

EFInA Access to Financial Services in Nigeria 2014 Survey

Key Findings

2 December, 2014

- A. Background**
- B. Overview of Sample Demographics**
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- D. Analysis of the Segments of the Financial Sector**
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 - Insurance
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 - Trend Analysis: 2008 to 2014
- E. Financial Inclusion in Nigeria**
 - Progress of the National Financial Inclusion Strategy Targets
 - Drivers/Opportunities for Financial Inclusion in Nigeria
 - The Business Case/Segmentation Analysis for Financial Inclusion
 - Conclusions
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A. Background

Background

About EFInA

- Financial sector development organisation promoting financial inclusion
- Funded by DFID and Bill & Melinda Gates Foundation

Vision

“Leader in facilitating an all-inclusive and growth-promoting financial system”

- Research
- Innovation
- Advocacy
- Capacity building

Pillars

About the survey

- Nationally representative of all adults (18+)
- 4th survey year (2008, 2010, 2012, 2014)

Objectives

“Relevant and reliable data on the demand for and usage of a range of financial products, both formal and informal in Nigeria”

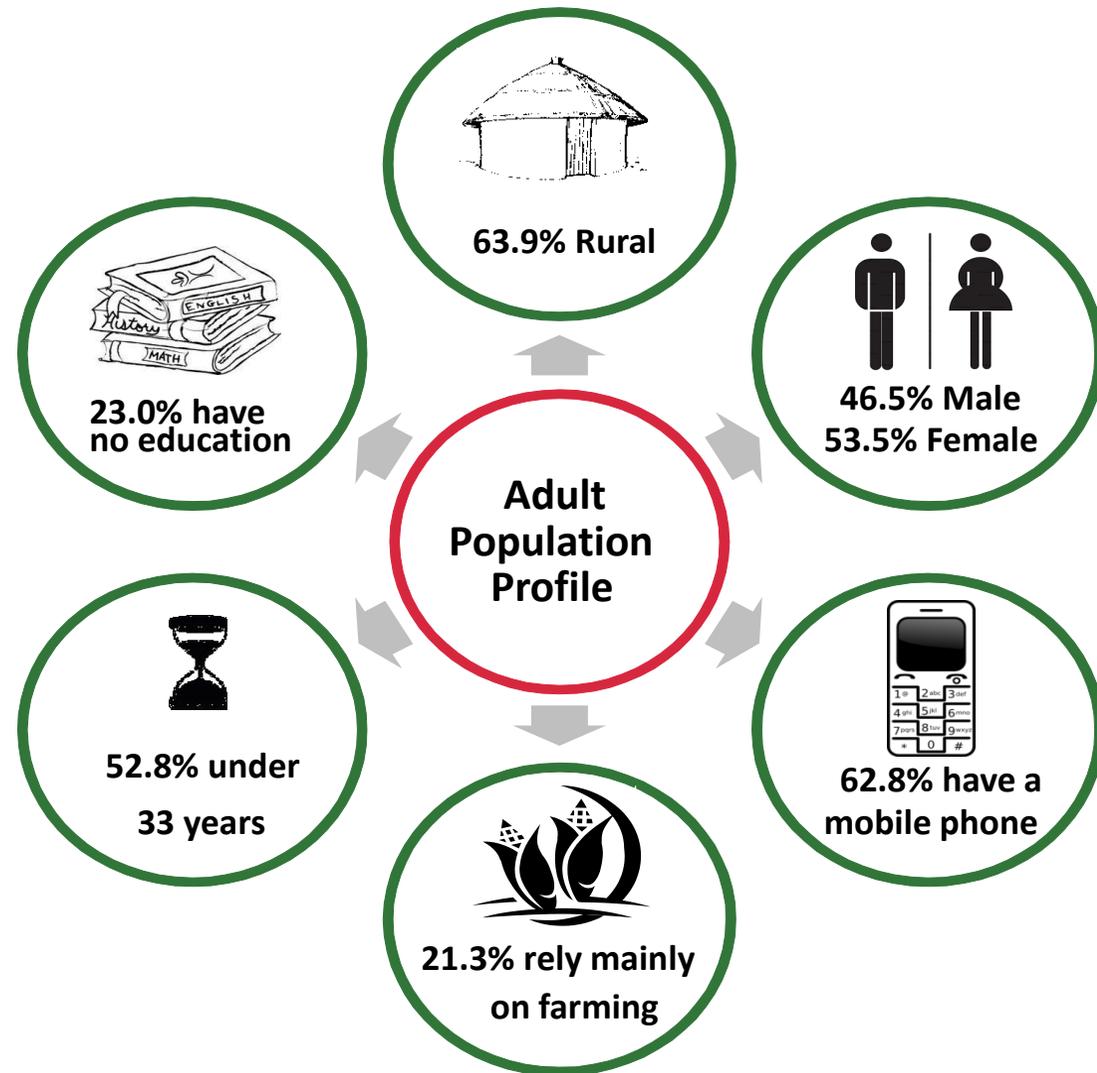
- Input to evidence-based financial inclusion policies & reform
- Credible benchmarks & indicators for financial access
- Defines and quantifies the market opportunity for the low income segment
- Highlight trends in financial access over time

Coverage and Methodology

- Nationally representative sample of Nigerian adults (18+) across all 36 States plus FCT Abuja
- The questionnaire was translated into and administered in Hausa, Yoruba, Igbo and Pidgin English
- Sample design was provided by the National Bureau of Statistics (NBS)
- Household listing and data collection was conducted from August to November 2014 by Nielsen Nigeria Limited with supervision by the NBS
- Sampling of respondents was based on proportional representation (i.e. population size) per State
- Sampling involved three stages. The first was at the Enumeration Area (EA) level – selecting a sample of 1,200 EAs, the second was at household (HH) level with a sample of 20 HHs in each of the selected EAs and the third was at individual level with 1 individual (18+) sampled in each HH
- Sample size achieved = 22,044 interviews (92% of target sample)
- Results were weighted by NBS to provide the total adult population. This was also benchmarked to national population estimates for verification

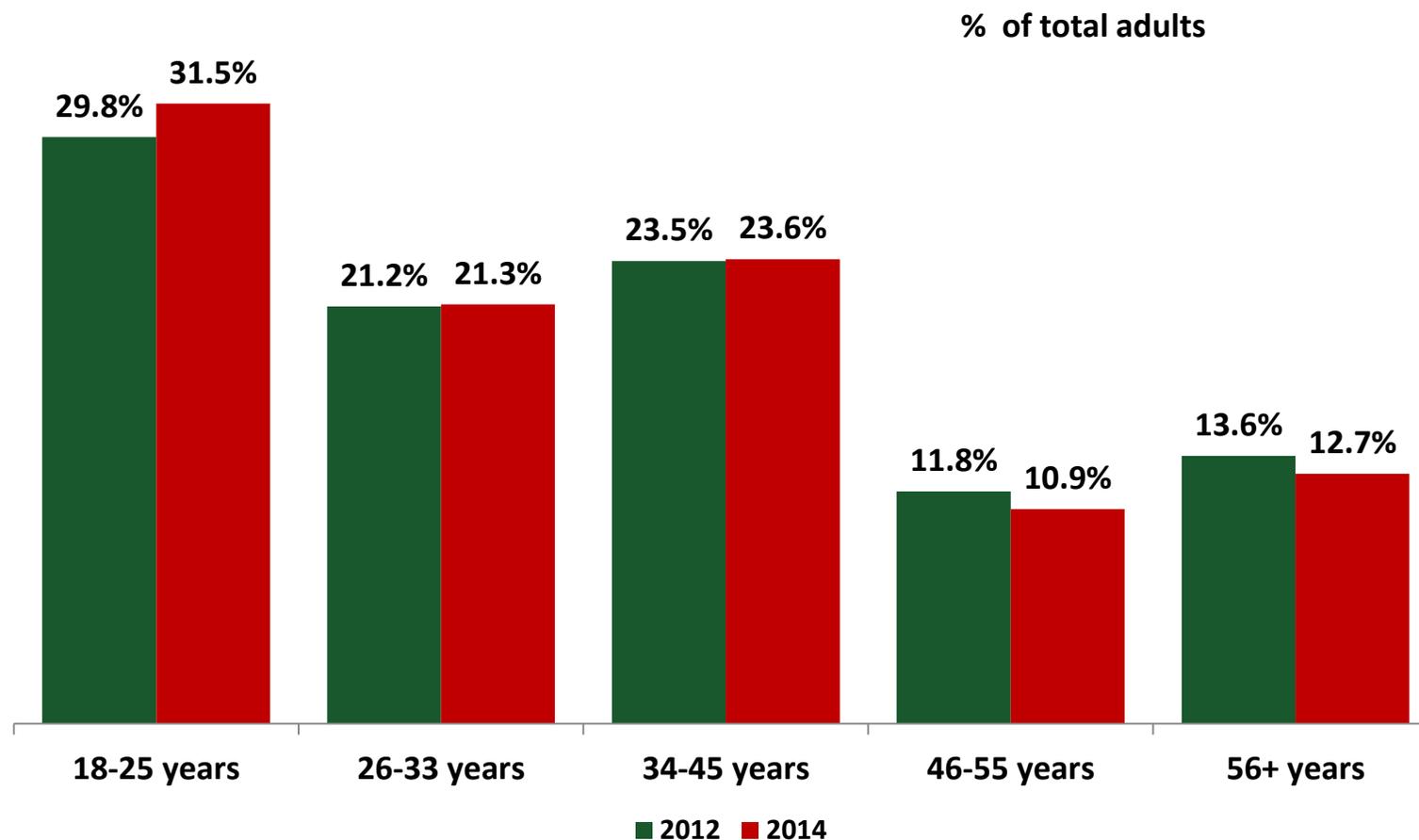
B. Overview of Sample Demographics

- The total adult population is 93.5 million
- Nigeria has a large rural (63.9%) population but significant urbanisation since 2012 (FCT Abuja population growing at 9% per annum; Lagos growing at 3%; national growth is 2%)
- 49.4m adults (52.8% of the adult population) is under 33 years
- 20.0m adults (21.3% of the total adult population) get their main source of income from subsistence/commercial farming
- 17.6m adults (18.8% of the total adult population) get their main source of income from own business (non farming)
- 8.6m adults (9.2% of the adult population) get their main source of income from the formal sector
- 58.7m adults (62.8% of the adult population) own a mobile phone
- 21.5m adults (23.0% of the adult population) have no education



Age Distribution

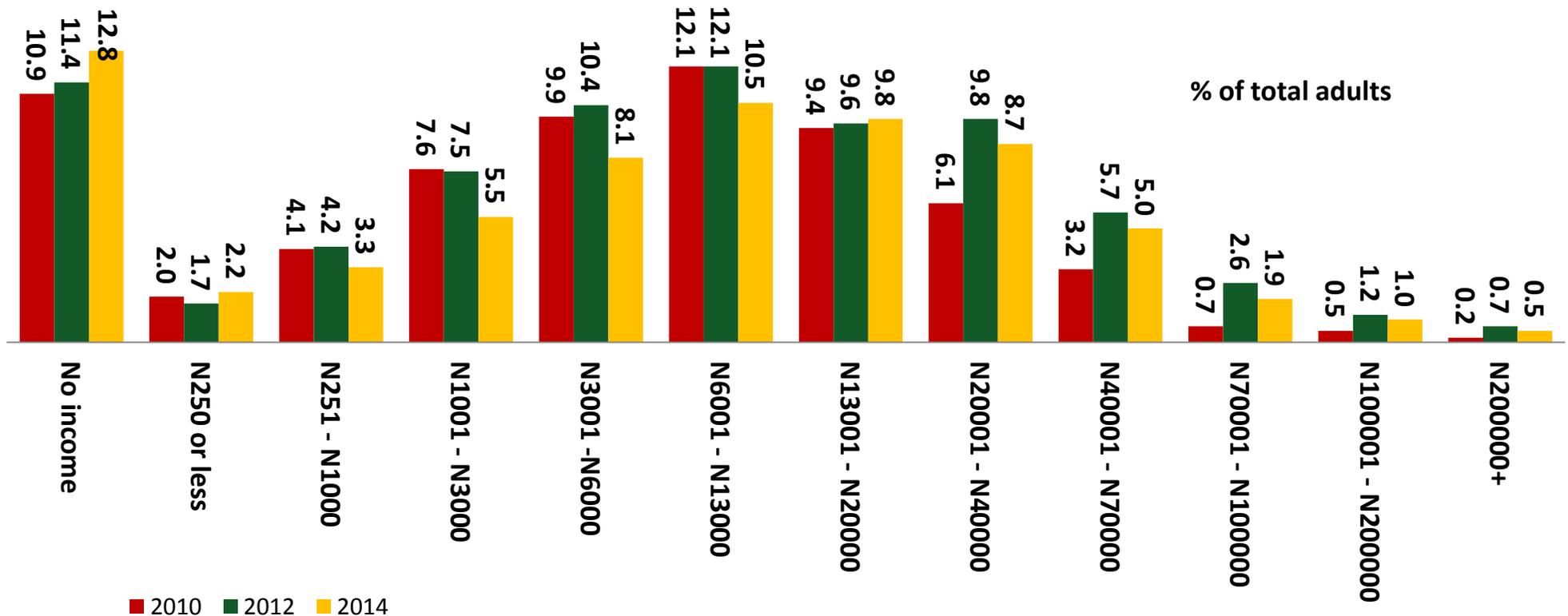
- The adult population grew by 5.6 million between 2012 and 2014, of which 3.3 million (58.1% of the growth) was from the age group - 18 to 25 years



Income Distribution

Income levels still remain low:

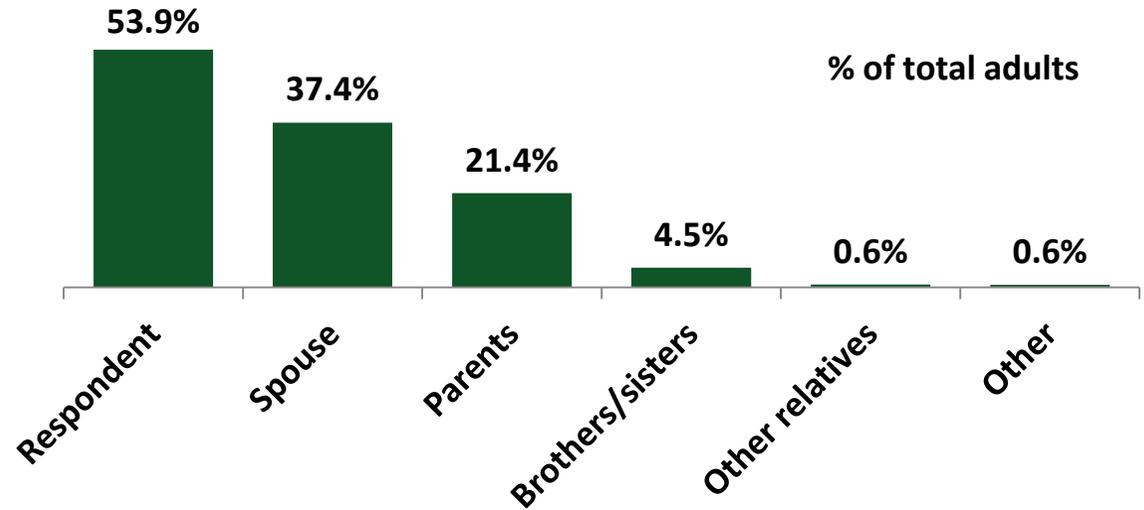
- The percentage of adults earning no income increased from 10.9% in 2010 to 12.8% in 2014
- The percentage of adults earning between N6,001 to N13,000 decreased from 12.1% in 2012 to 10.5% in 2014



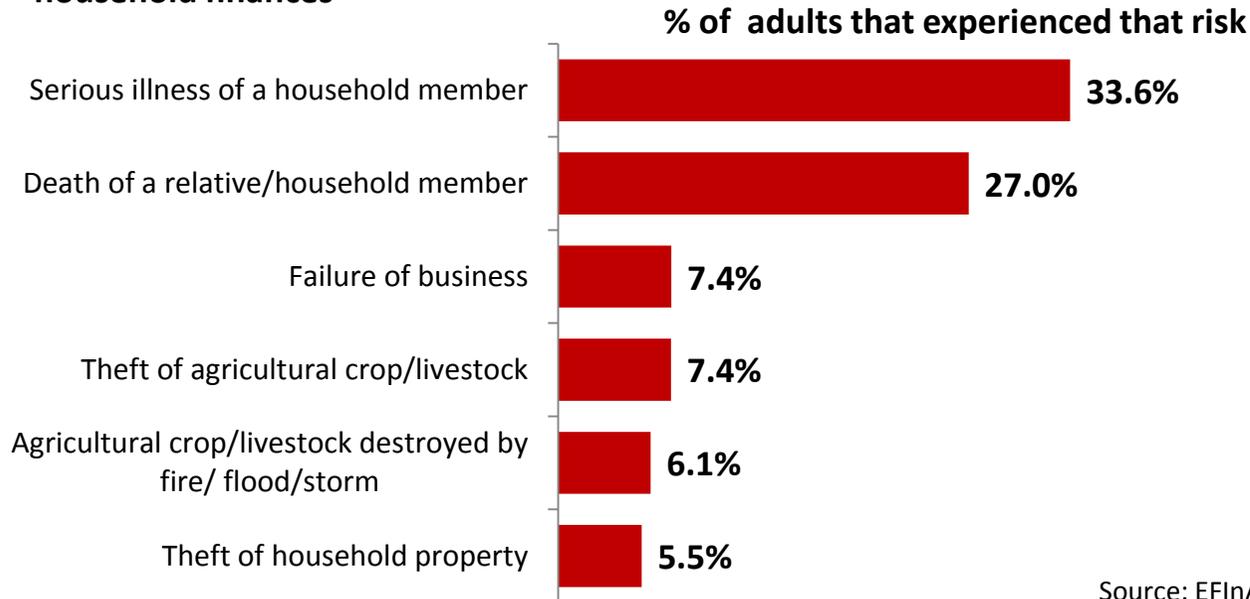
Household Dynamics

Average household size	6.2
Average number of adults per household	3.3
Average number of adults banked	1.0
Average number of children banked	0.1

Household financial decision making



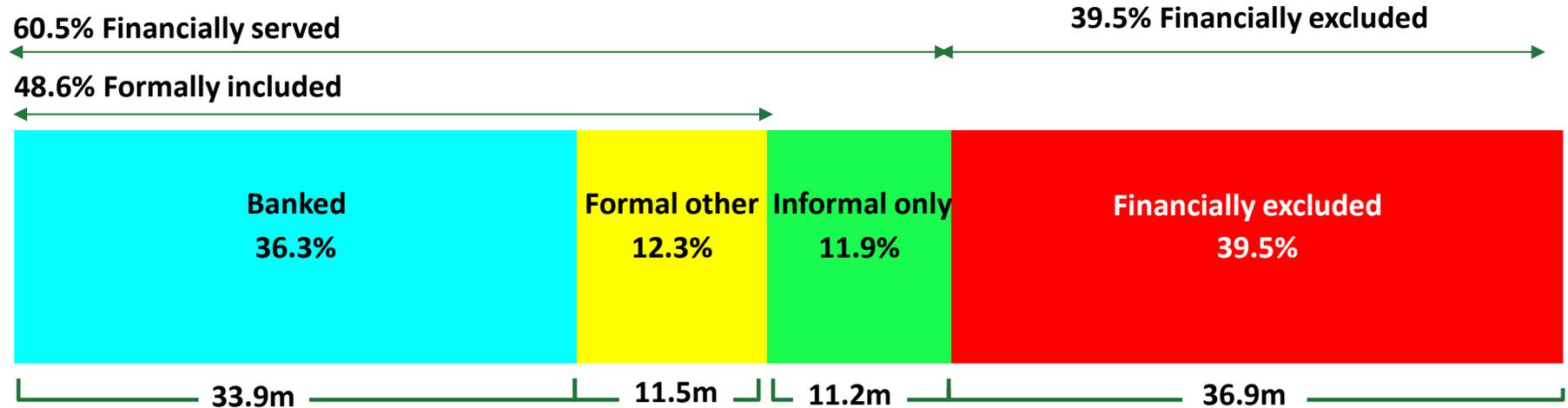
Financial risk with greatest impact on household finances



C. Financial Access

Financial Access Strand

- 45.4 million adults are formally included
- 36.9 million adults are financially excluded



