

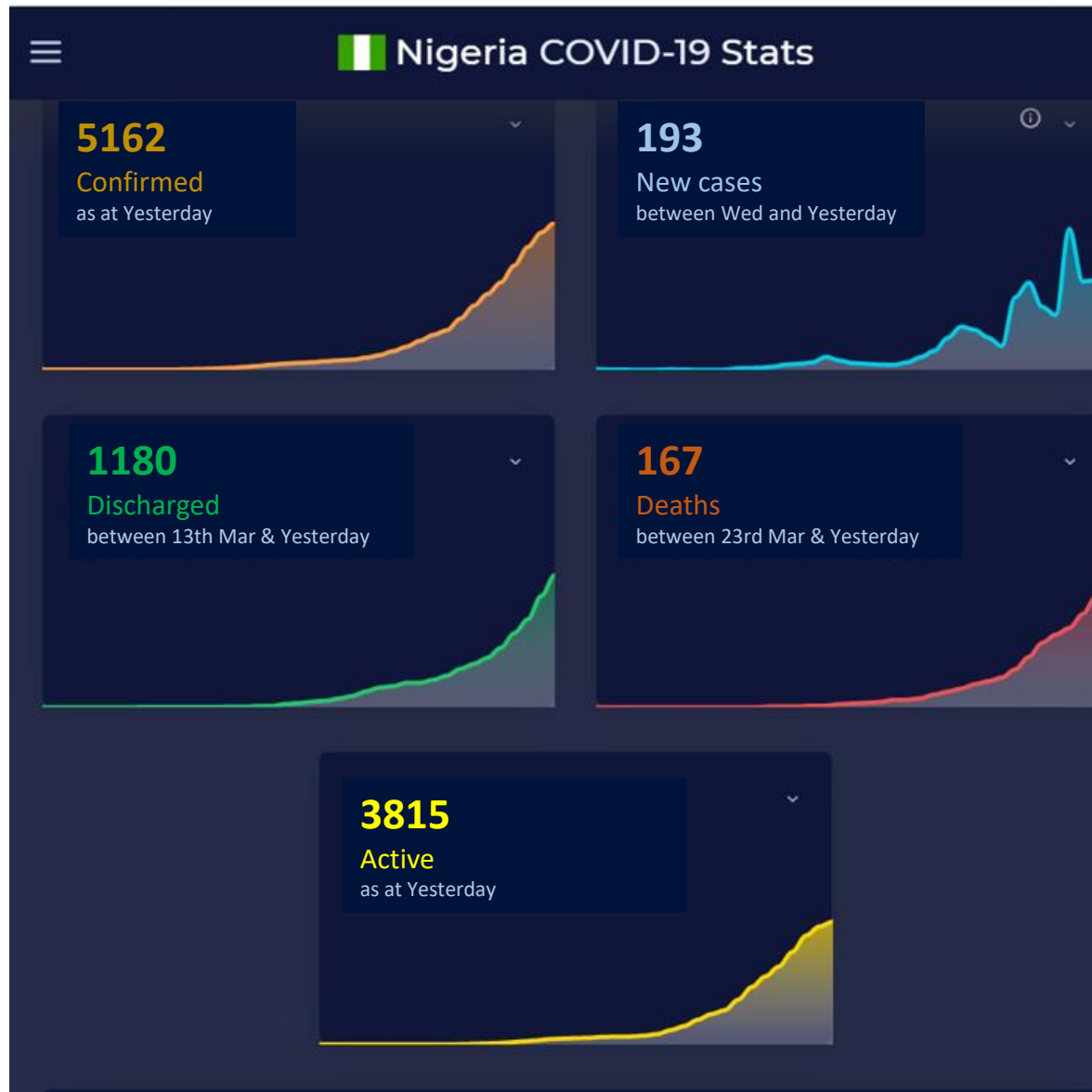


# COVID-19 Livelihood Tracker - Nigeria

May 15, 2020

Presented by - Oluwatomi Eromosele  
Title - Research Officer, EFInA

# COVID-19 poses a threat to the livelihood of millions of vulnerable Nigerians



## Context

1<sup>st</sup> reported case in Lagos - 27 February 2020  
Complete lockdowns in select locations started 31 March 2020

