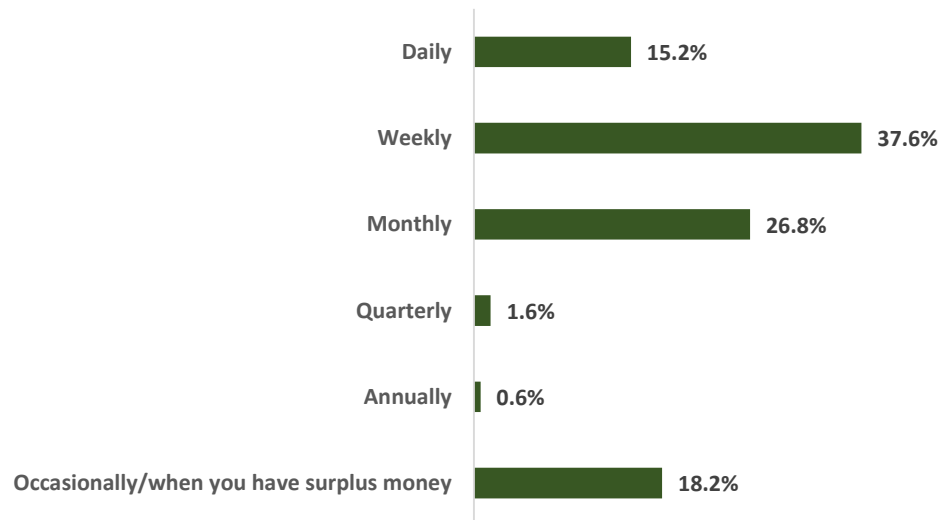
Nearly two thirds of informal sector workers have saved money in the last 12 months

- 65.5% of informal sector workers, or 29.1 million informal sector workers, have saved money in the past 12 months
- Most save weekly or monthly

Saved money in the past 12 months
Percentage of adults working in the informal sector



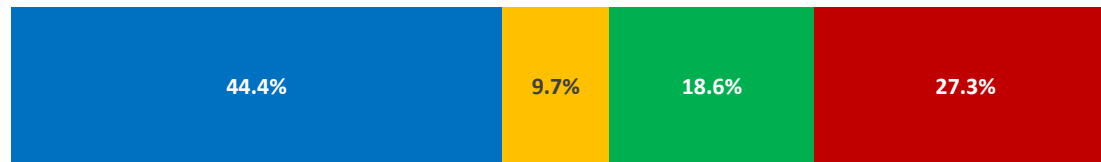
How often do you mostly save?
Percentage of adults working in the informal sector



Financial access of informal sector workers

- More than half of informal sector workers use some formal financial services
- 44.4% of informal sector workers are banked

Financial access of adults working in the informal sector



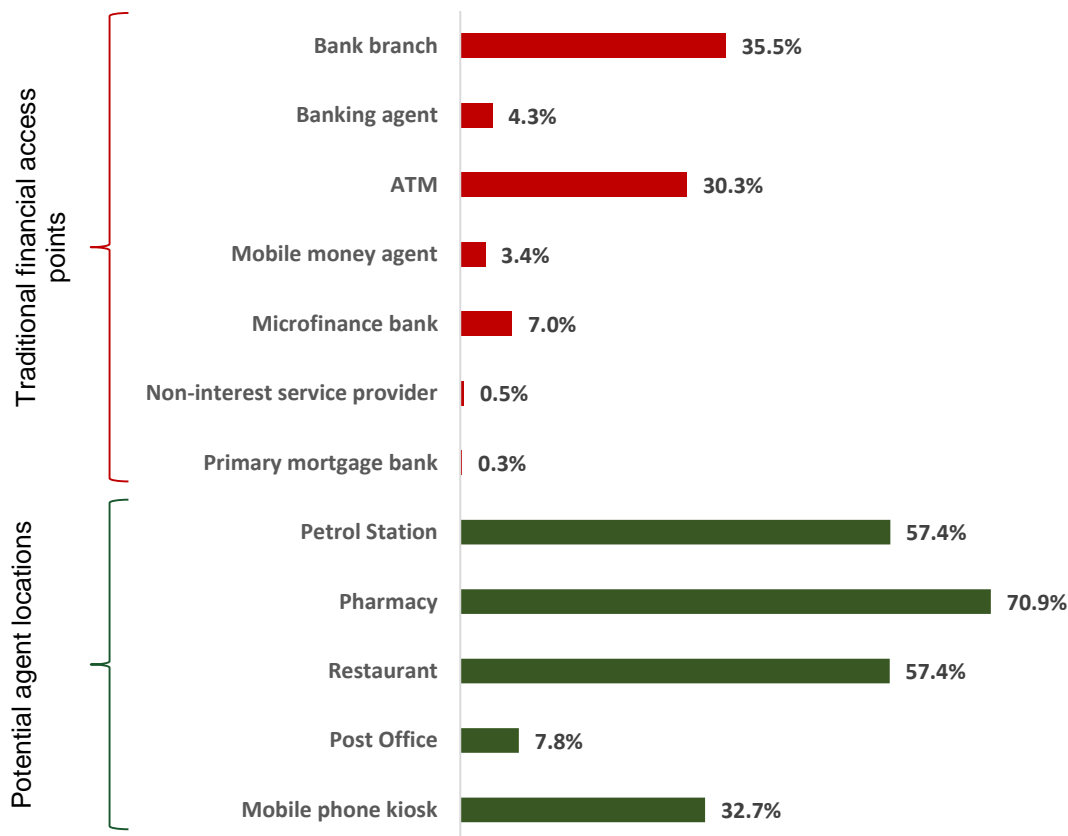
■ Banked ■ Other Formal ■ Informal Only ■ Excluded

Access channels for reaching informal sector workers

- More than 90% of informal sector workers either have or use a mobile phone

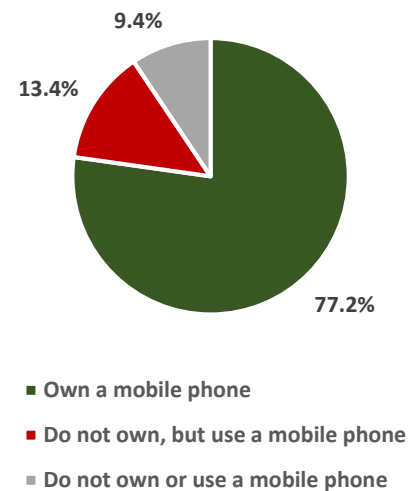
Percentage of informal sector workers aware of the following locations close to where they live

Percentage of adults working in the informal sector



Phone ownership and use

Percentage of adults working in the informal sector



Recommendations to increase use of pensions in Nigeria

- Take a human-centred design approach to developing micro pension products
 - Look at the ways that people are already saving – for old age and other needs
 - Take into consideration:
 - How often they want to contribute
 - How to make the products accessible
 - Use of agents/representatives
 - Working within existing structures (eg, cooperatives)
- Building trust is essential
 - Ensure strong service delivery – make payments to pensioners timely and easy to access
 - Demonstrate how funds are secured
 - Share success stories
- Make sure that customers understand terms & conditions of pension products
- Enabling environment (regulation)
 - Promote implementation of micro pension guidelines and closely monitor to understand what may need to be fine-tuned (based on feedback from Pension Fund Administrators, customers, etc)
 - Explore options for enabling pension access for those without the required identity documents

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