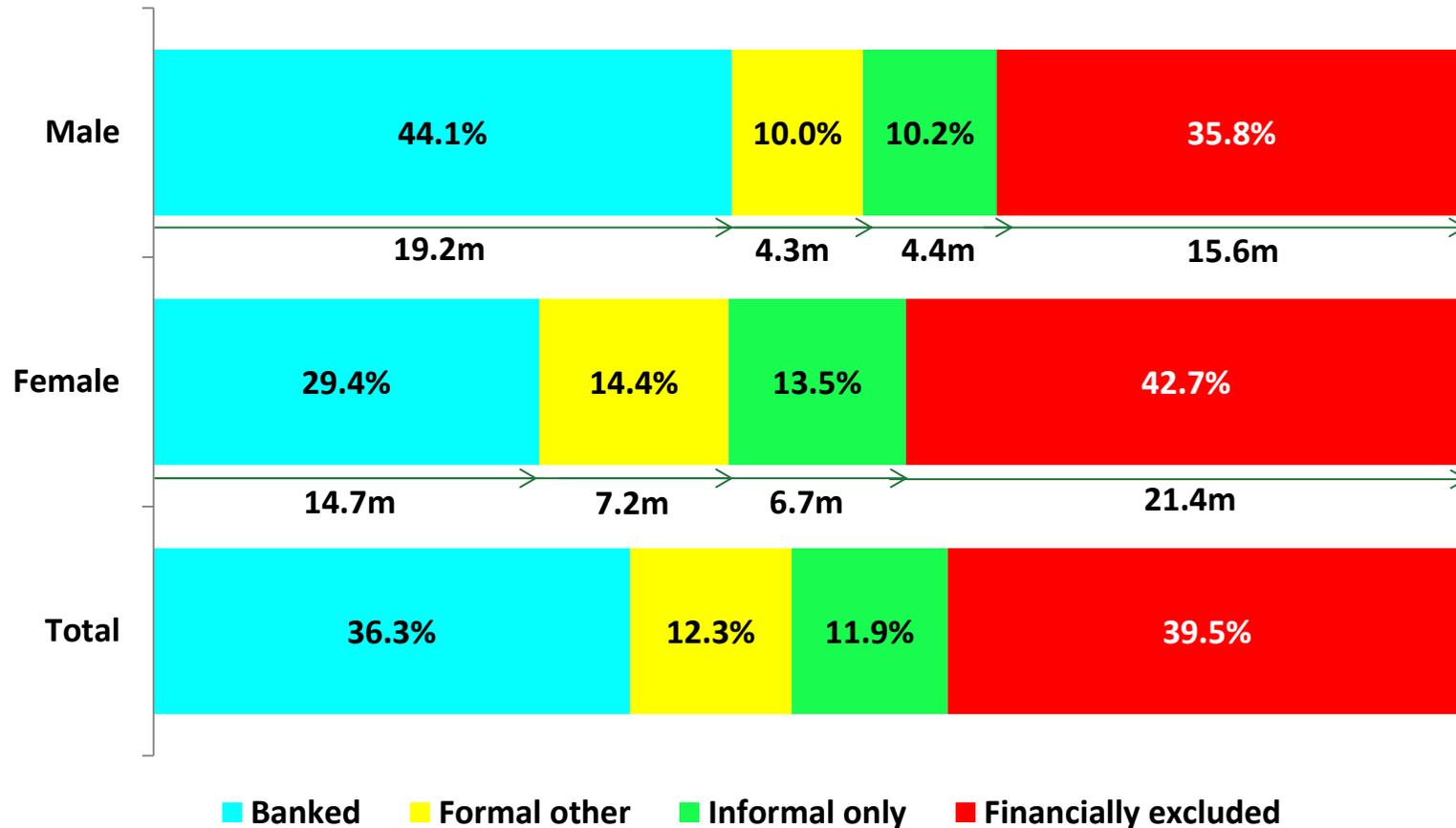
DEFINITION OF FINANCIAL ACCESS

- **Banked:** all adults who have access to or use a deposit money bank in addition to having/using a traditional banking product, including ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, or no-interest banking product; including indirect access
- **Formal other:** all adults who have access to or use other formal institutions and financial products not supplied by deposit money banks, including Insurance companies, microfinance banks, pension schemes or shares. It also includes remittances (through formal channels); including indirect access
- **Informal only:** all adults who do not have any banked or formal other products, but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo, or moneylenders; as well as remittances (through informal channels such as via a transport service or recharge card)
- **Financially excluded:** adults not in the banked, formal other or informal only categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers, as well as remittances via a friend/family member

These four strands are mutually exclusive

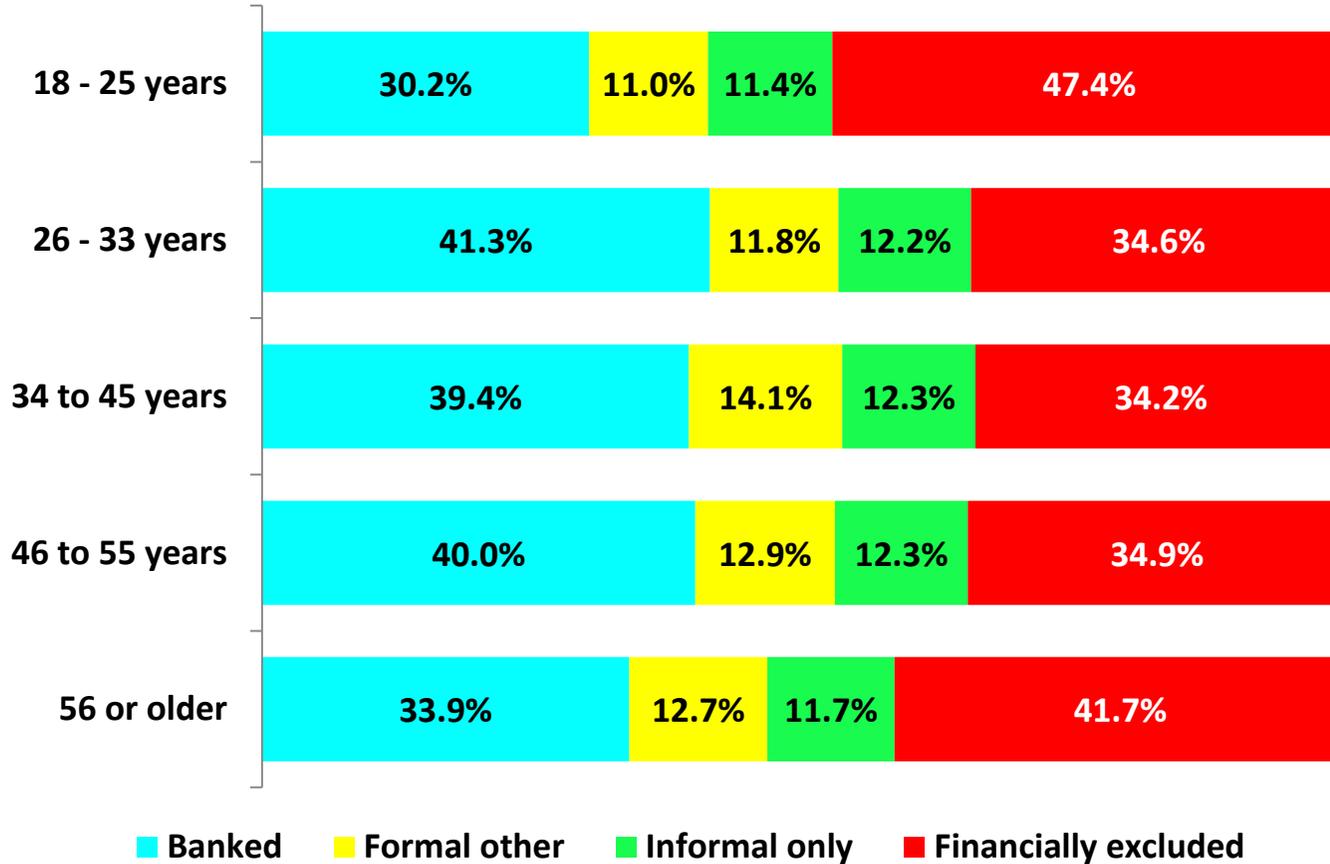
Financial Access by Gender

- Financial access skewed towards males
- 21.4m females (42.7% of the total female population) are financially excluded versus 15.6 million males (35.8% of the total male population)



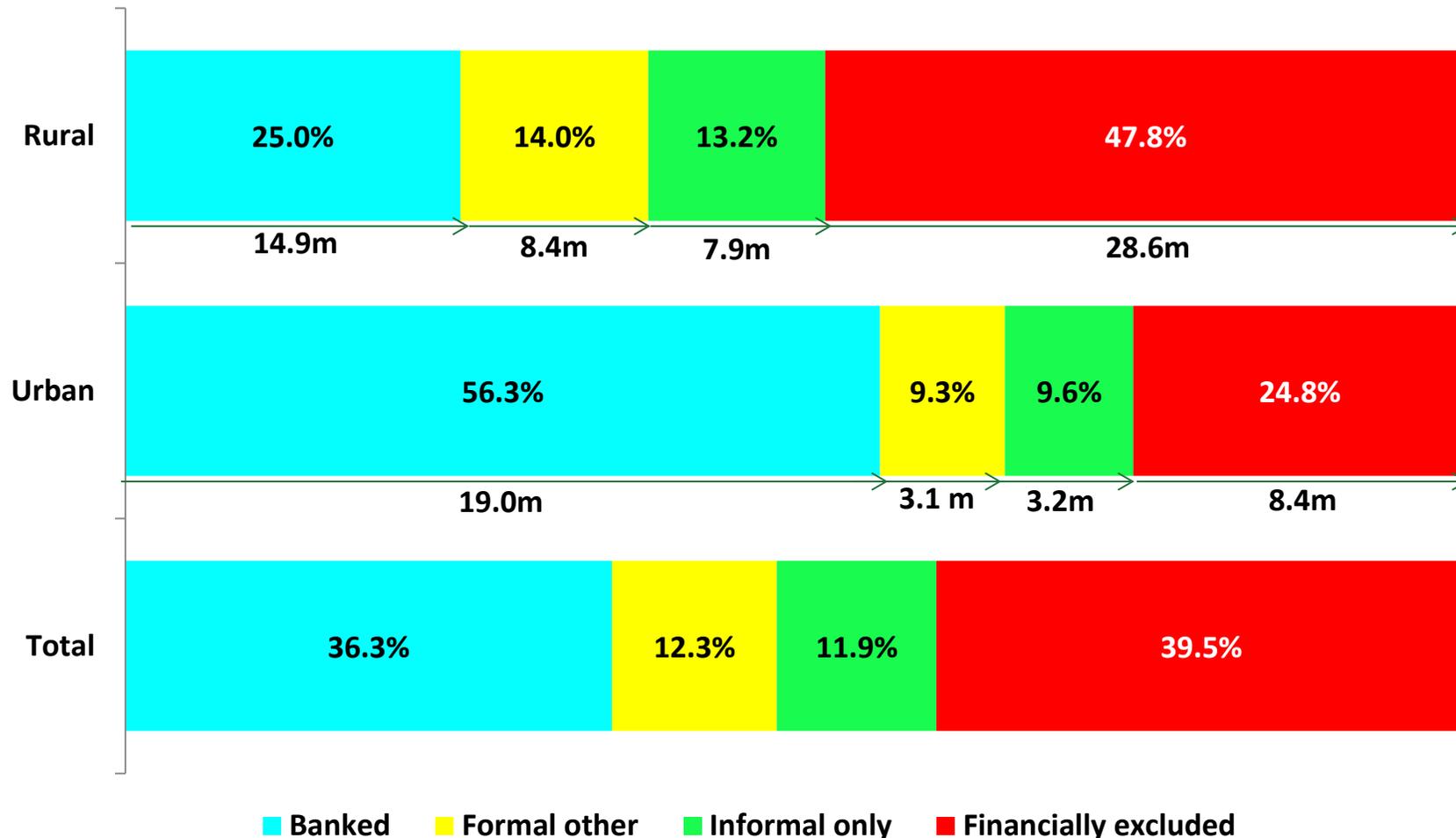
Financial Access by Age Group

- 14.0 million adults between 18 to 25 years (47.4% of that age bracket) are financially excluded



Financial Access by Geographical Distribution

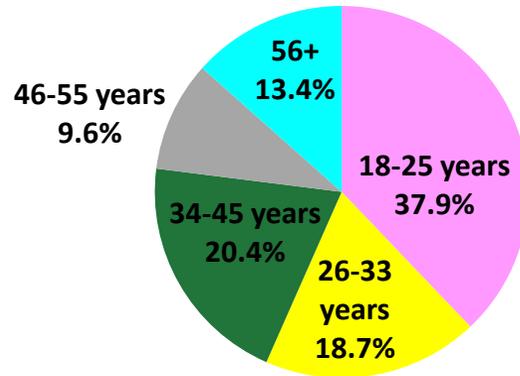
- Financial access is skewed towards urban areas
- 28.6m adults (47.8% of the rural population) are financially excluded in rural areas versus 8.4 m adults (24.8% of the urban population) in urban areas



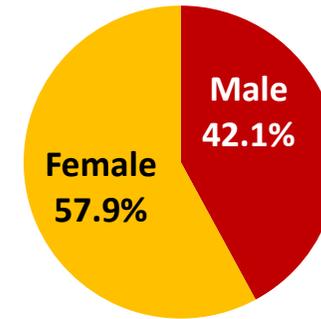
Profile of the Financially Excluded

- 36.9 million adults are financially excluded, of which 37.9% are in the 18 to 25 age bracket, 57.9% are female, 39.1% have no education, and 23.8% do not get an income

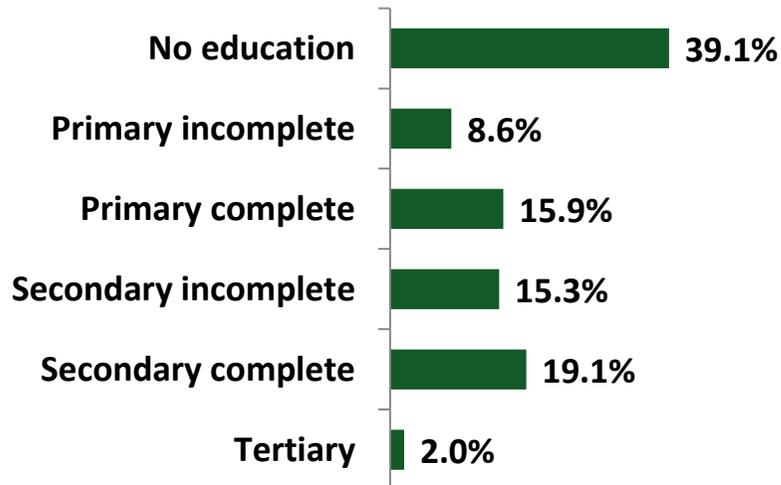
Age profile



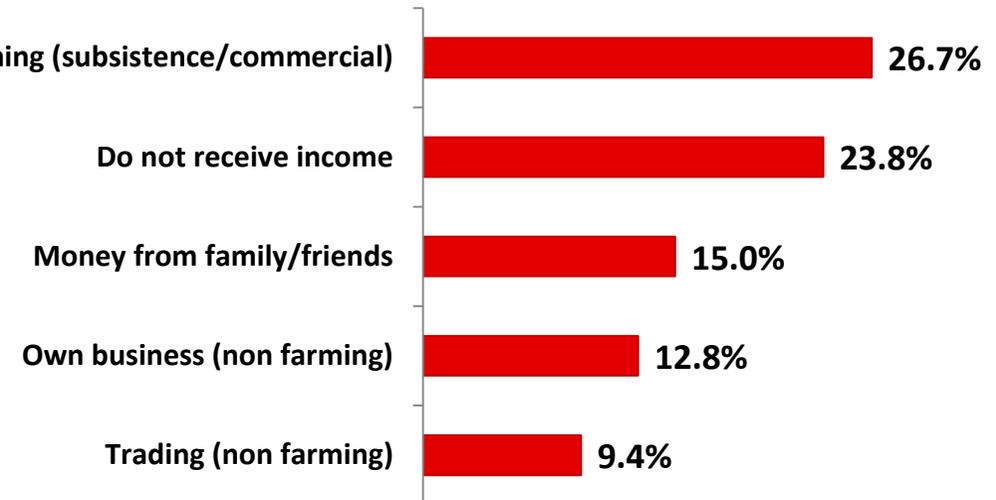
Gender profile



Education profile

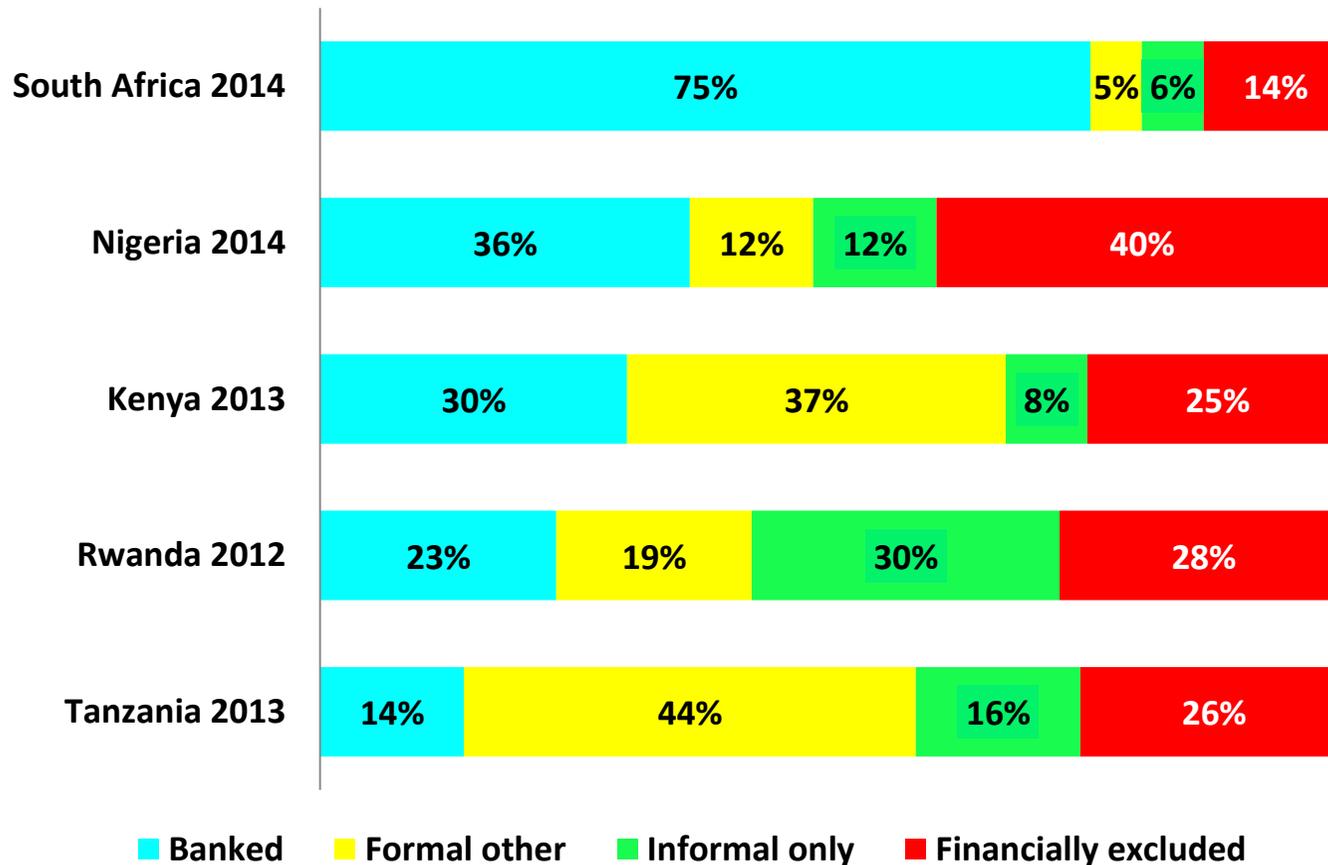


Livelihood profile



Financial Access - Cross Country Comparisons

- Nigeria has higher levels of banked adults than Kenya, Rwanda and Tanzania
- However, Kenya and Tanzania have a higher percentage of formally included adults mainly due to the high uptake of mobile money in these two countries



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

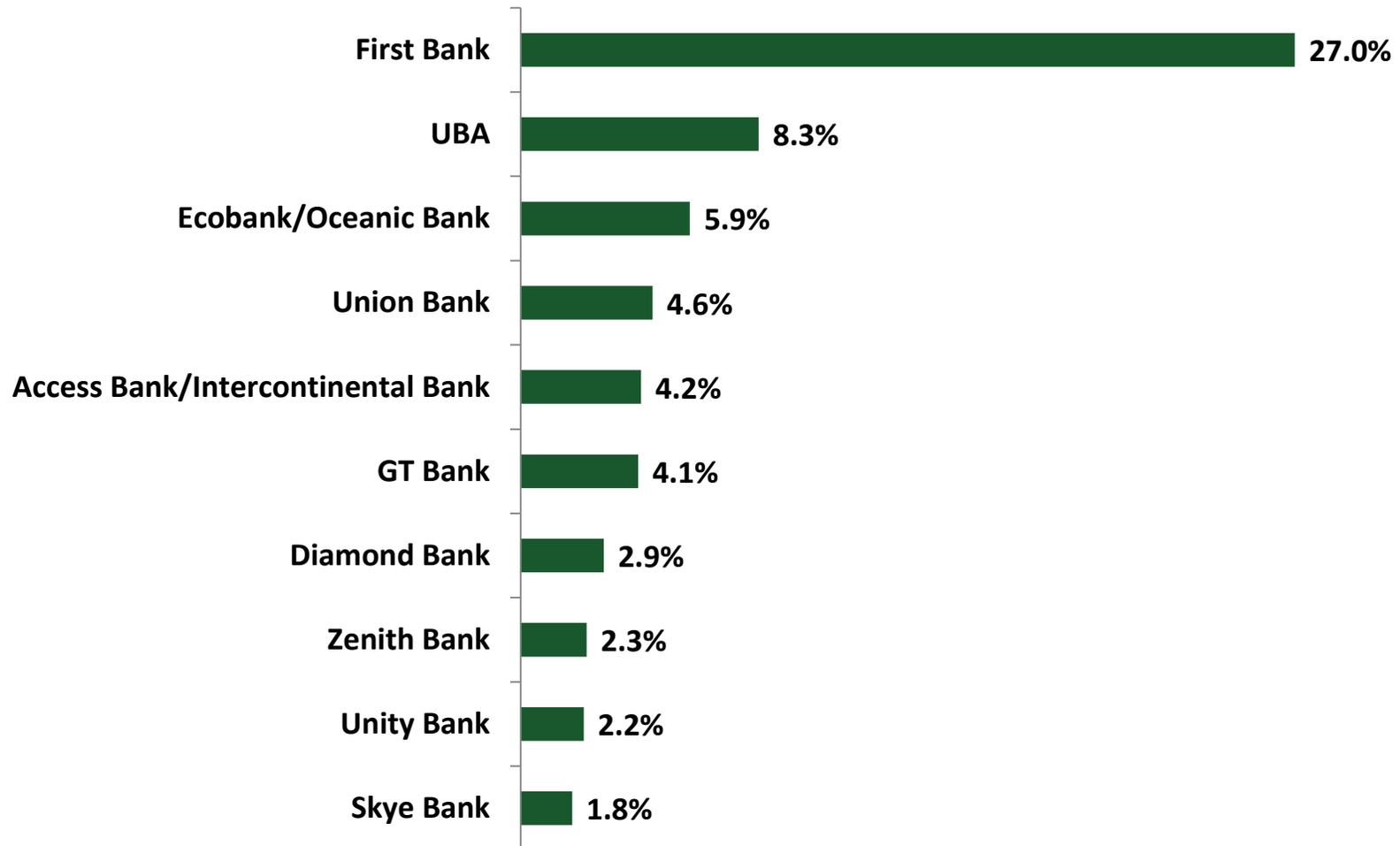
Source: FinScope; FinAccess National Survey; Kenya; EFInA Access to Financial Services in Nigeria 2014 survey