## Rationale for survey: Potential threat to livelihoods

**Health risk** due to Coronavirus itself as well as additional strain placed on the healthcare system  
**Economic risk** at multiple levels (national, sub-national, business, household)

## Income shocks

At least 1 in 4 adult Nigerians earn below ₦15,000 per month

Approximately 50 million adult Nigerians earn their income either daily or weekly.

40% of Nigerian adults rely on their own business or trading as their primary source of income.<sup>1</sup>

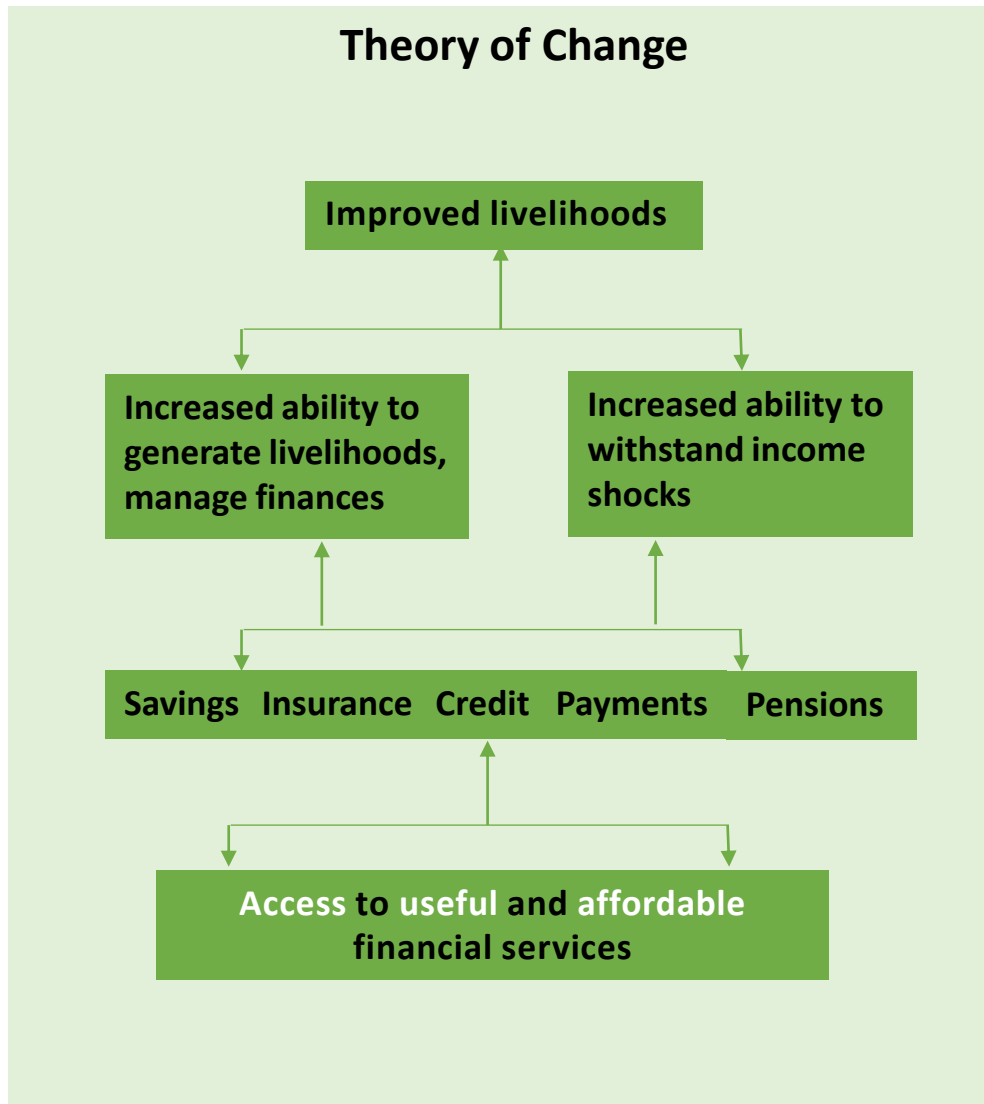
**Survey methodology** – Phone, April 8-16, 2020  
1,800 nationally representative adult (18+) sample

Some lockdowns partially lifted 4 May 2020  
(subsequent waves to track impact)

1. EFINA Access to Financial Services in Nigeria 2018 Survey

2. <https://covid19-ng.web.app/?from=2020-02-27>

Access to useful financial services empowers individuals with the tools needed to manage their finances or build the financial safety nets they need to protect their livelihoods in moments of crisis.



#### COVID-19 Impact Pathways

- Access, availability and use of regular health services
- Covid-19-relevant health behaviour changes
- Household income, Micro- and small-business owner effects
- Food security
- Personal safety

#### Financial Access as a Mitigant/Resilience Factor

Access – how effective are distribution channels at this time?

Use – what is being used and how useful is it?

Affordability – what is the current and potential impact on cost of financial services?

**Beyond the direct impact of COVID-19 on those infected, there is an indirect effect on global health supply chains with an adverse effect on access to health services**



- 14 percent of adult Nigerians were unable to access medicine in the week prior to April 8, mainly due to lack of funds and unavailability of medicines
- 45 percent report some form of increase in the price of medicines
- The majority of Nigerian adults are adopting recommended health behaviour changes
- 32 percent say it is not very likely and 11 percent say it is not at all likely that they would seek medical care if they had mild symptoms such as cough or fever.

## Nigerian households and businesses are experiencing decreased incomes mainly due to the negative effects of market closures, travel restrictions, and reduction in demand



- Nearly half of adults report that income earned in the week prior to April 8 was smaller than the amount earned in this same time last year.
- Approximately 50 million adult Nigerians earn their income either daily or weekly, and movement restrictions have likely reduced income earning opportunities for some Nigerians (A2F, 2018).

## Disruptions in agricultural supply chains threatens food security with evidence of decreased food consumption



- 64 percent of farmers report difficulty in selling crops or livestock.
- Nearly half of Nigerian adults report at least one day in the week prior to April 8 in which a household member ate fewer meals because there was not enough food.



## Nigerians report disruptions in access to financial services following lockdowns



- Bank branches have been forced to either close or work less hours and agent operations have declined due to fear of safety
- 11 percent of Nigerian adults reported difficulty remitting through their preferred bank or financial service agent
- 1 in 5 Nigerian adults said their preferred bank or agent was closed or had run out of cash when they were interviewed in mid-April.

## Majority of Nigerians borrowing rely on family and friends, and informal financial service providers to raise funds at this time



- Nearly 1 in 5 adult Nigerians borrowed money in the two weeks prior to April 8
- Of these, 8 percent have taken up loans from formal financial service providers, mainly digital lenders
- 70% borrowed from family and friends.
- Informal financial service providers catered to 29 percent of those borrowing, with nearly one-third of informal loans sourced from money lenders.
- Without regulatory oversight, borrowing from money lenders can be risky due to potentially high interest rates and the possibility of exposure to aggressive debt collection practices.



## Majority of Nigerians are unable to rely on the formal financial service providers to build resilience when faced with income shocks



Only 12% of Nigerian adults said that it would be at least somewhat possible to raise N45,000 (1/20<sup>th</sup> of Gross National Income per capita) within a week to meet a sudden need, such as an unexpected large medical bill.

Of those who would be able to raise this money:

- 4 in 5 would rely on their savings, loans from employers, regular earnings, and/or increased working hours to raise this fund,
- 1 in 5 would look to informal financial service providers as well as family and friends.
- Just about one percent would look to borrow from formal financial institutions such as banks to raise additional income needed to cope with financial shocks.