D. Analysis of the Segments of the Financial Sector

Banking – Deposit Money Banks

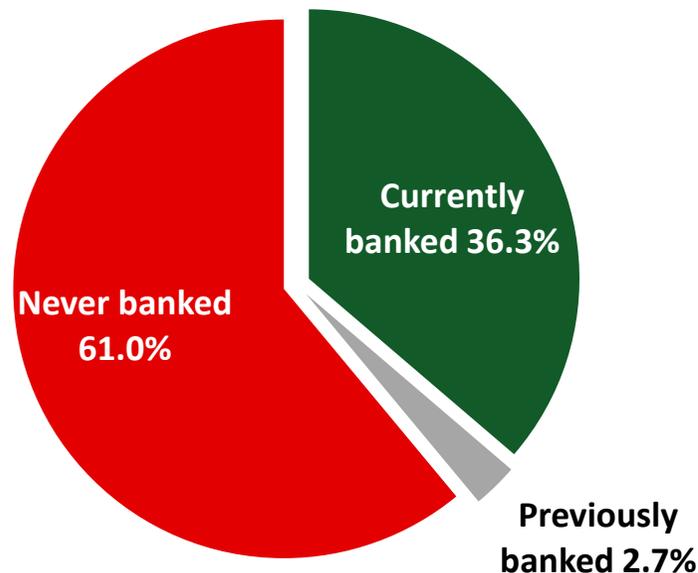
Awareness of Deposit Money Banks

- In terms of awareness, First Bank had the most first mentions



Banking Profile of the Adult Population

- 55.9% of adult males are unbanked - 24.3m
- 70.6% of adult females are unbanked - 35.3m
- 75.0% of the rural population is unbanked - 44.8m



- 36.3% of the adult population currently have and/or use a bank account, which is equivalent to 33.9 million people
- 61.0% of the adult population has never been banked, which is equivalent to 57.1 million people
- 2.7% of the adult population were previously banked, which is equivalent to 2.5 million people

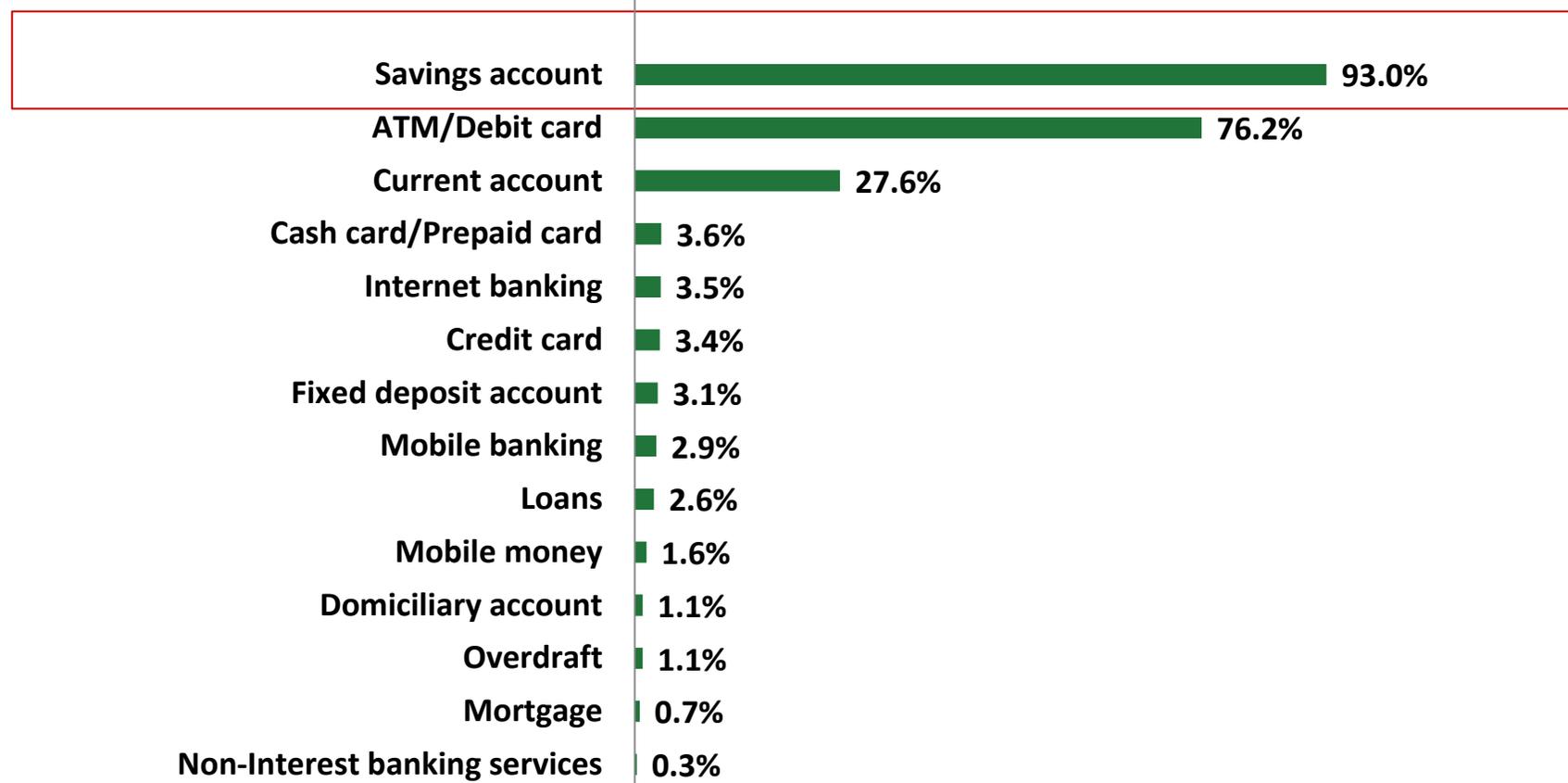
Banked definition:

Currently have access to or use a deposit money bank, in addition to having any of these products: ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan, or Islamic banking product; includes indirect access

Uptake of Deposit Money Bank Products

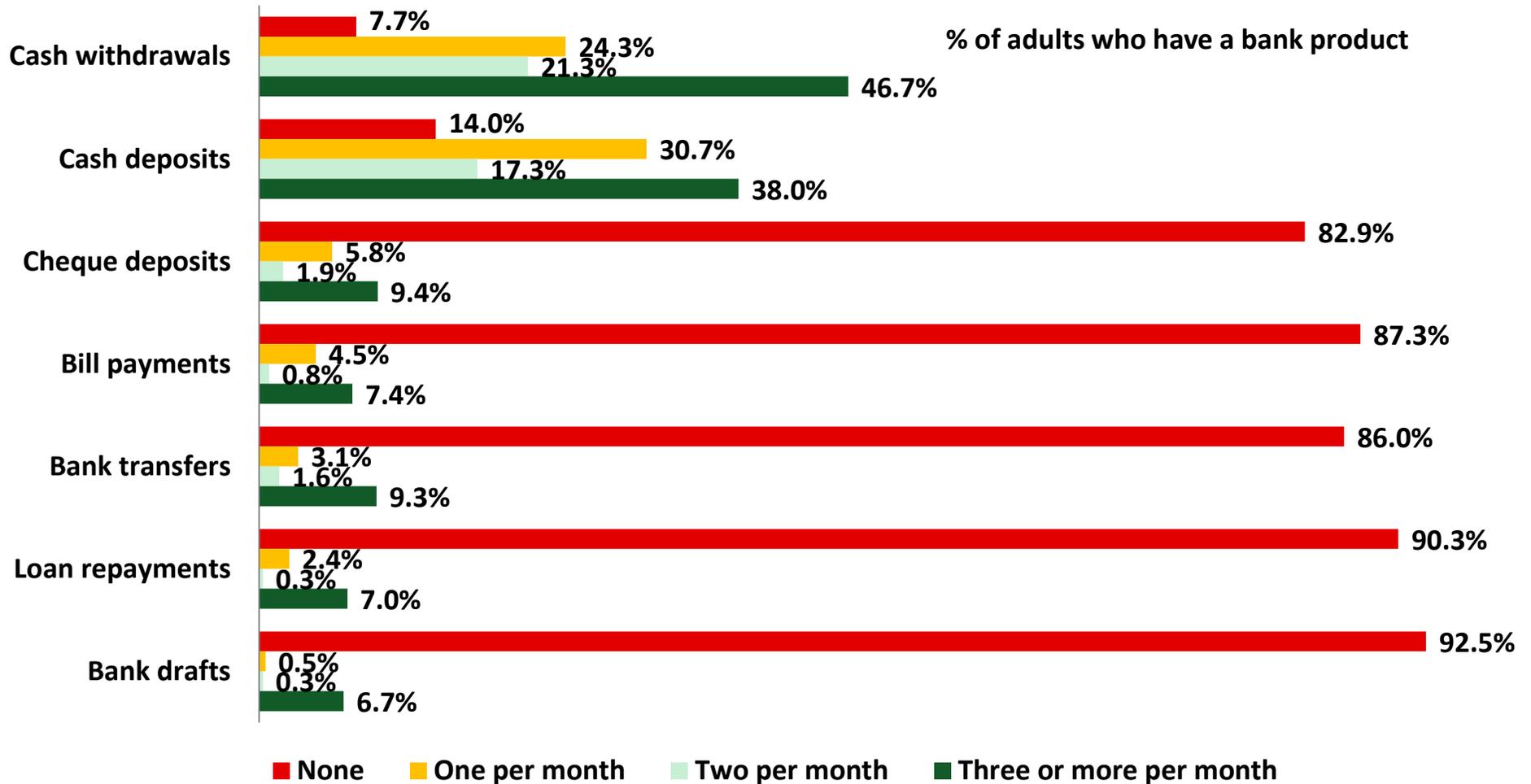
- Of the 25.9 million adults who have a bank product - 24.1 million (93.0%) have savings accounts, 19.8 million (76.2%) have ATM/Debit cards, and 7.2 million (27.6%) have current accounts
- Only 0.6m (2.6%) adults with bank products have a loan with a bank

% of adults who have a bank product



Frequency of Transactions Conducted by Banked Customers

- Cash withdrawals is the most frequent transaction conducted by banked customers



Channels Most Frequently Used for Banking Transactions

- Adoption of e-payment channels such as POS machines is still low

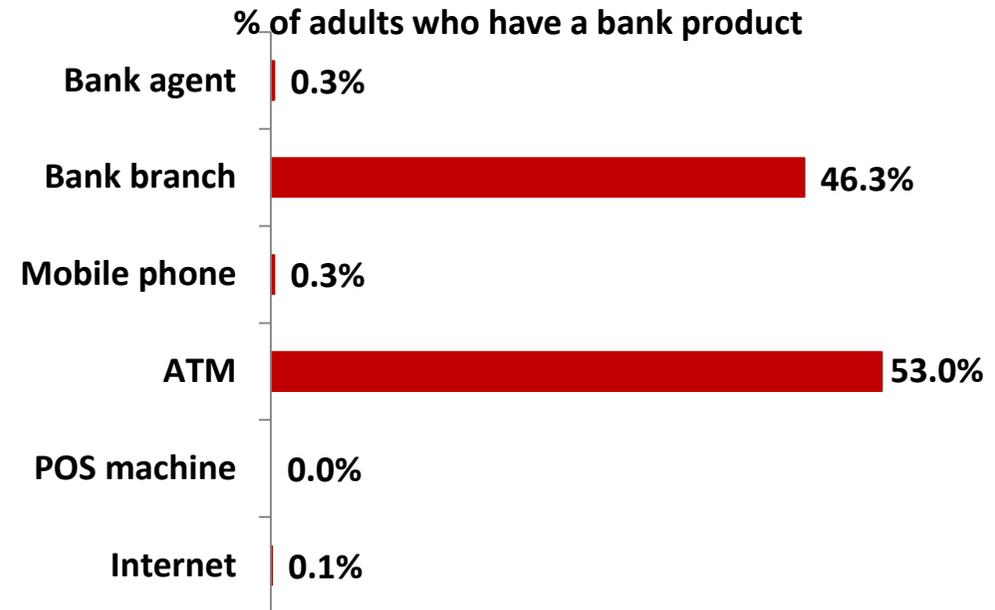
Bank branches:

- 46.3% of adults who have a bank product, conduct transactions most frequently at the bank branch

ATMs:

- 53.0% of adults who have a bank product, conduct transactions most frequently through ATMs

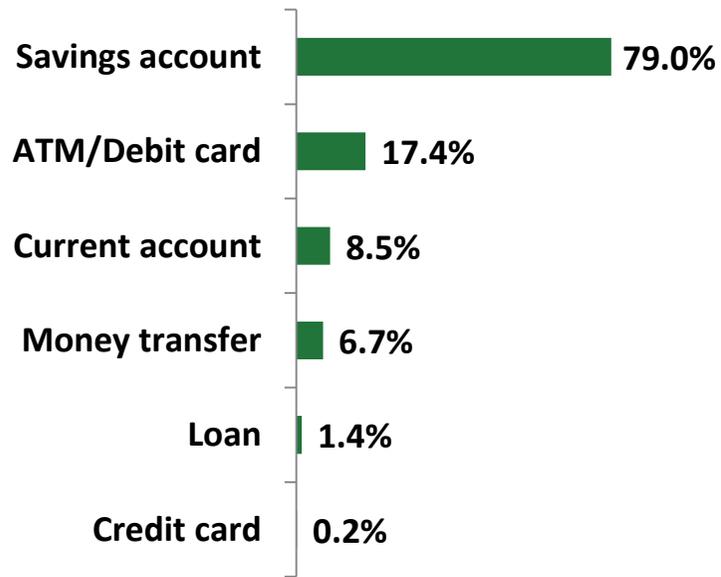
Most frequently used channels for banking transactions



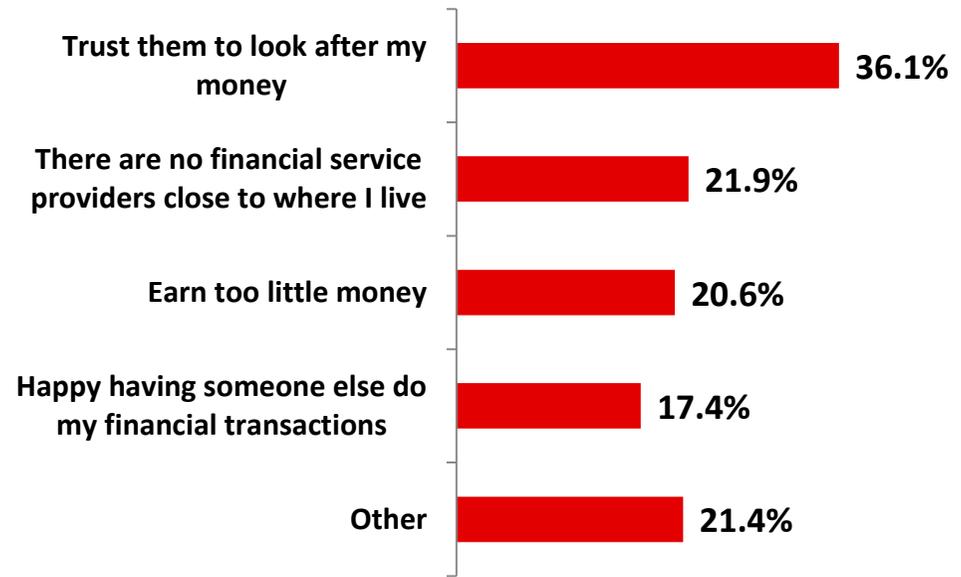
Indirect Access

- 5.8 million adults (6.2% of the total adult population) have indirect access to financial services/products, of which:
 - 5.3m adults (91.1% of those who have indirect access) use deposit money banks, 0.1m adults (1.1% of those who have indirect access) use microfinance banks, and 0.1m adults (1.0% of those who have indirect access) use non-interest banking providers

Products used through DMBs

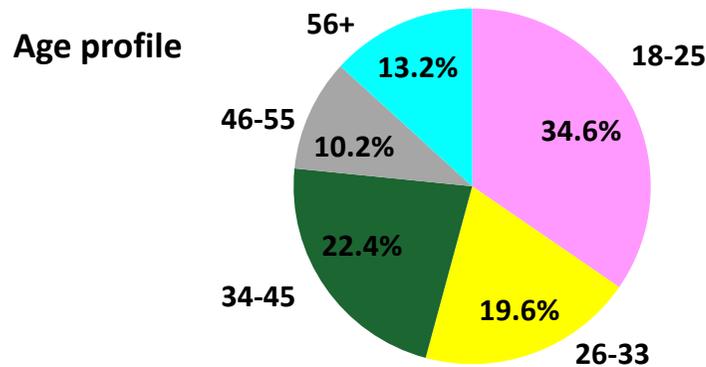


Reasons for using products through someone else

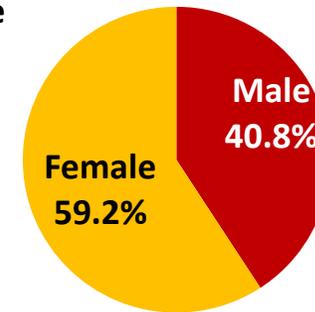


Profile of the Unbanked

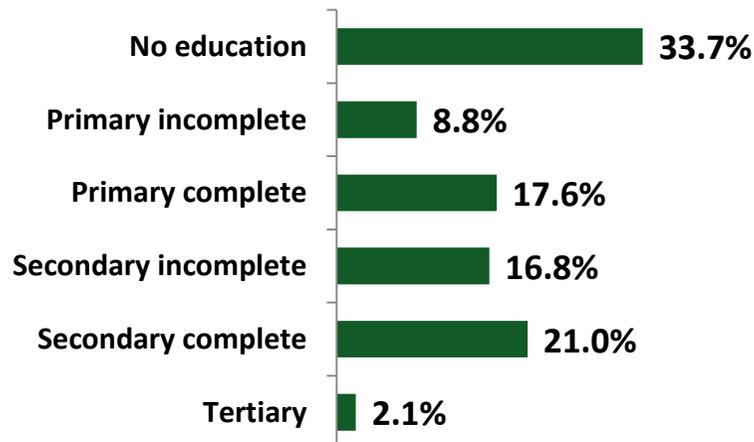
- 59.6 million adults are unbanked of which - 34.6% are in the 18 to 25 age bracket, 59.2% are female, 33.7% have no education, and 27.8% are farmers