Half of adults said it would not be at all possible to raise this amount in 7 days.

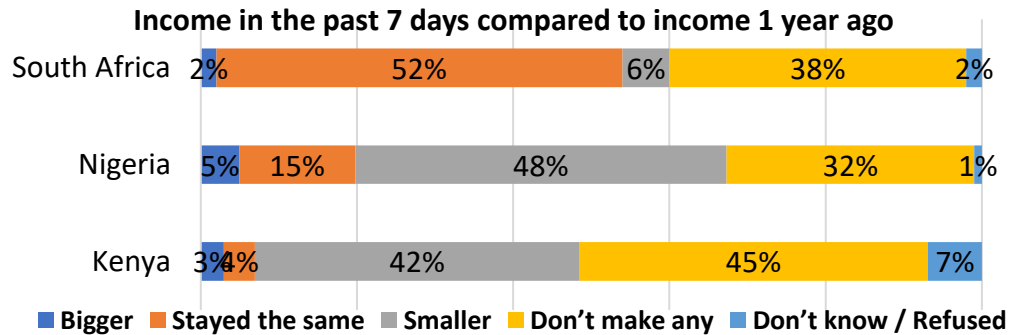
## Disruptions in financial distribution is creating scarcity; resulting in increased prices



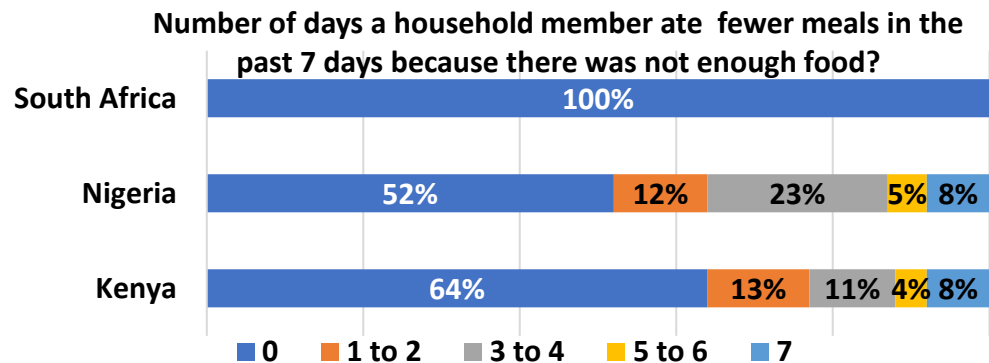
1 in 5 adult Nigerians report higher prices charged by agents.

# Cross-Country Comparison

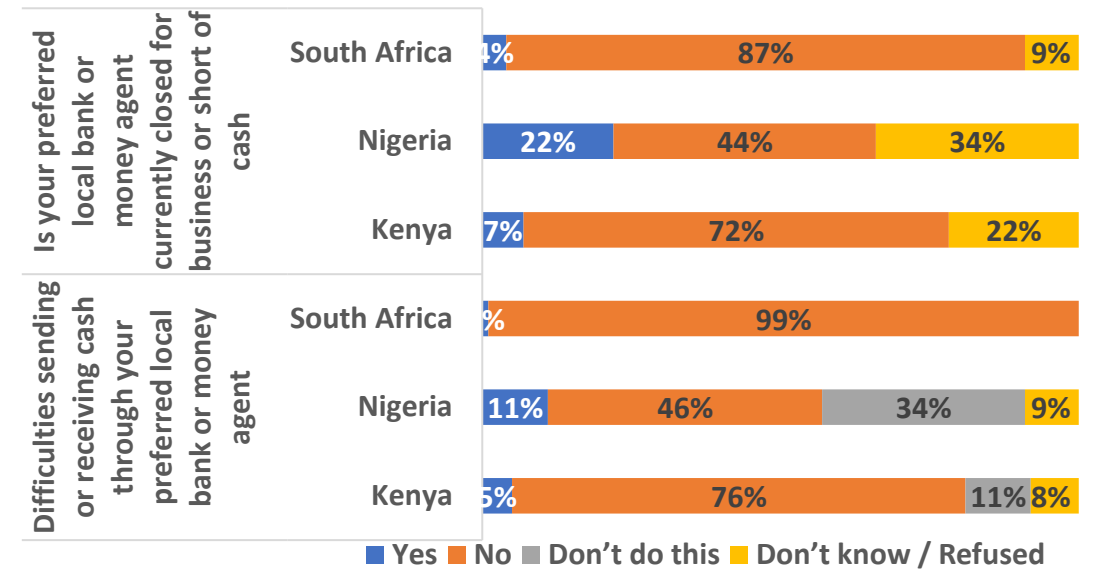
## Impact on Income



## Impact on Food Consumption



## Impact on Financial Services Distribution



In contrast with the disruptions in financial distribution reported in Nigeria, financial services in Kenya and SA have been resilient as digital payments remain strong

## Summary

- COVID-19 Impact - some Nigerian households are beginning to experience reduced income, lower food consumption
- COVID-19 related disruptions in financial service distributions, as well as existing affordability, institutional and attitudinal barriers currently hamper financial access, and therefore, the ability of Nigerians to leverage on finance to build resilience during the crisis.
- Based on learnings from Kenya and South Africa, digital financial services have proven to be resilient in the face of COVID-19.
- 69% of adult Nigerians own mobile phones and an additional 16% have access to mobile phones. 86% of adult Nigerians are only a walking distance away from a potential agent location. **Do digital financial services present the solution? How can we leverage this opportunity for increased financial inclusion?**
- The data for Nigeria and other countries is available online at [www.covid19tracker.africa](http://www.covid19tracker.africa) and more details about FMT and i2i can be found in the links <http://finmark.org.za/> & <https://i2ifacility.org/>
- For more about the impact of COVID-19 on Nigeria and financial inclusion, visit <https://www.efina.org.ng/media-room/covid-19-impact-on-nigeria/>