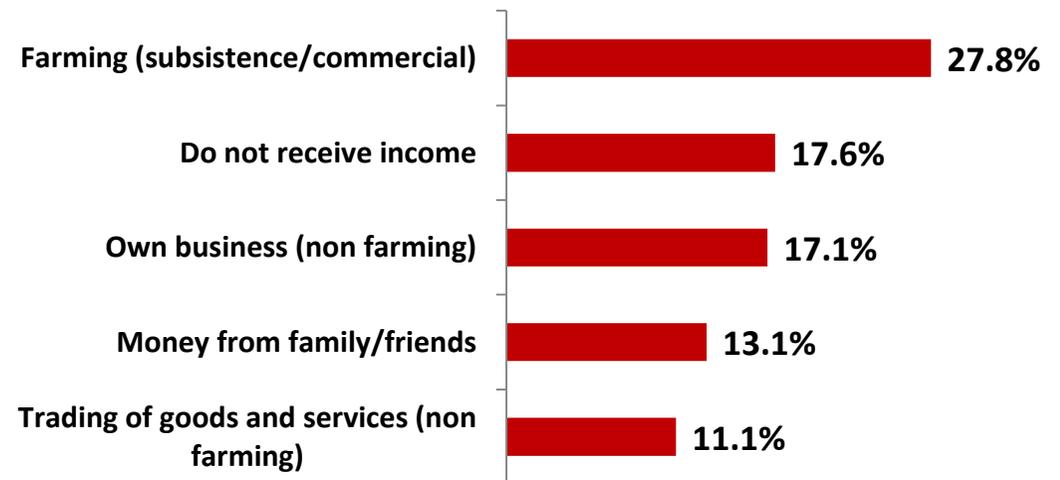
Gender profile



Education profile



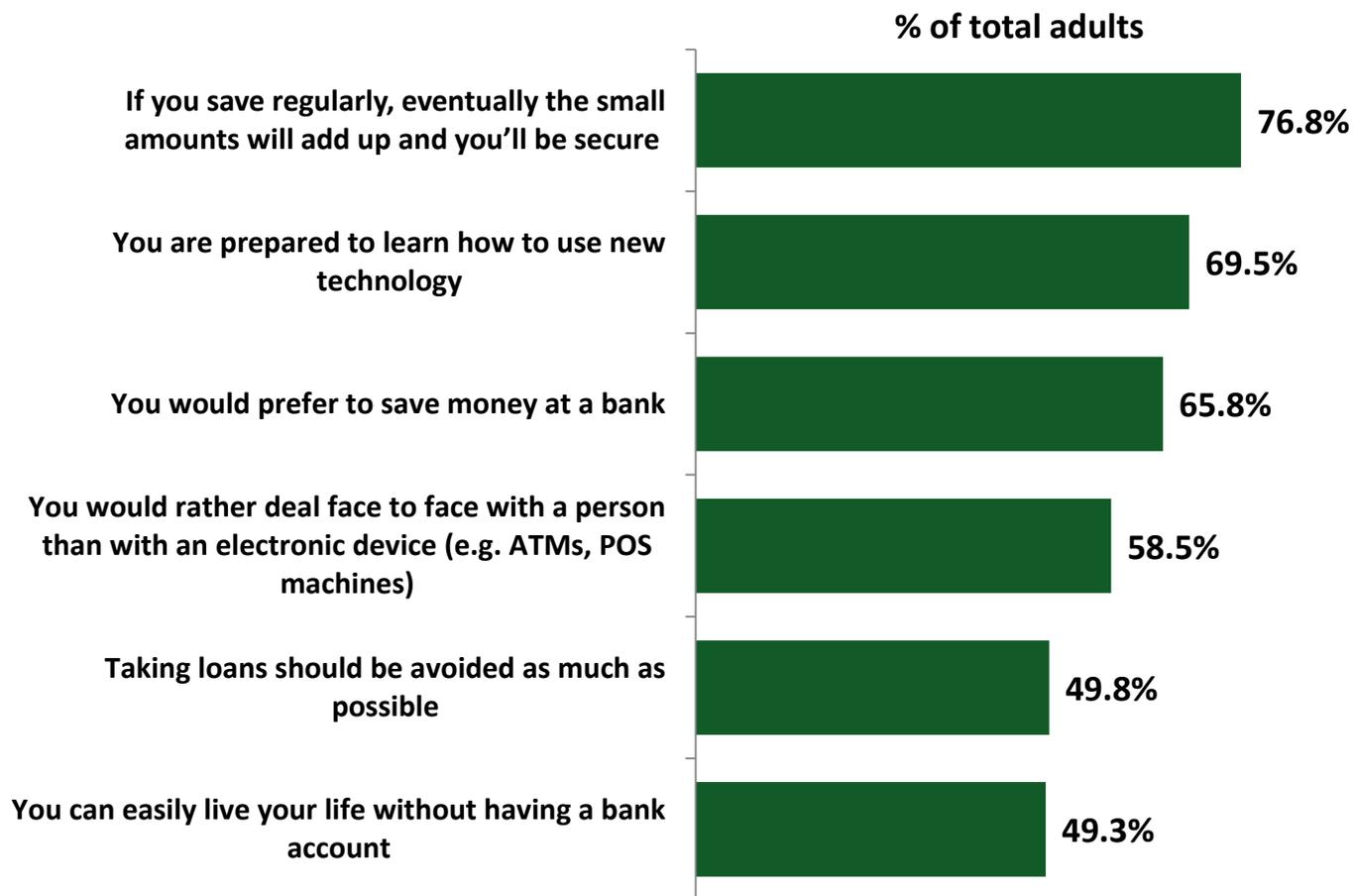
Livelihood profile



Attitudes and Perceptions

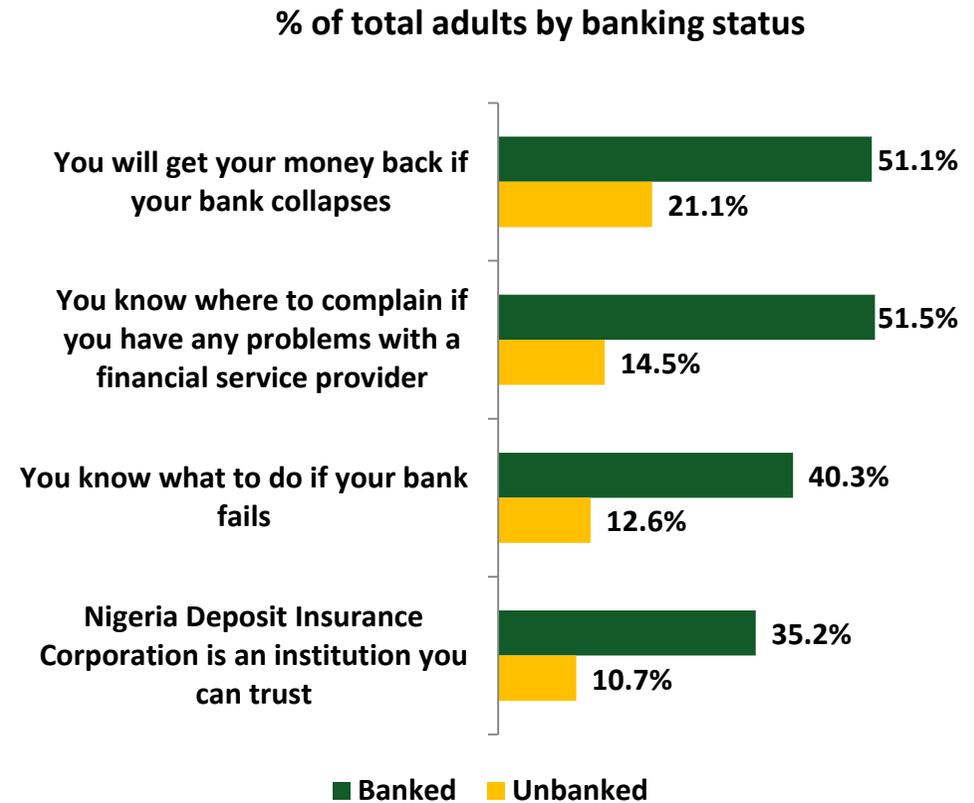
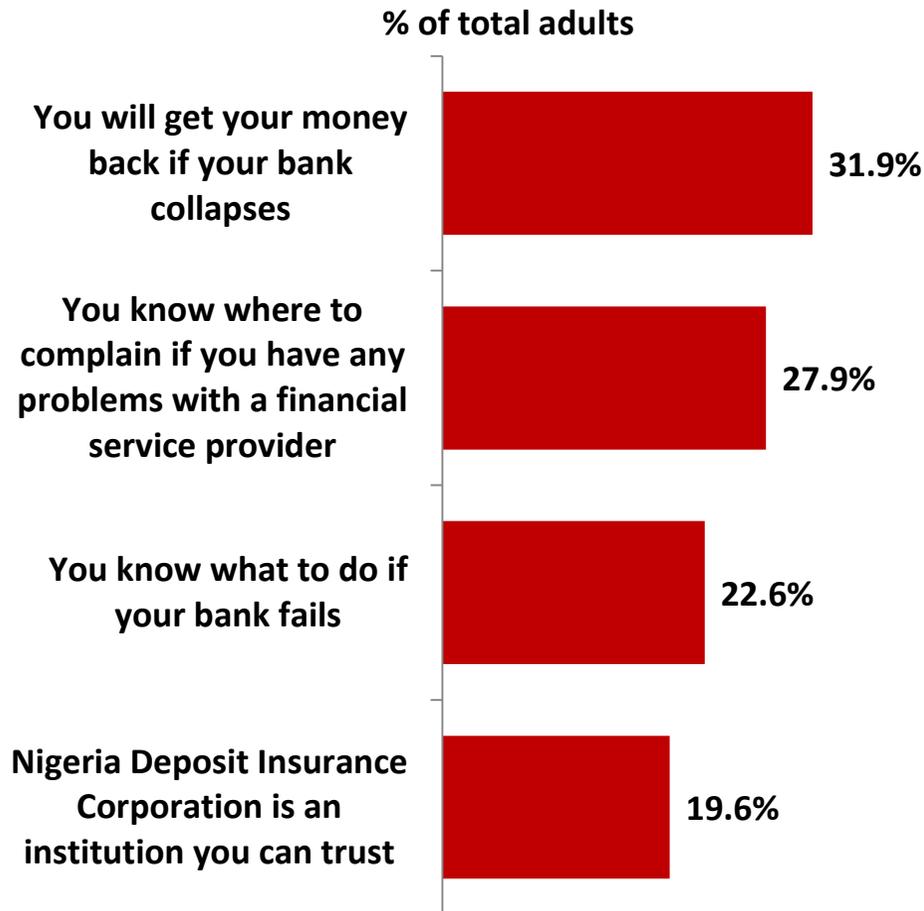
Attitudes Towards Finance and Technology

- 69.5% of adults are prepared to learn how to use new technology
- 49.8% of adults believe that taking loans should be avoided as much as possible
- 49.3% of adults believe that they can easily live their lives without having a bank account



Awareness of Redress Mechanisms

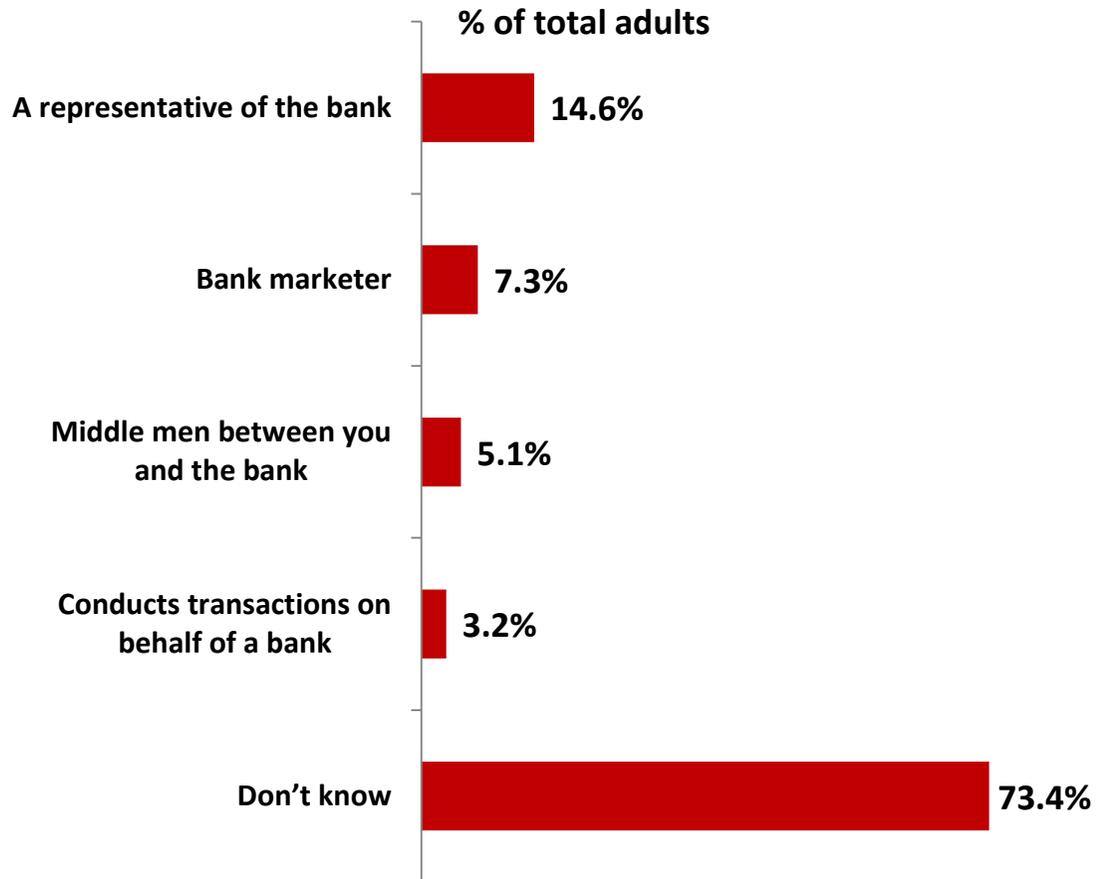
- Only 22.6% of the adult population would know what to do if their bank fails (awareness amongst the unbanked is significantly lower)
- Only 19.6% of the adult population believe that NDIC is an institution that they can trust



Bank Agents

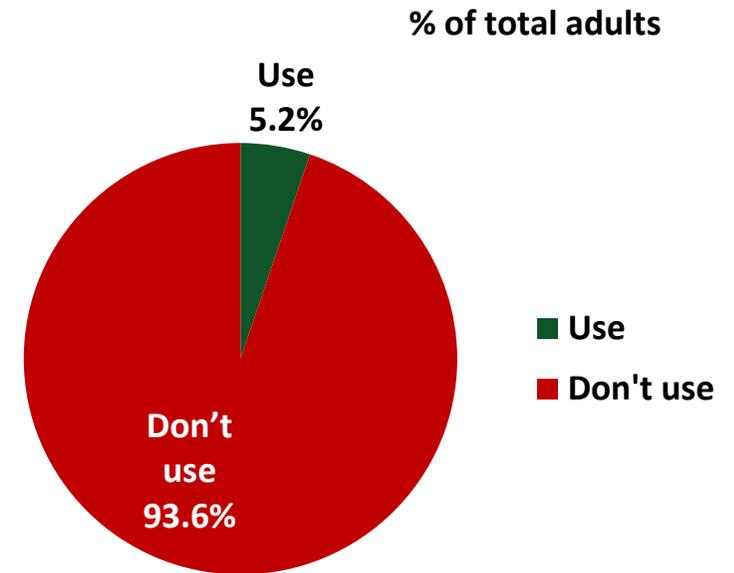
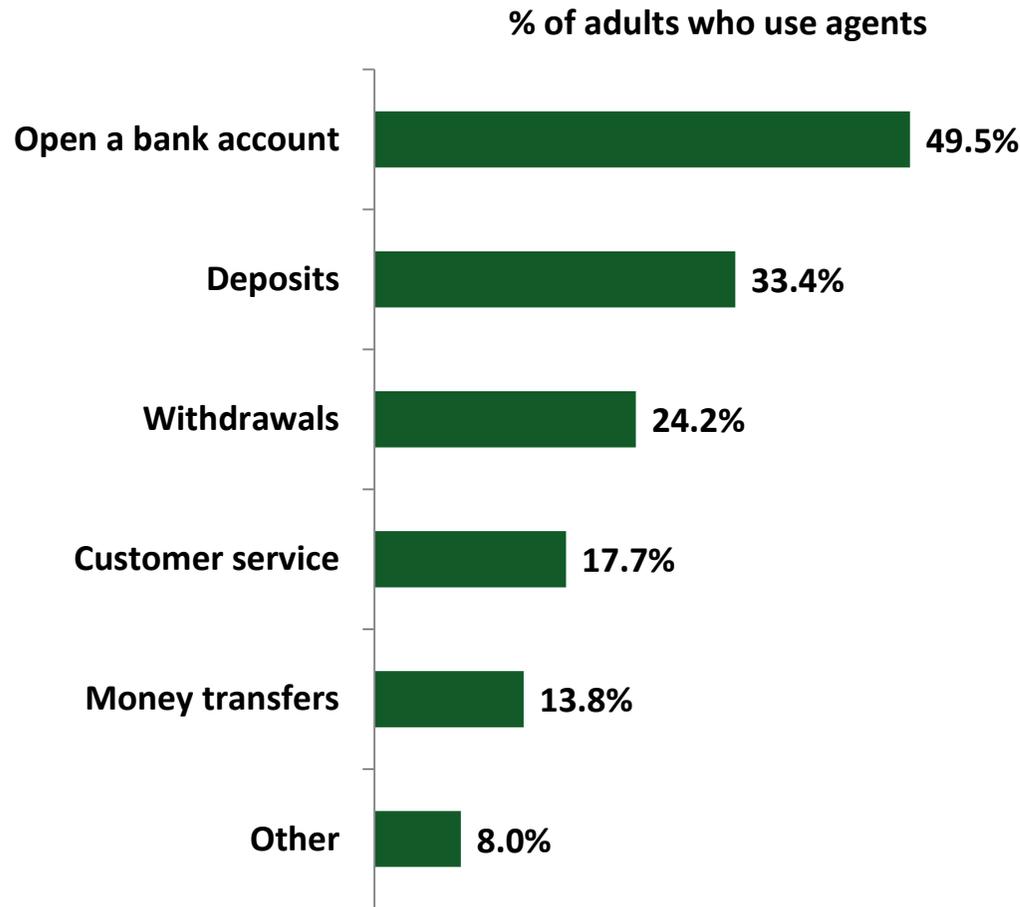
Awareness of Bank Agents

- 68.6 million adults (73.4% of the total adult population) are not aware of bank agents



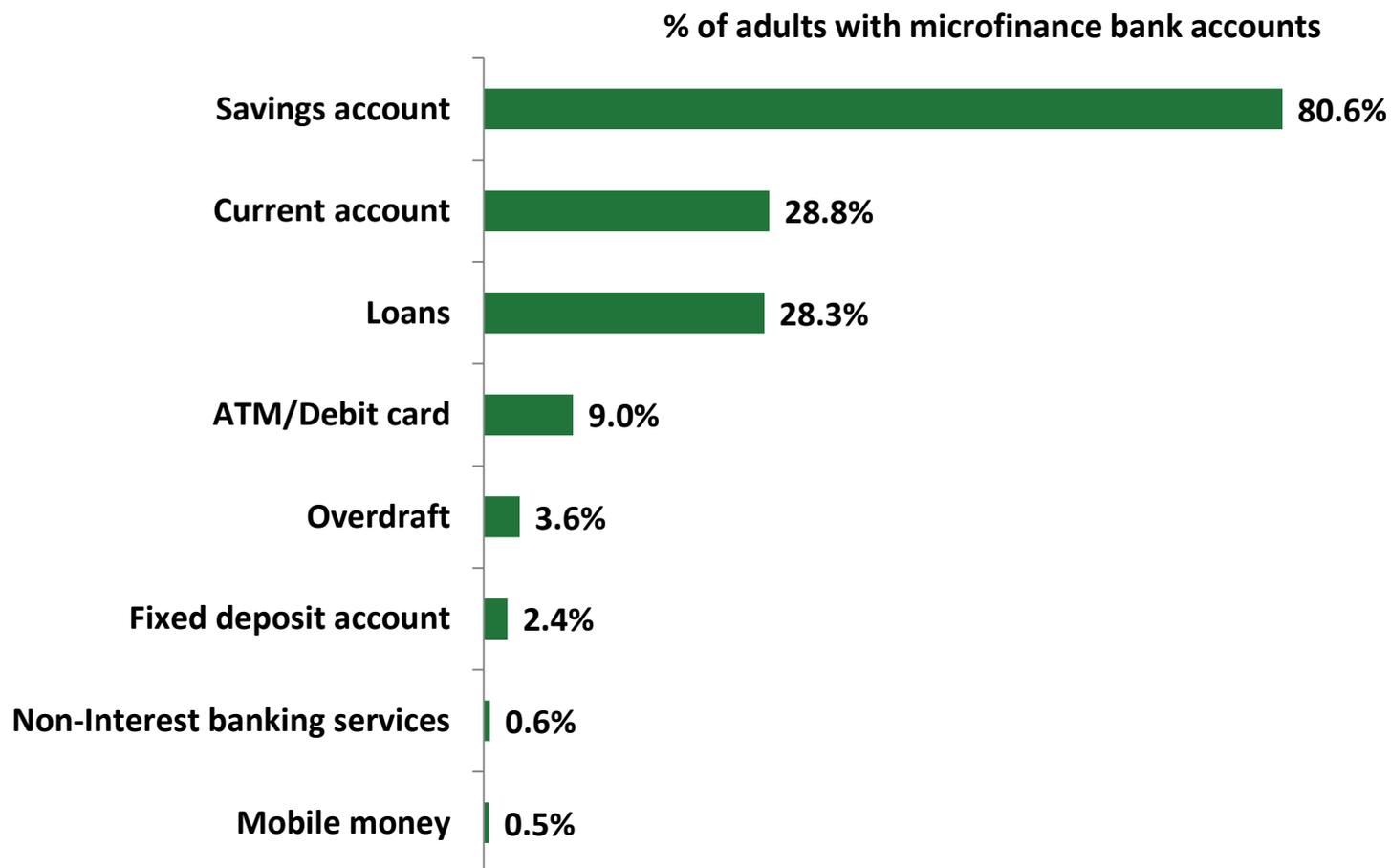
Services Used Through Bank Agents

- Only 1.3 million adults (5.2% of the total adult population) use a bank agent, of which:
 - 0.6m (49.5%) use them to open a bank account