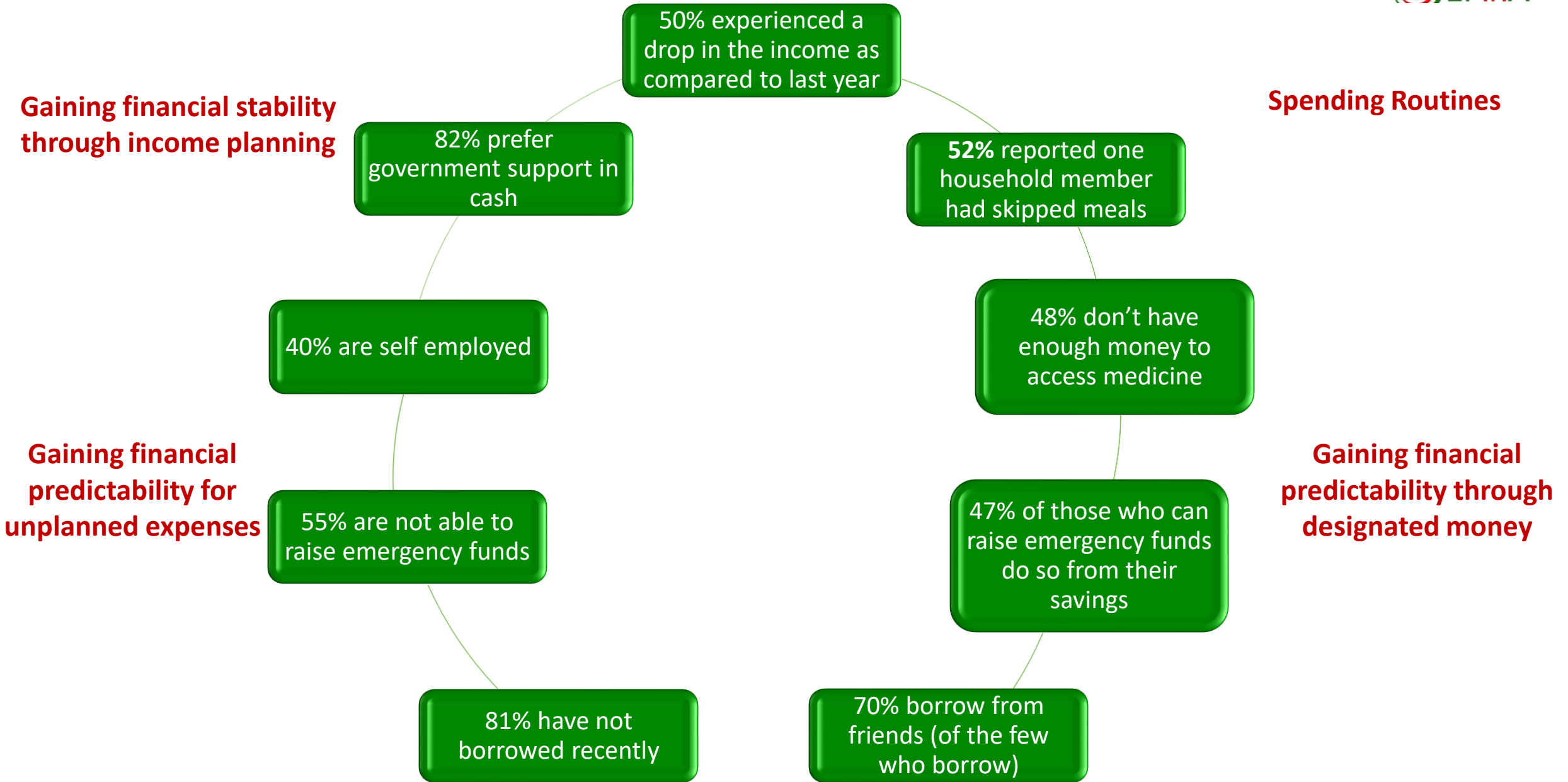


# The Financial Inclusion Implication and Opportunities for Digital Financial Services

May 15, 2020

Presented by - Jacqueline Jumah  
Title – Head of Digital Financial Services, EFInA

# Financial Management Activities are Constrained...





# ...What are the Opportunities for DFS?

## Agent Network Optimization

- Channel the distribution of some palliatives by the government through the agent network, PPEs etc

## Digitization of the G2P Payments

- Digitization of the stimulus packages schemes

## Expansion of Services Targeting the Rural Frontier

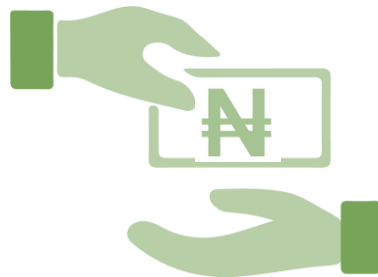
- Issuance of licenses to PSBs to expand the pool of providers in the wake of adhering to social distancing and for rural penetration

## Promoting the Gig Economy

- Policy interventions to promote the gig economy as one pathway to socio-economic development and financial inclusion in Nigeria

## Product Diversification

- Supply chain financing - Innovative financial tools for MSMEs



# ...In the Long-run, Some Consideration of Building Blocks is Essential for Harnessing the Benefits of DFS in Nigeria ...

## Building a robust and broad digital infrastructure

Establishment of widespread mobile connectivity and ownership

A national digital-payment infrastructure

Existence of a well-disseminated personal ID system

## Ensuring dynamic and sustainable financial-services markets

Risk-proportionate financial-services regulation

Consumer protection

An environment that is conducive to competition and encourages providers to offer a broad range of new products and financial services

## Offering financial products people prefer to existing alternatives

Significantly more attractive solutions than current options and require minimal behavioural change by customers.

Identify market failures and work to create incentives to use new digital finance products



Thank You