Microfinance

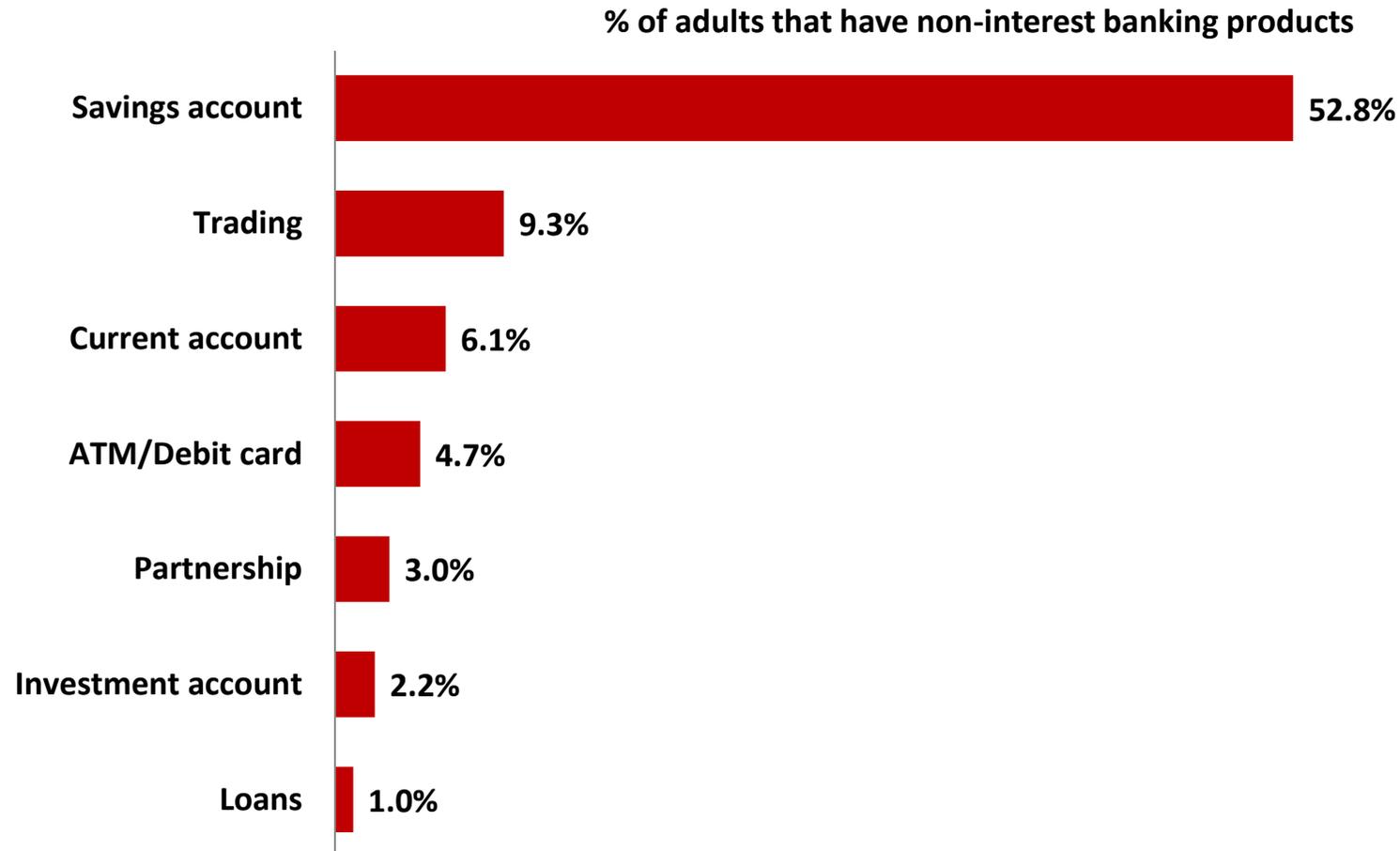
- 2.6 million adults (2.8% of the adult population) have a microfinance bank account, of which 53.9% are male and 46.1% are female
- The most commonly used MFB product is a savings account



Non-interest Banking

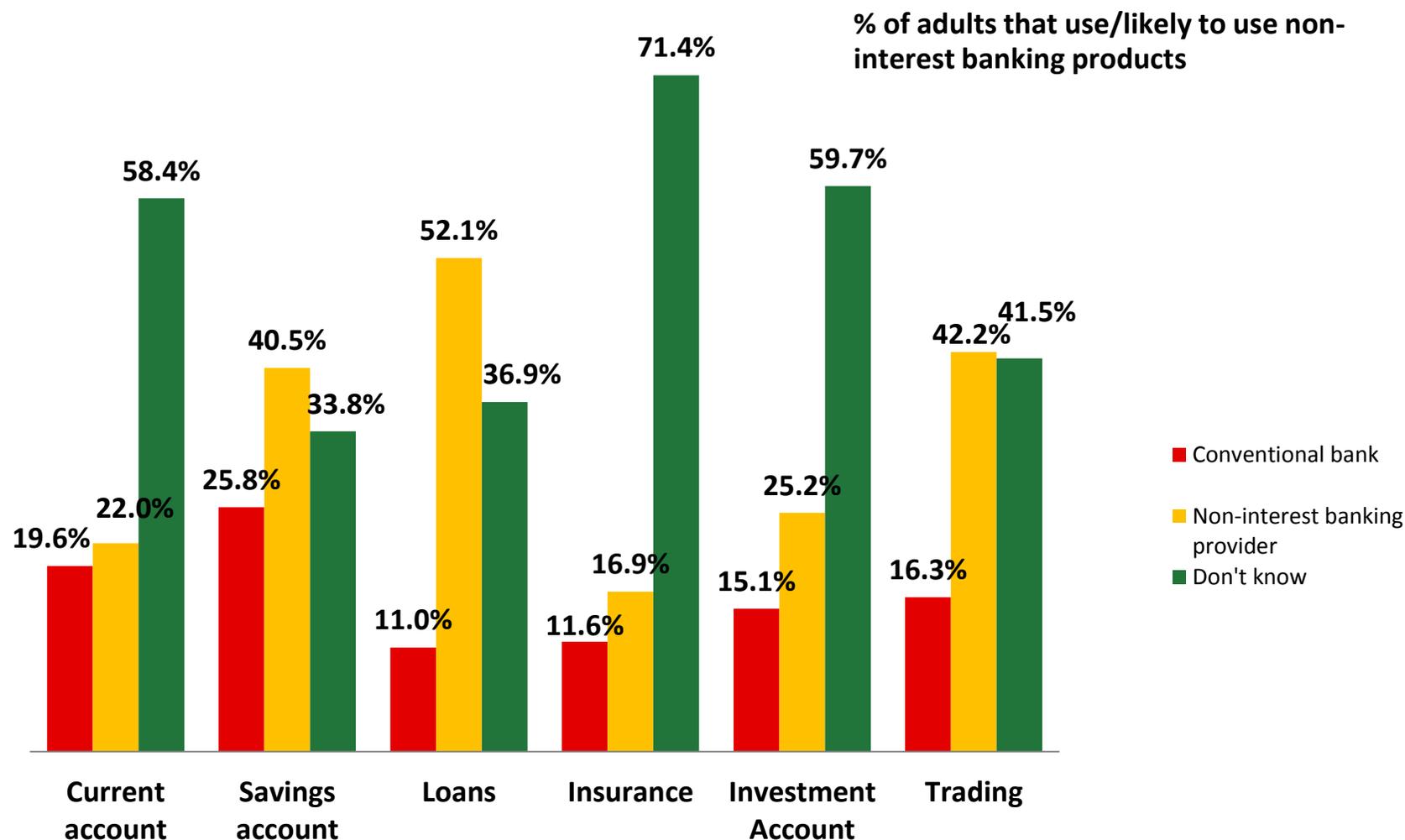
Usage of Non-interest Banking Products

- Only 0.4m (0.4% of the adult population) have a non-interest banking product
- The most commonly used product is a savings account



Preference of Non-interest Banking Provider vs. Conventional Bank

- 52.1% of adults that use/likely to use non-interest banking products would prefer to get their loans through a non-interest banking provider as opposed to a conventional bank

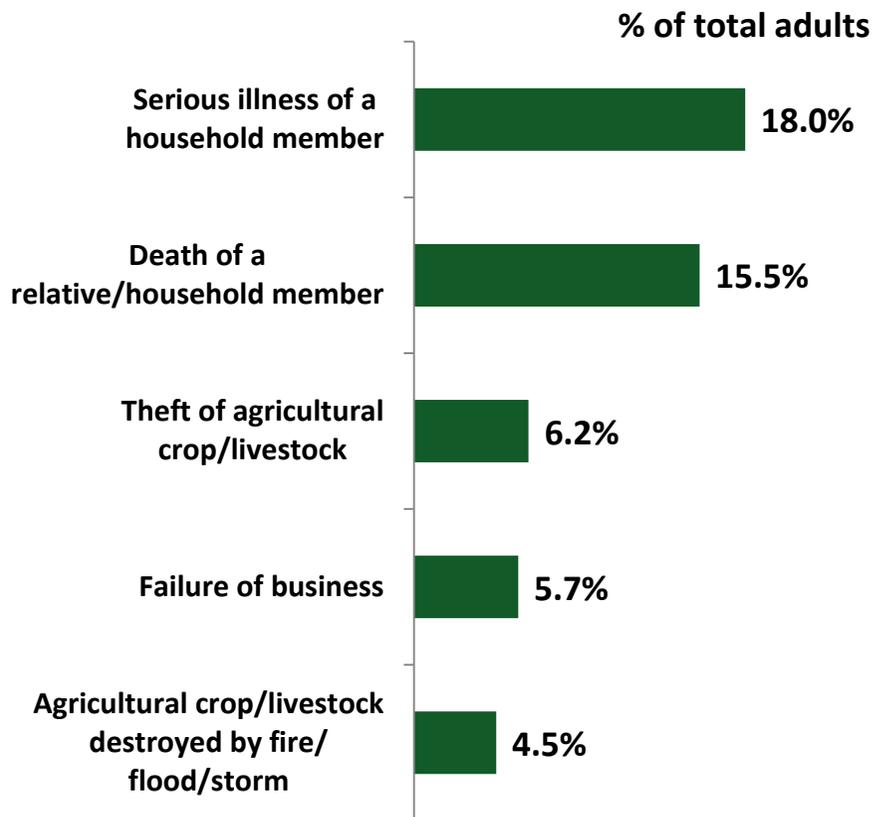


Insurance

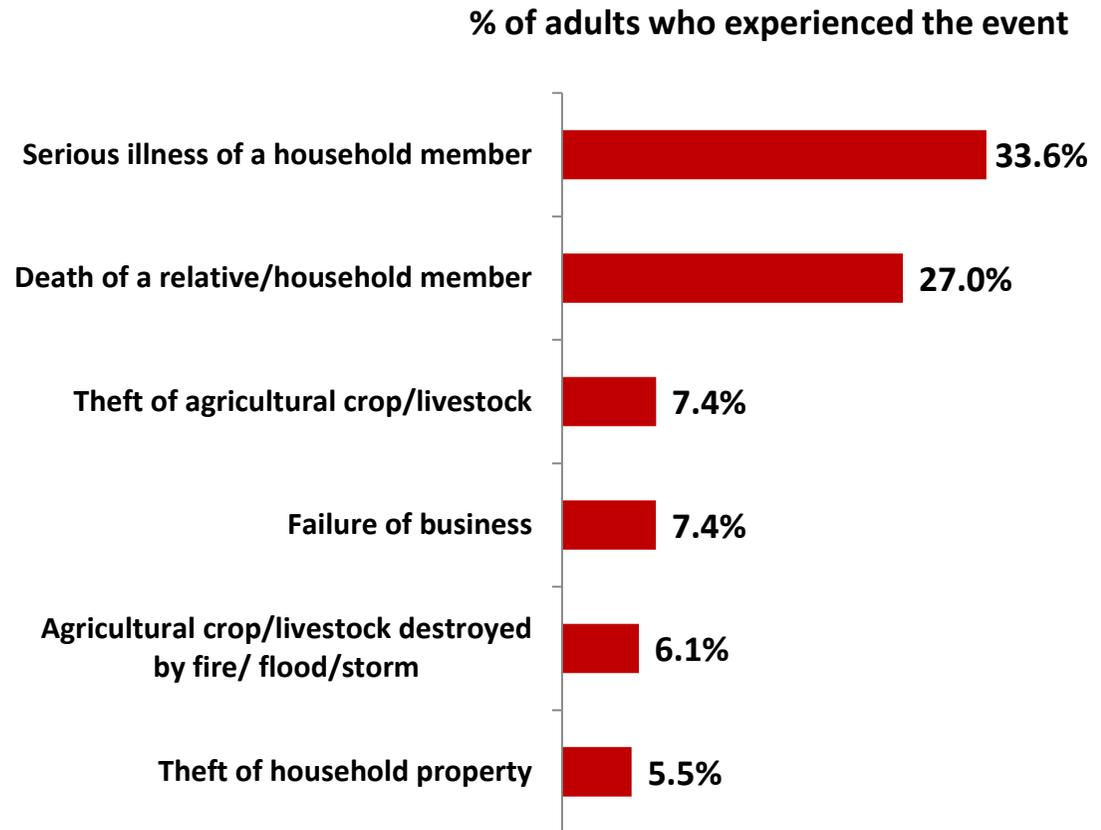
Risks Experienced and Impact on Household Finance

- The top two risks experienced by households are serious illness of a household member and death of a relative/household member
- The event that has the greatest impact on households' finances is serious illness of a household member

Risks experienced



Risks experienced that has greatest impact on household finance



Risks Experienced/Coping Mechanisms

- People tend to use a variety of **coping mechanisms** rather than insurance for risks experienced

Coping with illness

- Out of the 16.7 million adults who experienced serious illness of a household member:
 - About half used their own savings
 - 16.2% sold livestock
 - 11.8% sold assets
 - 10.8% borrowed money from family/friends



Only 27,370 use insurance

Coping with death in household

- Out of the 14.4 million adults who experienced death of a household member:
 - 35.5% used their own savings
 - 35.1% did nothing
 - 7.1 % borrowed money from family/friends
 - 7.0% cut down on expenses



Only 38,850 use insurance

Coping with theft of agricultural crop/livestock

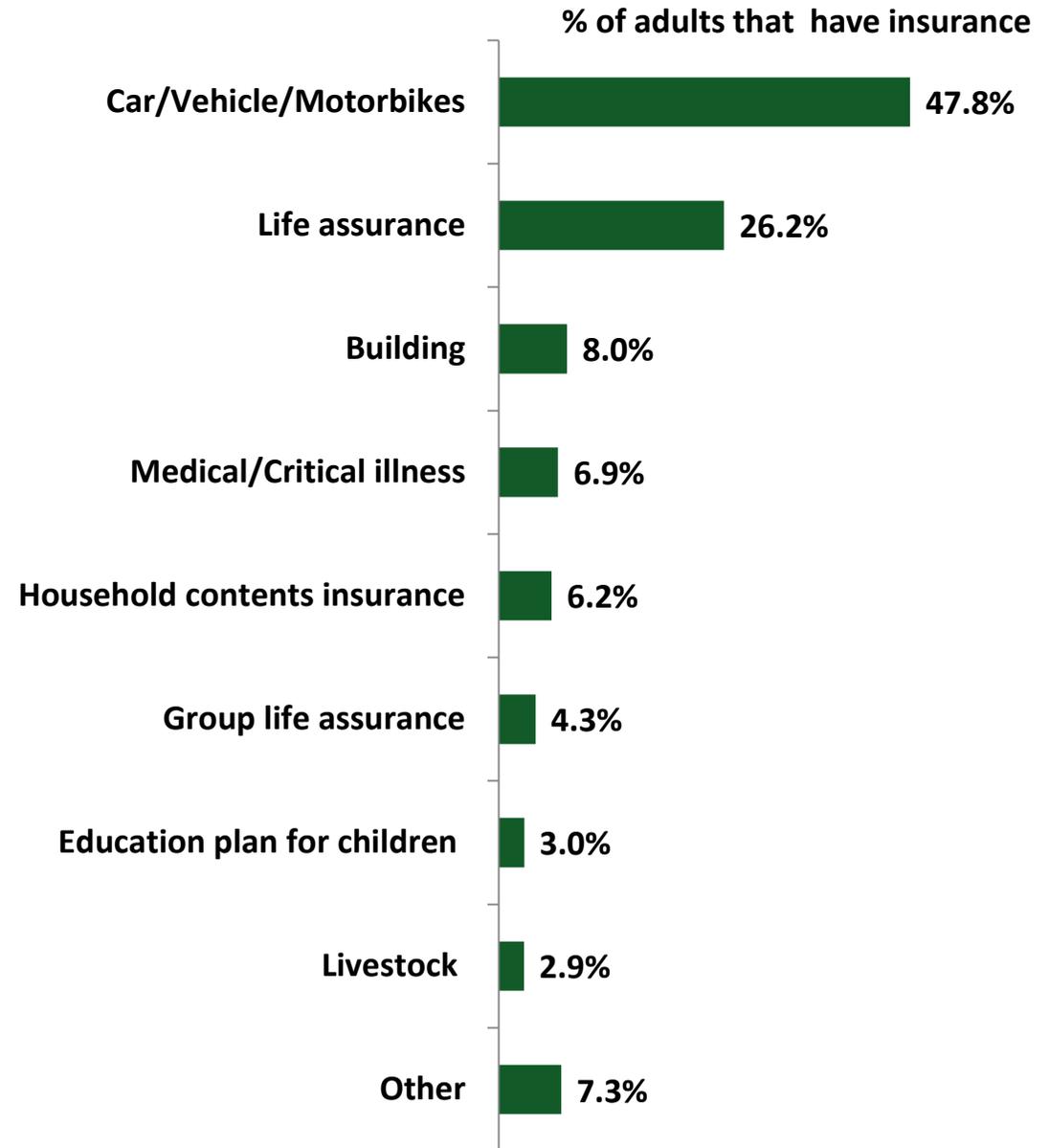
- Out of the 5.8 million adults experienced agricultural risk:
 - 52.0% did nothing
 - 17.0 % used their savings
 - 7.8% sold assets
 - 6.0% cut down on expenses



Only 19,840 use insurance

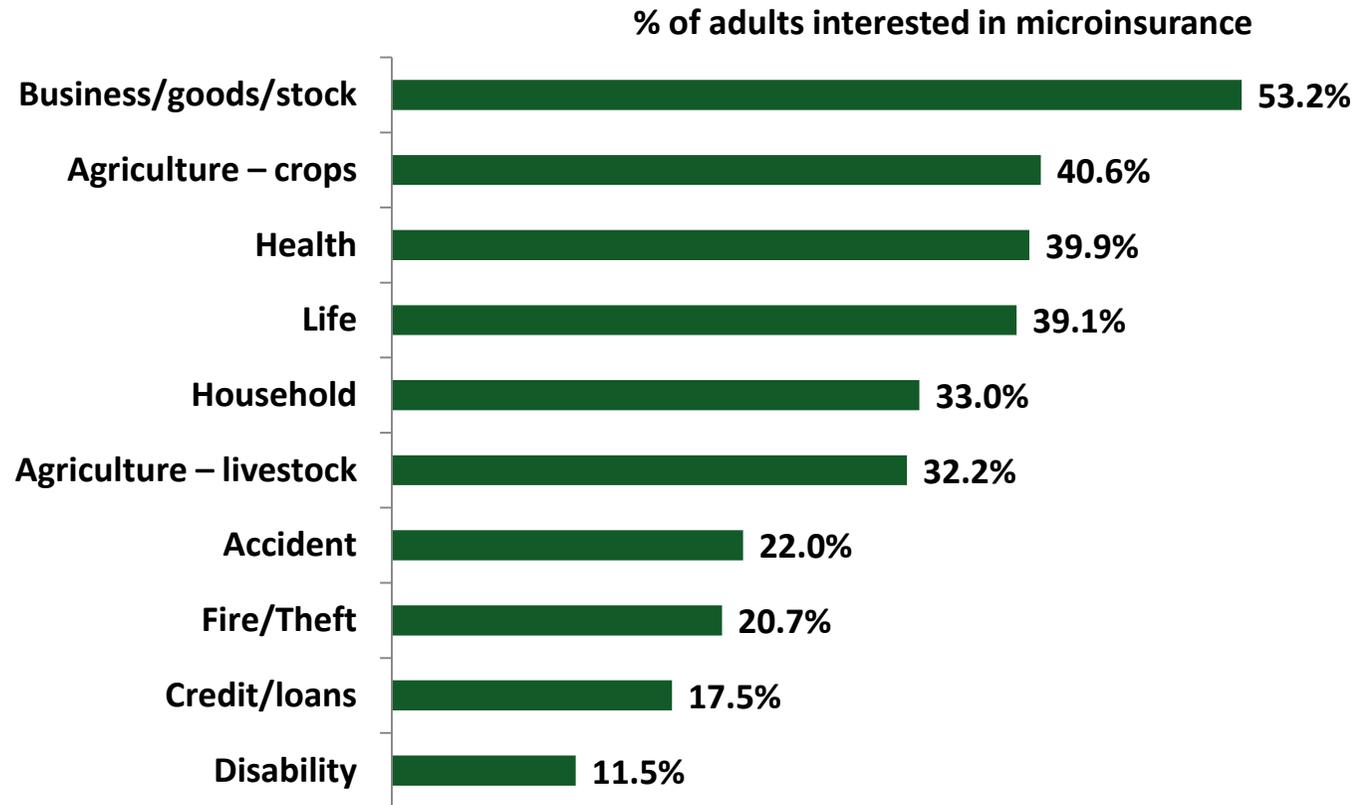
Penetration of Insurance Products

- 1.0 million adults (1.1% of the adult population) have insurance
- Vehicle insurance has the highest uptake
- Areas where risks are experienced and would imply a high need for insurance, have extremely low uptake such as:
 - Serious illness
 - Death of a relative/household member



Demand for Microinsurance Products

- 14.3m adults (15.3% of the total adult population) say they would be interested in microinsurance products
- The microinsurance product with the highest demand is insurance of business/goods/stock

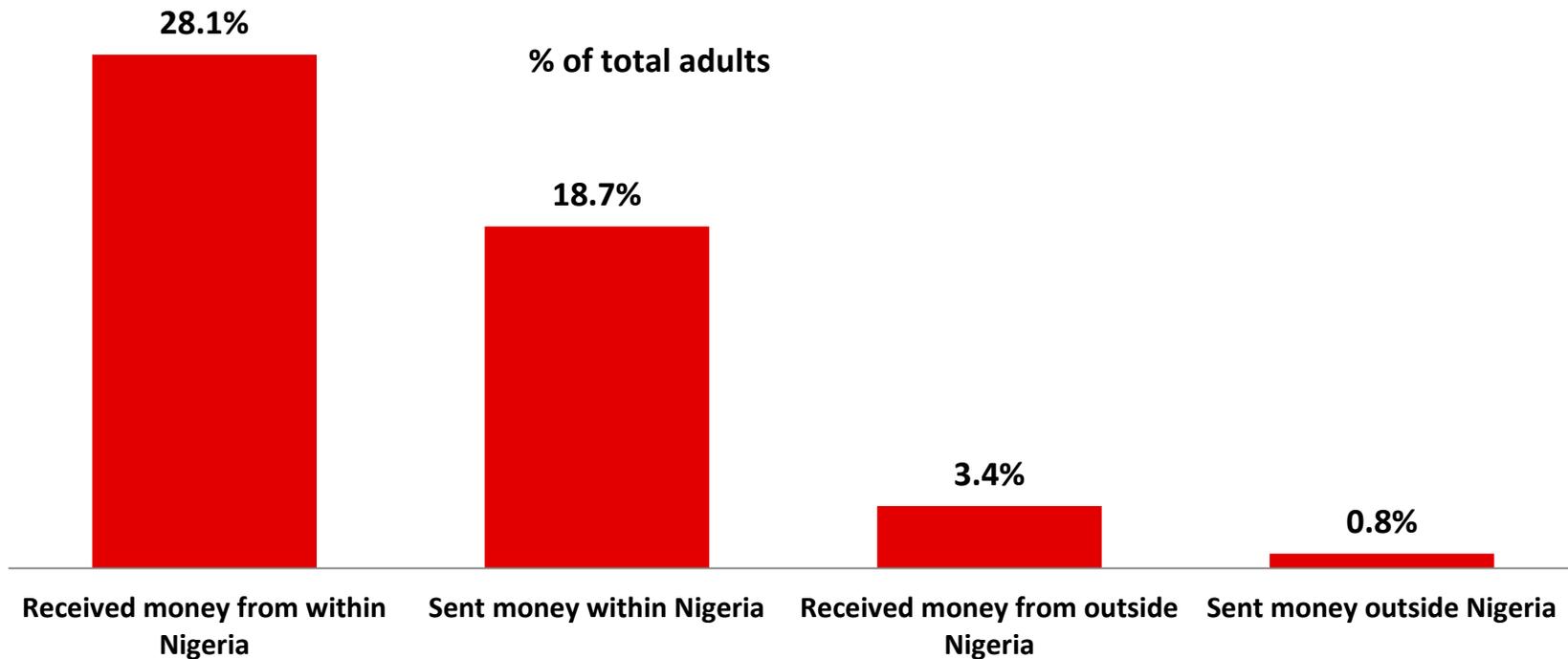


Remittances

Remittances

In the six months prior to being interviewed:

- 26.3 million adults (28.1% of the adult population) received remittances from within Nigeria
- 17.5 million adults (18.7% of the adult population) sent remittances within Nigeria
- 3.2 million adults (3.4% of the adult population) received remittances from outside Nigeria
- 0.8 million adults (0.8% of the adult population) sent remittances to outside Nigeria



Domestic Remittances

- 7.4 million adults who received domestic remittances in the six months prior to being interviewed, received between N10,001 and N50,000
- 4.6 million adults who sent domestic remittances in the six months prior to being interviewed, sent between N5,001 and N10,000

Of those that received or sent domestic remittances

Amount received/sent the last time	Domestic (received)	Domestic (sent)
Below N2,500	9.6%	12.9%
N2,501 – N5,000	21.4%	22.2%
N5,001 – N10,000	26.9%	26.7%
N10,001 – N50,000	28.2%	26.3%
Above N50,000	7.1%	6.0%
Refused to answer/Can't say	6.8%	5.9%

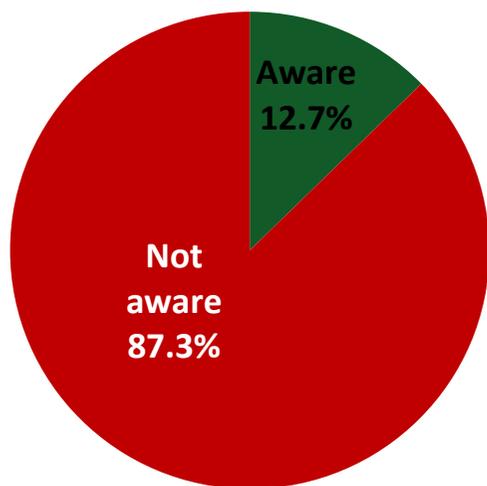
Mobile Money

Awareness of/Source of Information for Mobile Money

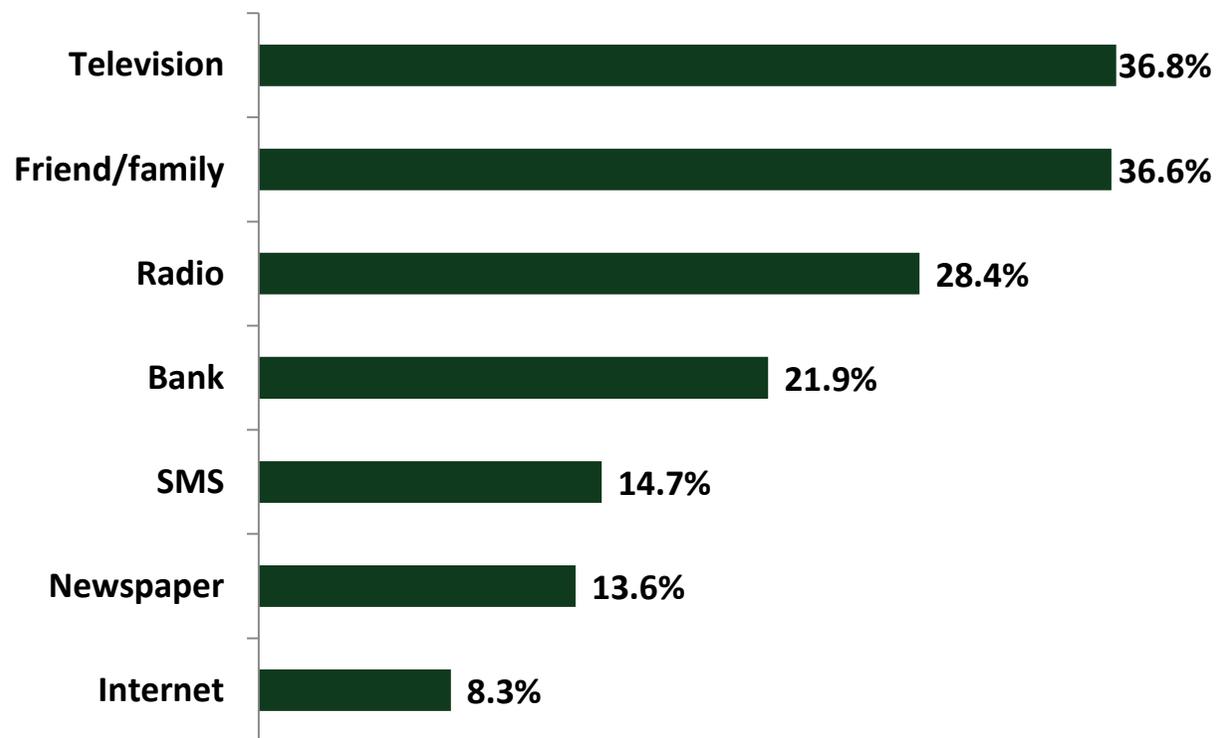
- 11.9 million adults (12.7% of the adult population) are aware of mobile money:
 - Of which 36.8% cited the television as being their source of information about mobile money

Awareness of mobile money

% of total adults

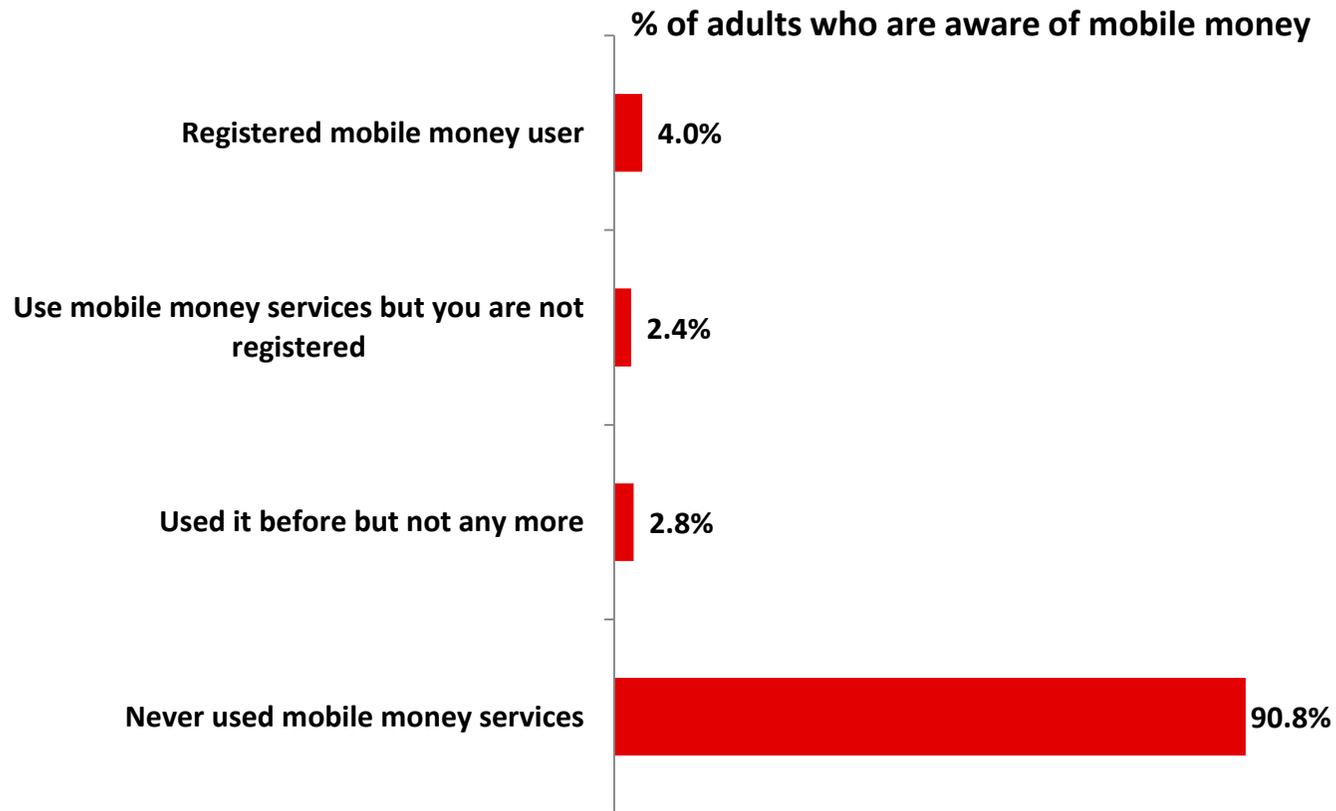


% of adults who are aware



Uptake of Mobile Money

- Although 11.9m adults are aware of mobile money, only 0.8 million adults (0.8% of the adult population) currently use mobile money services
- Of the 0.8m mobile money users - 0.5m are registered and 0.3m are not registered

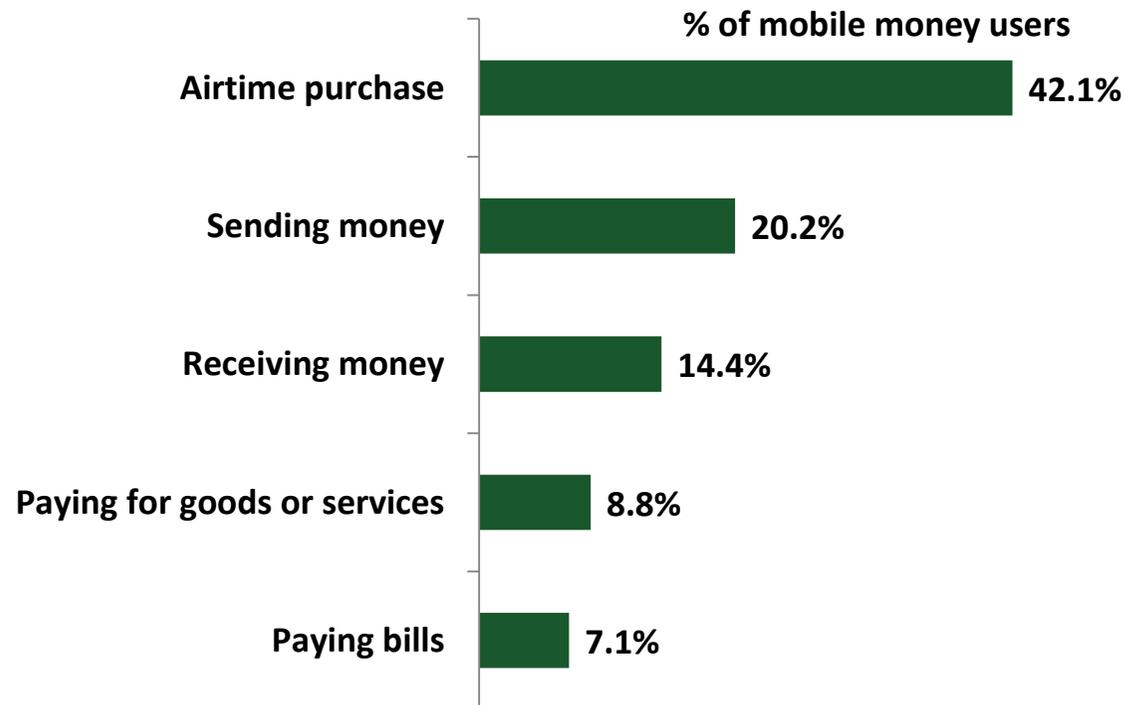


Usage of Mobile Money

Amongst 0.8m mobile money users (registered and unregistered):

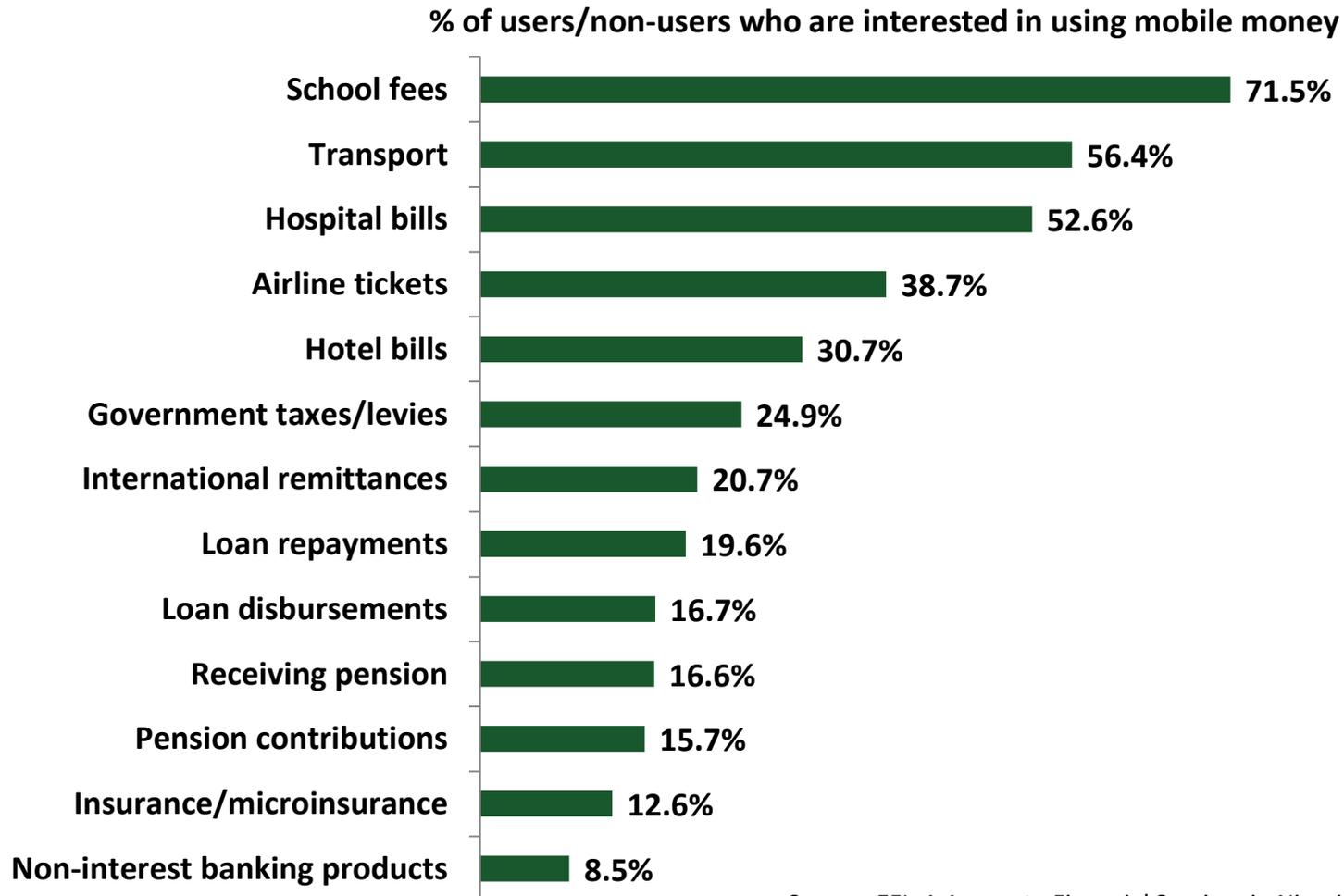
- The mobile money service most frequently used is airtime purchase
- The first transaction conducted using mobile money is also airtime purchase

Most frequently used mobile money services



Potential Demand for Mobile Money

- For those that currently use/are interested in using mobile money, the top 3 transactions that they would consider using mobile money for are paying school fees, transport, and hospital bills

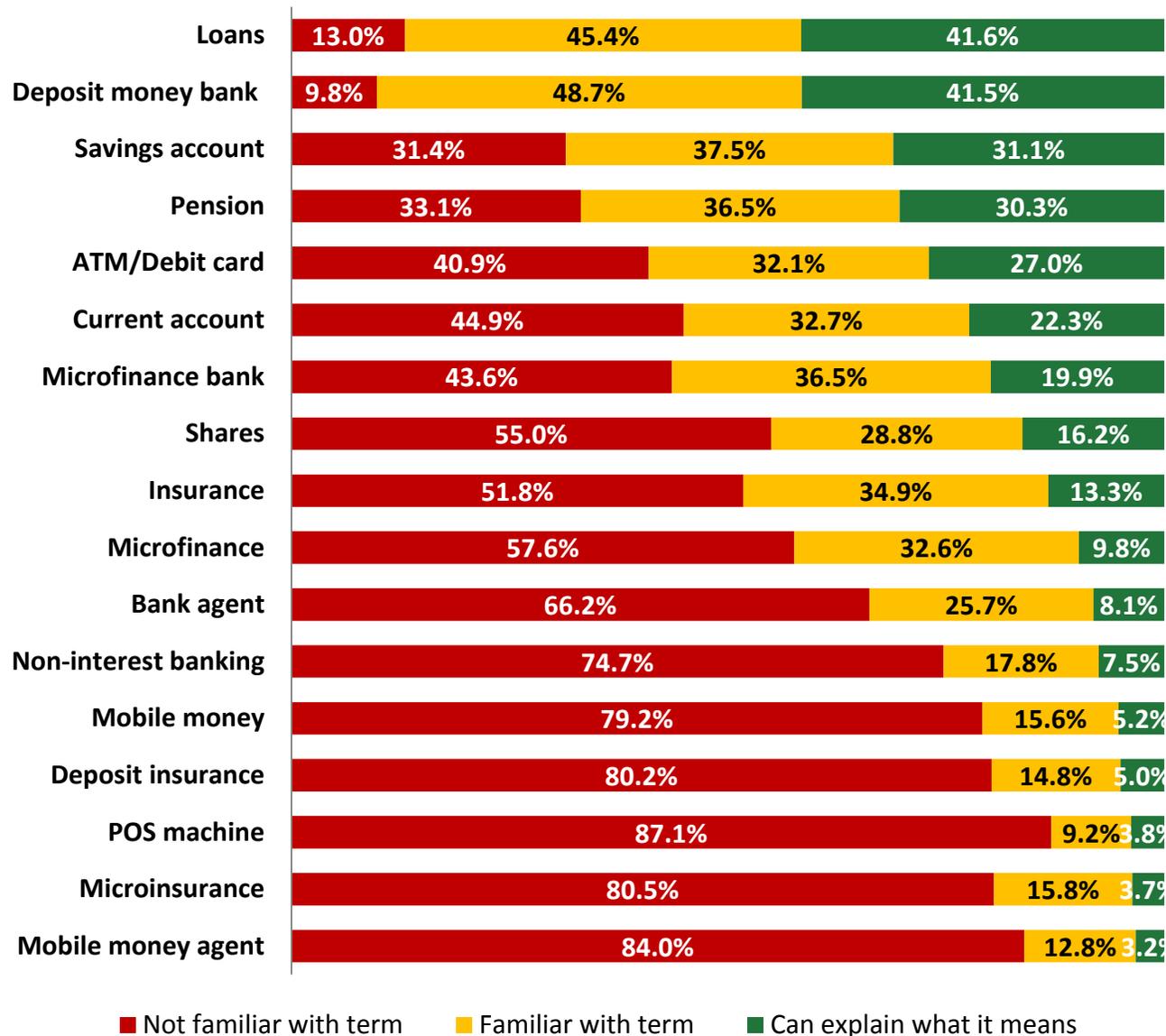


Source: EFInA Access to Financial Services in Nigeria 2014 survey

Financial Literacy

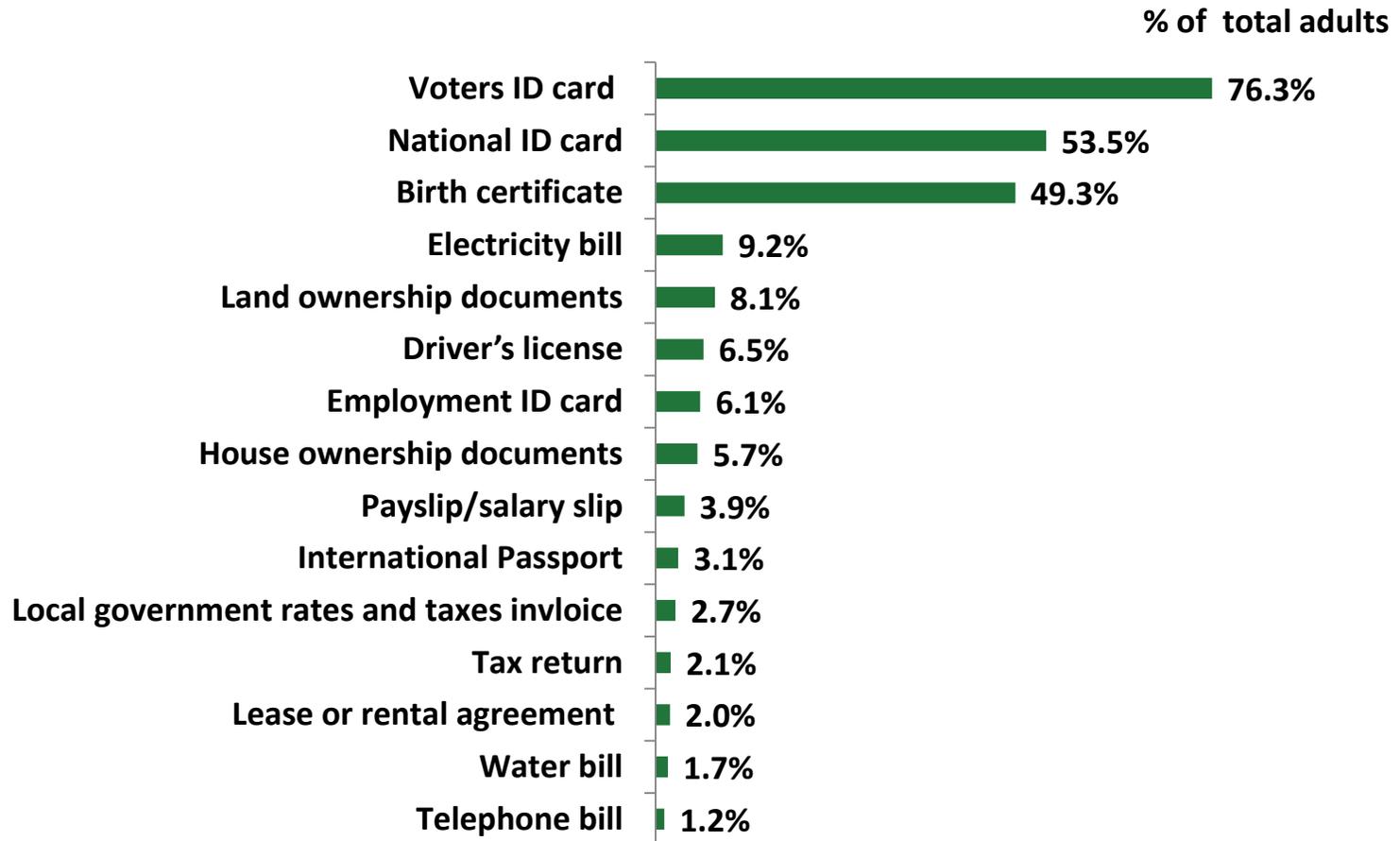
Understanding of Financial Terms/Products

- Low levels of awareness of financial terms/products could hinder the uptake of products such as mobile money, non-interest banking and microinsurance
- Only 18.4m adults (19.8% of the total adult population) are familiar with deposit insurance
- However, high level of awareness does not necessarily result in high levels of uptake or usage. For example 48.2% of the adult population state that they are familiar with insurance, yet current penetration is 1.1%



Identification Documentation

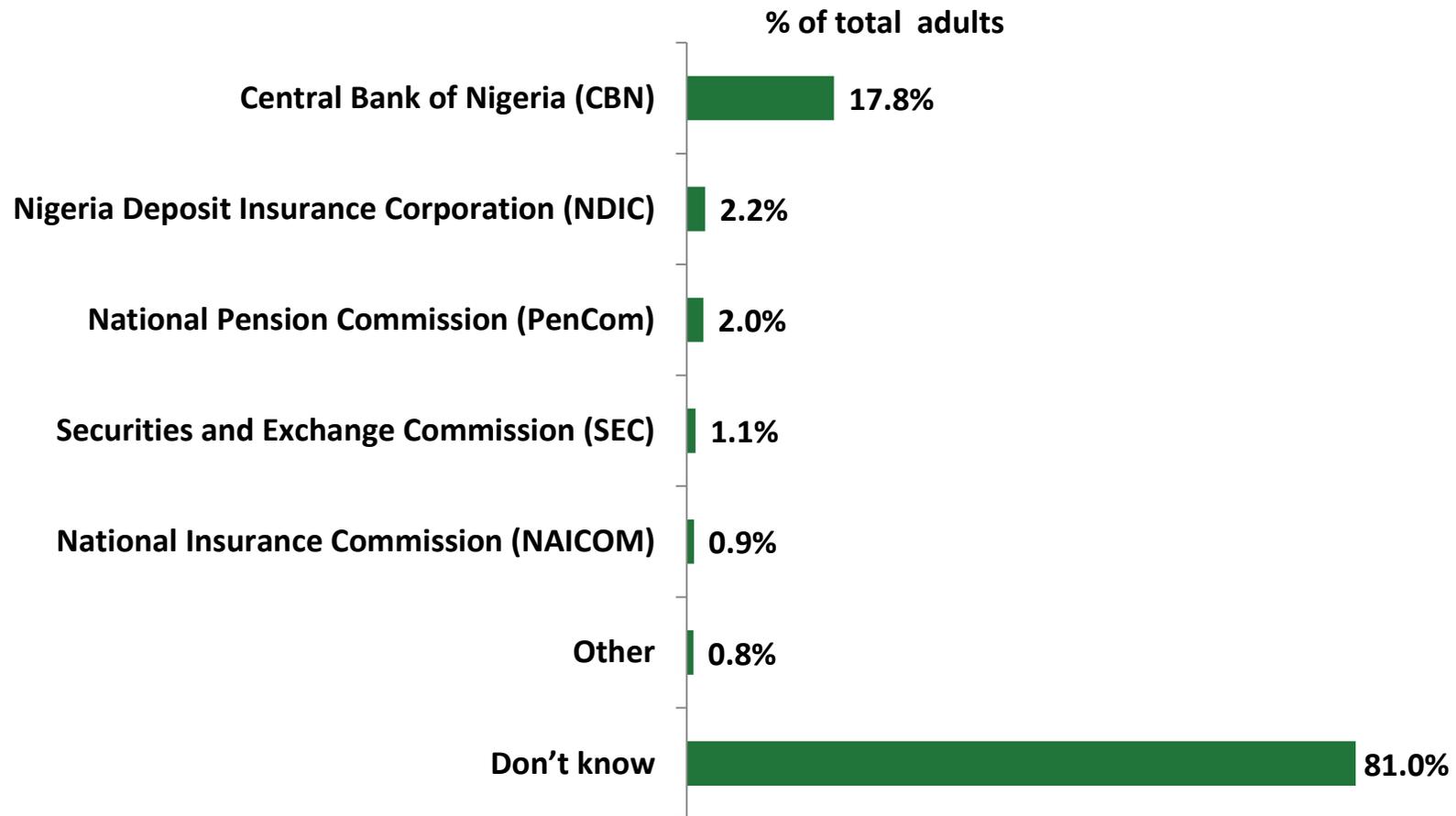
- Most people have some form of personal identification
- The most common form of ID is the Voters ID card, held by 71.3 million adults (76.3% of the total adult population)



Awareness of Financial Sector Regulators

In general there is very low awareness of financial sector regulators:

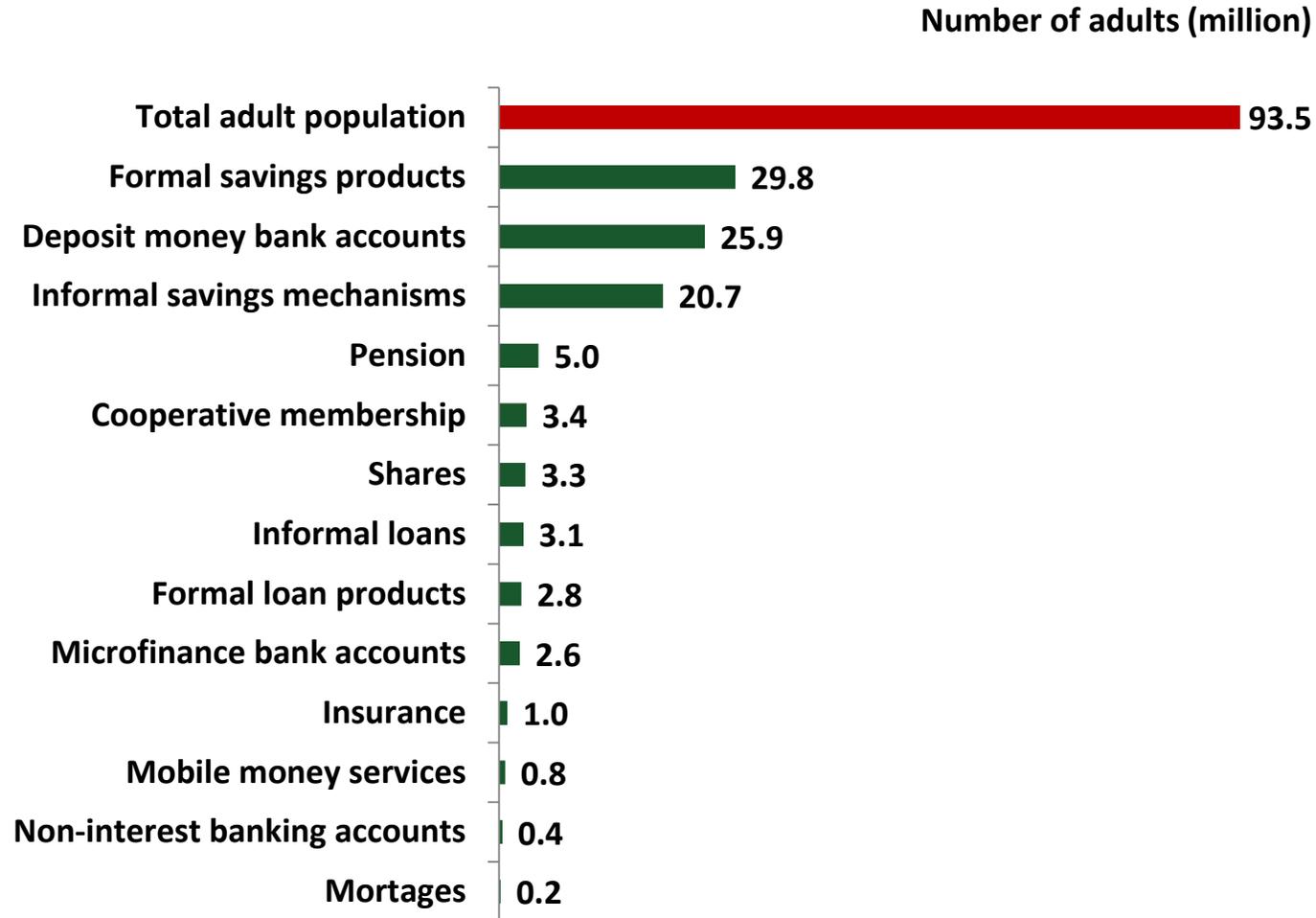
- 75.7 million (81.0% of the total adult population) are not aware of any regulators
- The regulator with the highest level of awareness is CBN, with 16.7 million adults (17.8% of the adult population) being aware



Source: EFInA Access to Financial Services in Nigeria 2014 survey

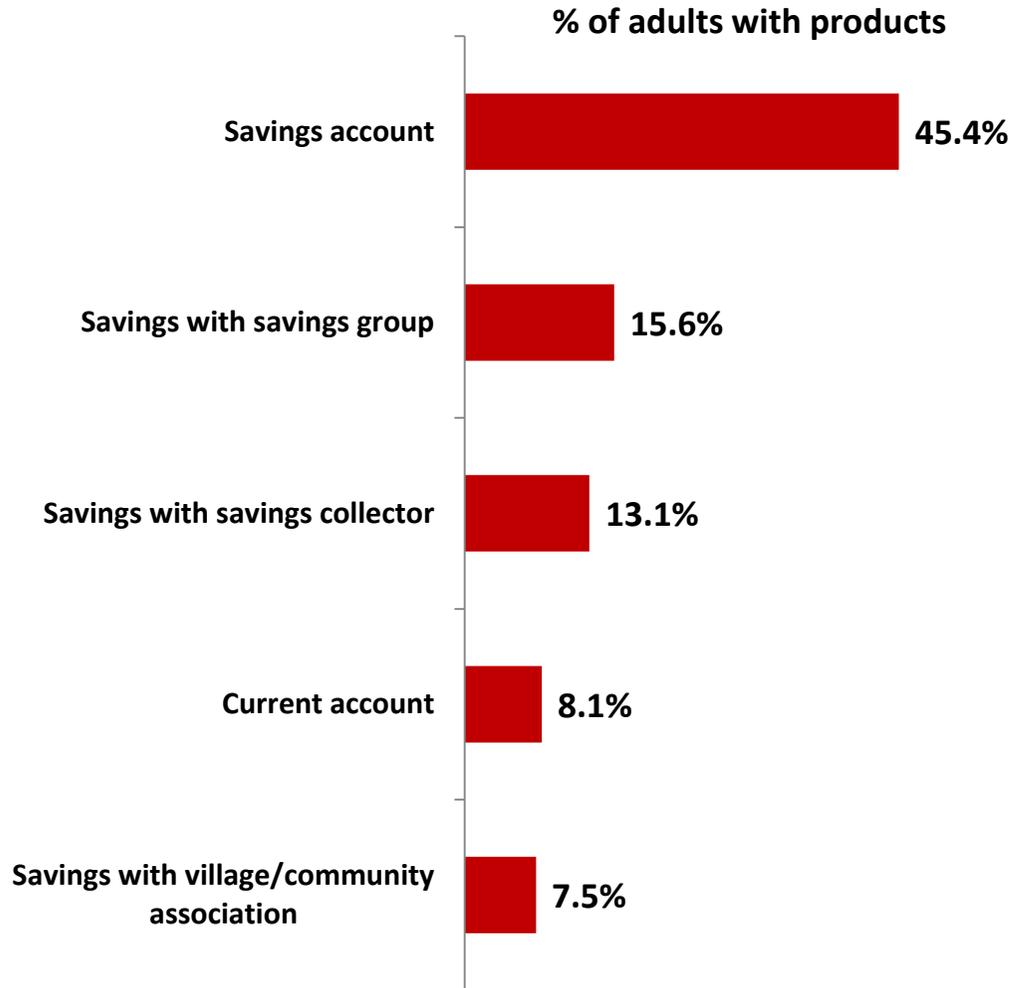
Summary

Uptake of Financial Products/Services

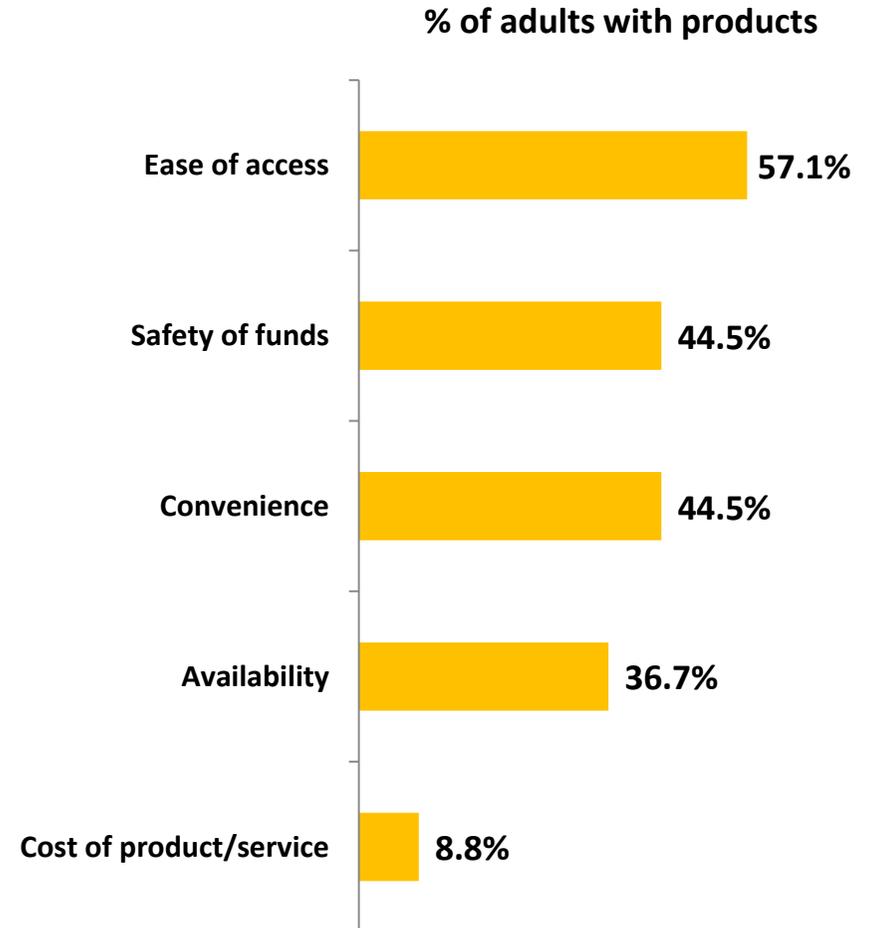


Most Important Financial Product and Why

Top 5 most important products

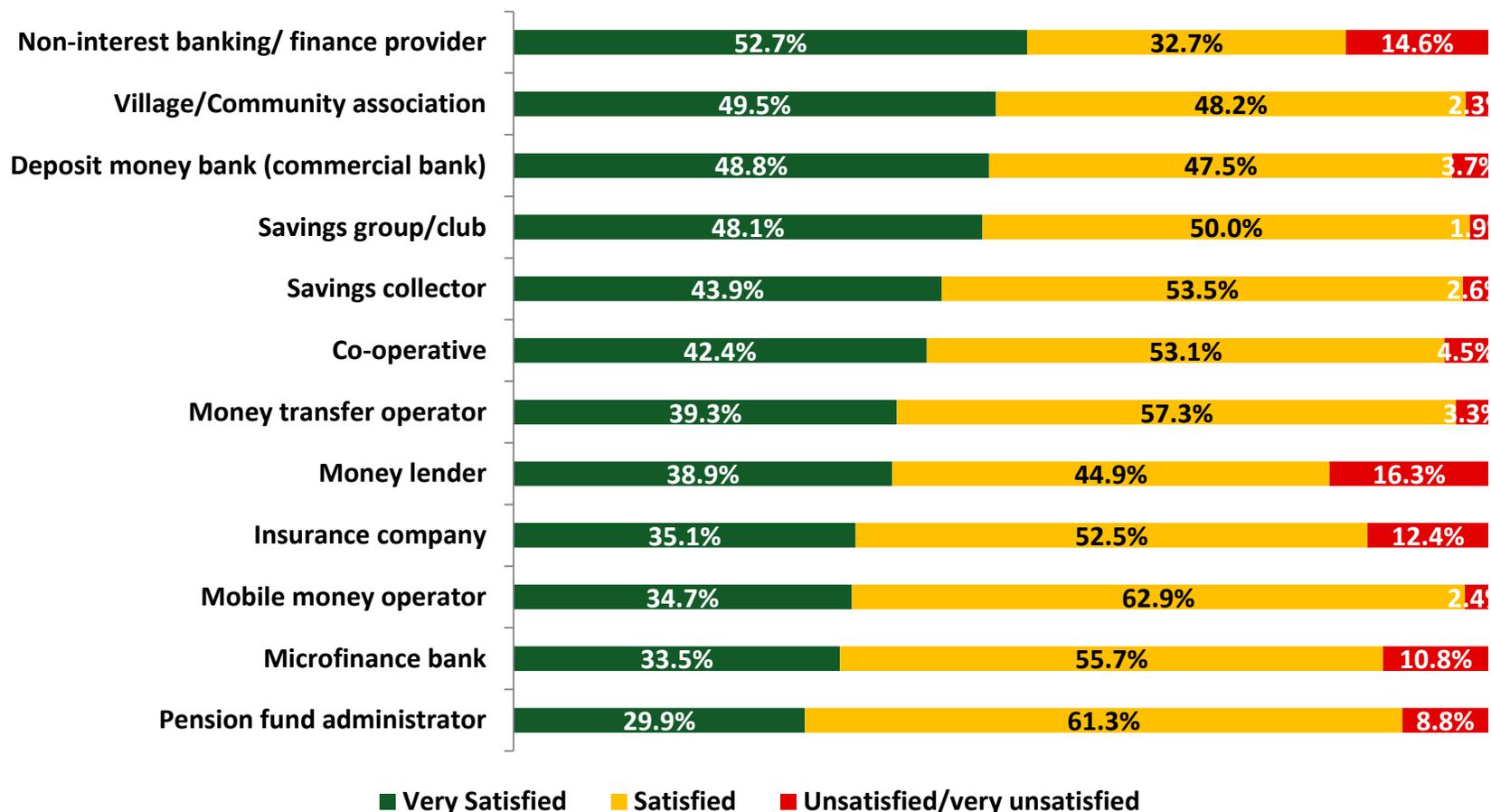


Top 5 reasons for most important product



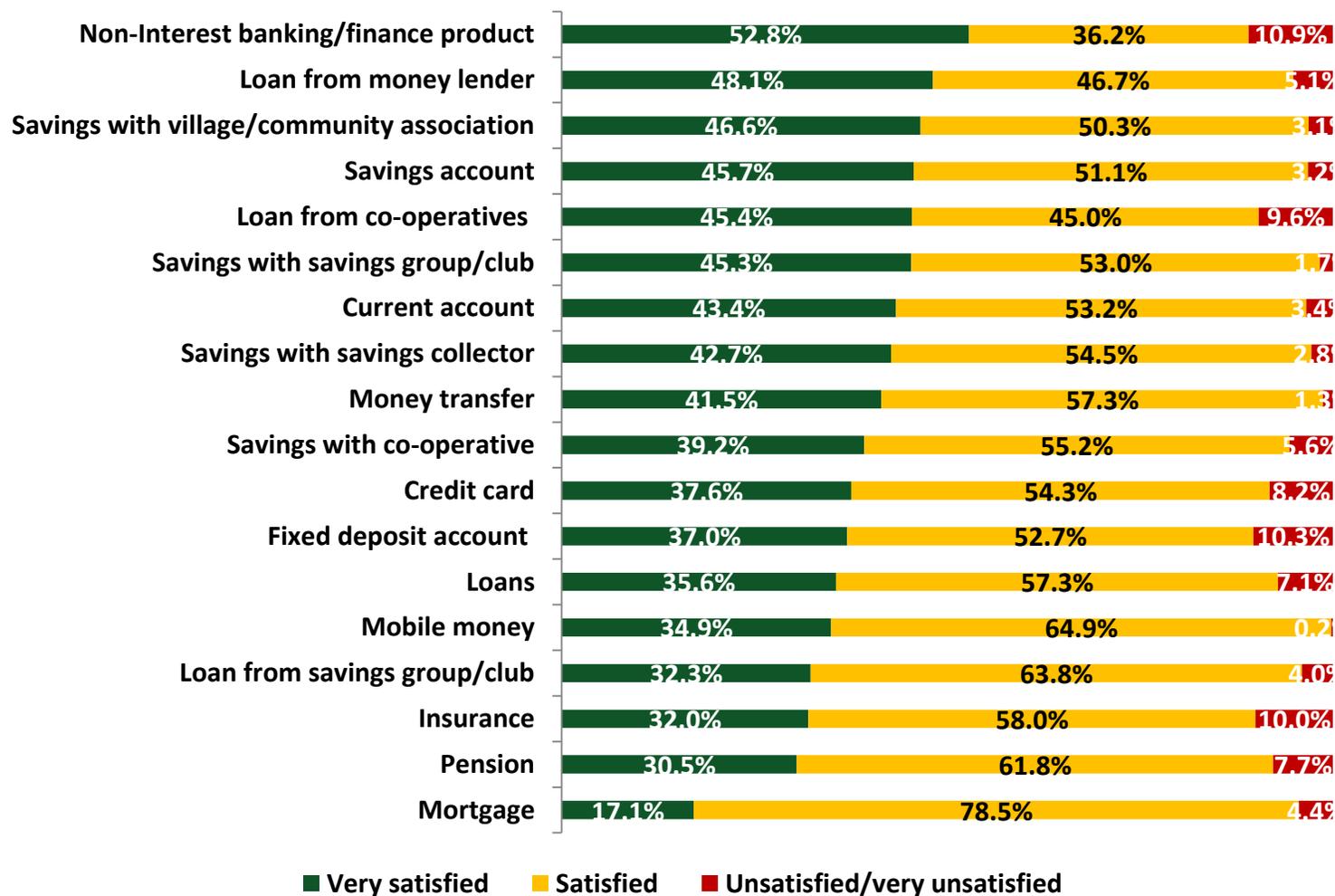
Level of Satisfaction with Financial Services Providers Used

- People generally seem satisfied with most financial services providers
- In terms of level of dissatisfaction, moneylenders have the highest level, whilst savings groups/clubs have the lowest



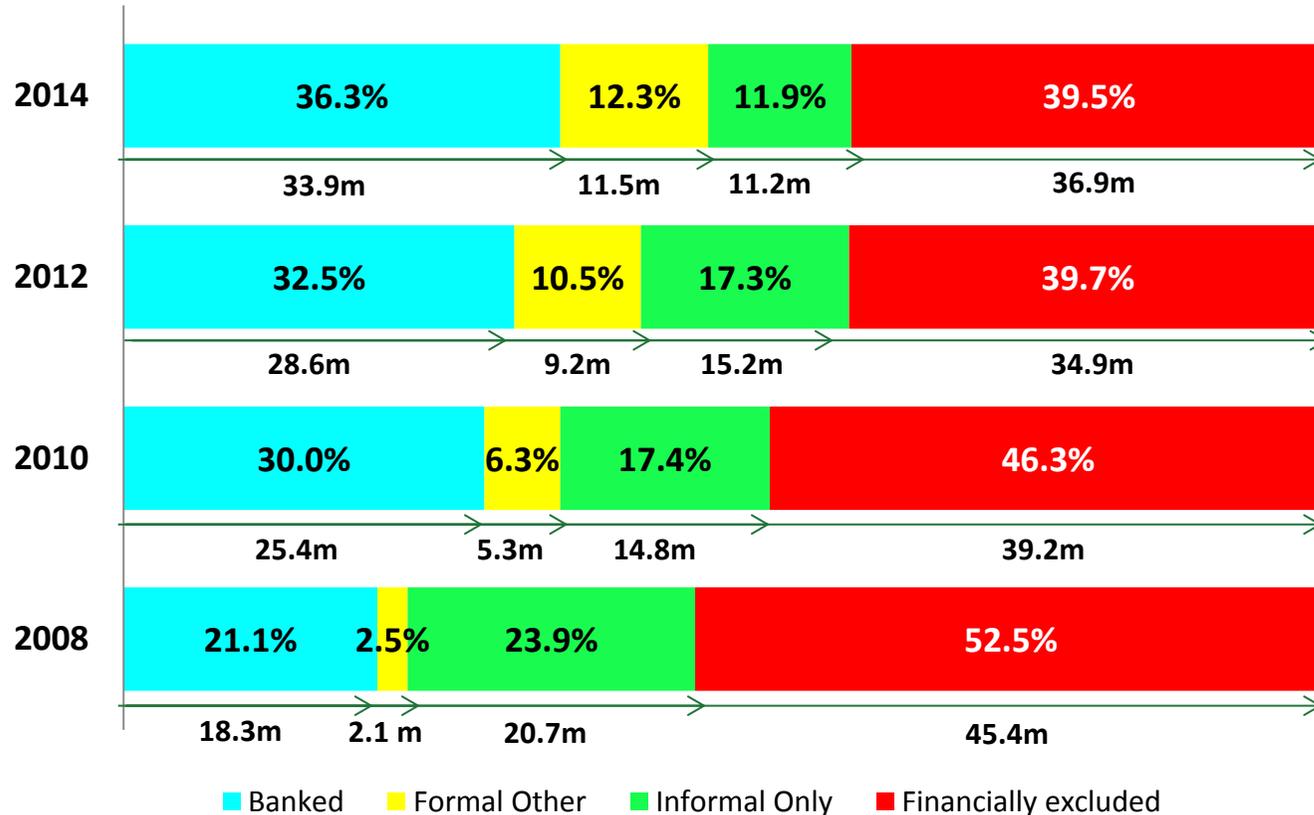
Level of Satisfaction with Financial Products Used

- People seem satisfied with most products
- Non-interest banking has the highest level of very satisfied users



Trend Analysis: 2008 to 2014

Change in the Access Strand from 2008 to 2014



KEY COMMENTS

From 2008 to 2014:

- The proportion of adults that are formally included increased from 23.6% to 48.6%, which is an increase of **25.0 million**
- The proportion of adults that are financially served increased from 47.5% to 60.5%, which is an increase of **15.5 million**
- The number of adults that are financially excluded decreased by **8.5 million**

Financial Access by Geo-Political Zones

- The South East has the highest percentage of formally included adults at 63.3%
- The North East has the highest percentage of financially excluded at 68.4%

<u>North West</u>	2014	2012
Formally included	35.4%	22.5%
Informal only	8.6%	13.7%
Financially excluded	56.0%	63.8%

<u>North East</u>	2014	2012
Formally included	26.1%	25.7%
Informal only	5.4%	14.8%
Financially excluded	68.4%	59.5%

<u>North Central</u>	2014	2012
Formally included	48.9%	48.2%
Informal only	18.5%	19.5%
Financially excluded	32.7%	32.4%

<u>South West</u>	2014	2012
Formally included	62.6%	57.7%
Informal only	12.7%	17.5%
Financially excluded	24.8%	24.8%

<u>South East</u>	2014	2012
Formally included	63.3%	52.0%
Informal only	11.3%	22.4%
Financially excluded	25.4%	25.6%

<u>South South</u>	2014	2012
Formally included	52.3%	52.3%
Informal only	15.0%	17.6%
Financially excluded	32.7%	30.1%

E. Financial Inclusion in Nigeria

Progress of the National Financial Inclusion Strategy Targets

National Financial Inclusion Targets for Nigeria

- Payments are seen as the backbone for the successful delivery of the Strategy. The Central Bank of Nigeria has set a target of 70% of adults using formal payment services by 2020
- The progress to date of the key targets of the National Financial Inclusion Strategy are provided in the table below

	TARGETS	2010	2014*	2015 (F)	2020 (F)
% of Total Adult Population	Payments	22%	24%	53%	70%
	Savings	24%	32%	42%	60%
	Credit	2%	3%	26%	40%
	Insurance	1%	1%	21%	40%
	Pensions	5%	5%	22%	40%

Drivers/Opportunities for Financial Inclusion in Nigeria

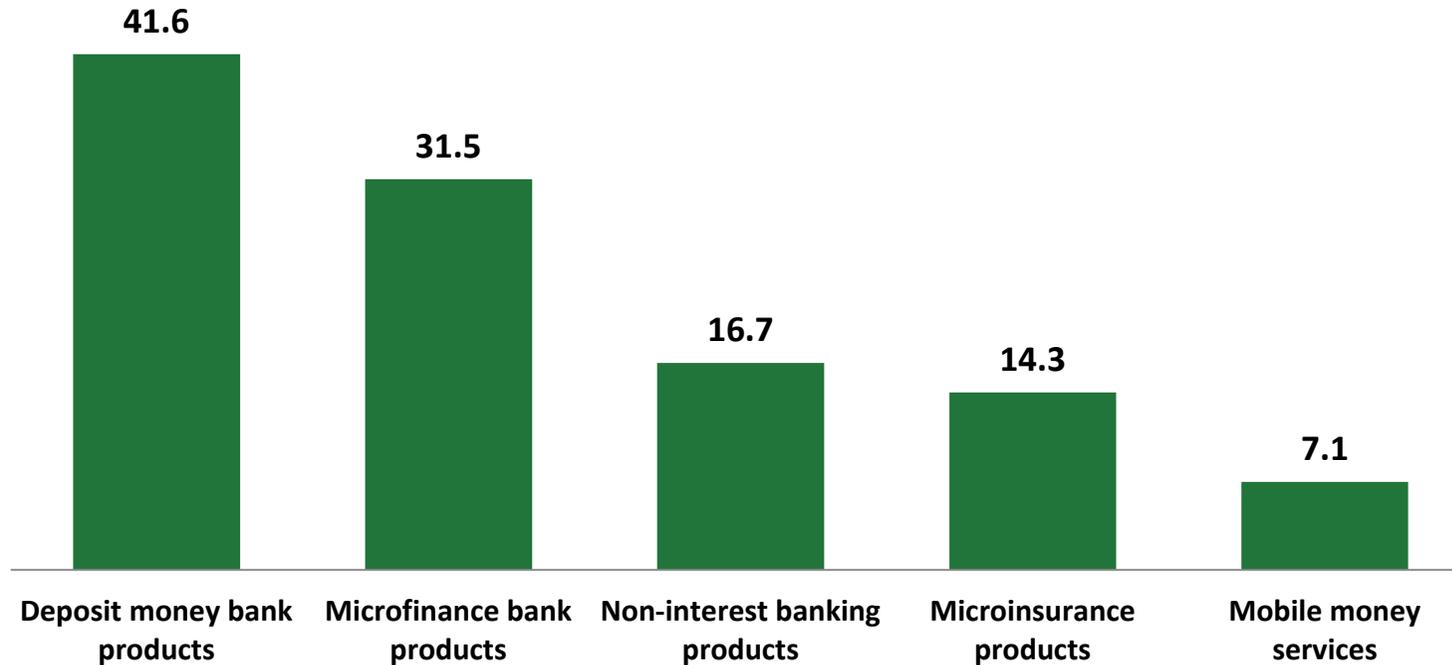
Barriers to Access for Non-users

	DMB	MFB	NIB	MM	INSURANCE
Barriers					
Demand side					
Irregular income	X	X			
Unemployed	X	X			
Can't read or write	X				
Not interested			X		
Not aware what products and services are available			X		
Do not understand the products			X		
Do not know the benefits of having it					X
Do not know where to get it from					X
Do not believe in it					X
Use other ways to do the same transactions				X	
No reason	X	X	X	X	X
Supply side					
Banks are too far from where I live and work	X	X			
Cannot afford it					X
Services I need are not available				X	
Lack of trust		X		X	
It is not easy to use				X	

Opportunities for Deepening Financial inclusion

- 41.6m adults (71.2% of non-account holders) would like to have a deposit money bank account
- 31.5m adults (35.6% of non-account holders) would like to have a microfinance bank account

Number of non-users who would like to have the product (millions)



Factors That Would Enhance Financial Inclusion

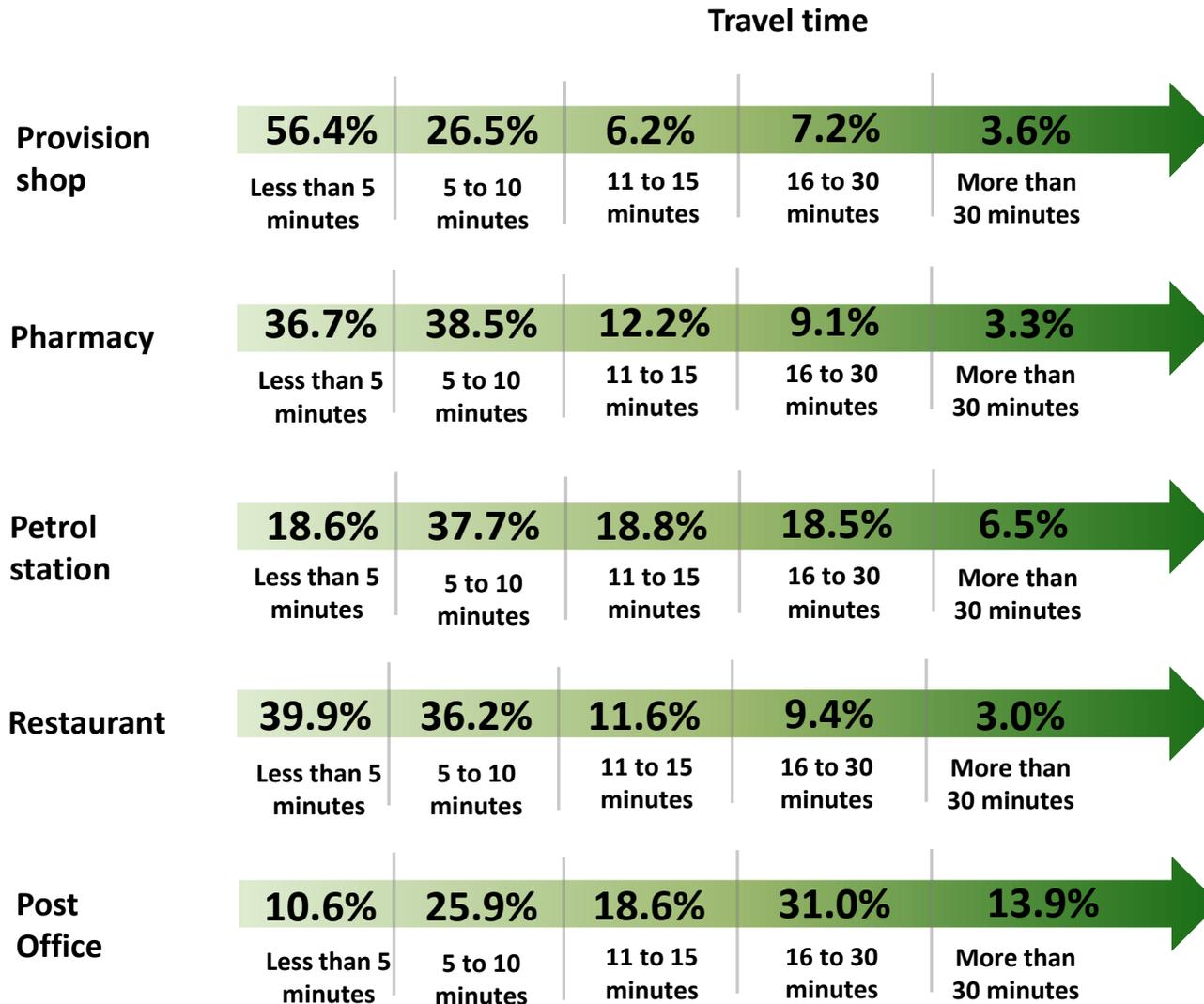
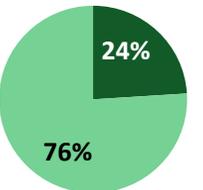
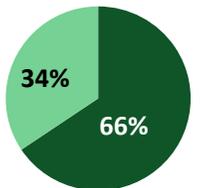
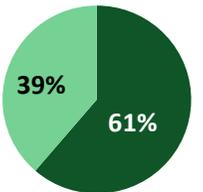
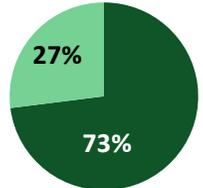
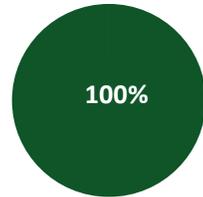
	DMB	MFB	MM	INSURANCE
Factors				
Demand side				
When I understand the benefits	X			X
When I have a job or income	X	X		
When I understand how it works			X	X
When I feel it is safe to send/receive money or pay bills using my phone			X	
When many people are using mobile money			X	
Supply side				
When banks are closer to where I live or work	X	X		
When I know where to get it				X
When I can afford it				X
When I trust them		X		
When I trust them to settle claims				X
Access to loans		X		
Lower interest on loans		X		
Lower charges		X		
When there is an agent close to me			X	
When there is an agent close to my recipient			X	

Potential Locations for Agent Banking

- Provision shops and pharmacies offer the greatest potential in terms of agent locations that are close to customers

Awareness of location

■ Know ■ Don't Know



The Business Case/Segmentation Analysis for Financial Inclusion

Profiling the Segments

45.4 million

**Already engaged in
the formal financial
sector**

Key Characteristics

- Salaried adults or business owners with higher income
- Pensioners
- At least secondary school education
- 26 to 45 years
- Have formal savings products but also save informally
- Don't borrow money from informal sources

12.4 million

**Immediate
opportunities
(low hanging fruit)**

- Salaried adults or business owners not formally served
- Higher levels of education (secondary level and above)
- Currently saving and/or borrowing from informal sources, especially the 26-33 age bracket
- Send/receive money

Profiling the Segments

15.1 million

Medium to long
term opportunities

Key Characteristics

- Financially excluded
- Borrow from family/friends
- Save at home
- Receiving remittances but not through formal or informal channels

20.5 million

The last mile

- Financially excluded
- Not saving/borrowing
- Farmers
- Age 55 years and over
- Low levels of:
 - Income
 - Education
 - Connectivity

Conclusions

- The EFInA Access to Financial Services in Nigeria 2014 survey shows that although the formal financial sector has grown over the past two years, there has been no significant impact on the level of financial exclusion. Main reasons for this include:
 - 20.5 million adults (55.6% of the financially excluded population) have very low levels of income, connectivity and education
 - The barriers to inclusion for this segment are mainly demand-side driven, e.g. lack of awareness, no/irregular income, unemployment, low levels of financial literacy
- Financial services providers should specifically design low cost financial products, using the appropriate channels (agents, mobile phones) taking into account the needs of other excluded customer segments such as:
 - Women
 - Youth (18 to 25 years)
 - Farmers
- Regulators and financial services providers should focus on improving the financial capability of the financially excluded by ensuring that they understand what products are available, how they can benefit from them, and how they can access/use them. Consideration must be given to their low levels of literacy. Marketing literature should be available in all local languages
- The exclusion figures show that 19.3 million adults (52.3% of the total number of financially excluded adults) are from the North West and North East Geo-political zones. Specific attention would have to be paid by both regulators and financial services providers to address the unique needs and challenges of this population

F. Data Dissemination Options

EFInA Access to Financial Services in Nigeria, 2008/2010/2012/2014 surveys

- Comprehensive database where information can be segmented in multiple dimensions, e.g., gender, geopolitical zone, age, education, etc.
- Data will be provided in SPSS format
- Key findings can be downloaded from the EFInA website

Data Options

- Purchase full dataset
- Request customised presentations
- Purchase a limited number of variables
- Data request form can be downloaded from the EFInA website

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