

EFInA Access to Financial Services in Nigeria 2008 Survey

Key Findings

October 2008

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A. Background

Key Objectives

The broad objective of EFInA Access to Financial Services in Nigeria survey is to generate reliable, independent research on the ways consumers use financial services in Nigeria and to translate findings into practical tools for developing inclusive financial systems. The survey aims to:

- Measure access to and demand for financial services in Nigeria
- Establish credible benchmarks and indicators of current financial penetration in Nigeria
- Document usage of financial products across both formal and informal sectors
- Explore financial behaviour, household financial management and attitudes to the use of technology
- Provide insights into regulatory and market obstacles to growth and innovation
- Highlight opportunities for policy reform and innovation in product development

Coverage, Sampling and Methodology

Coverage and Methodology

- Nationally representative sample of adult Nigerians (18+) across all 36 states plus FCT Abuja
- Target sample size = 22,200; Total Achieved = 21,110 (Response rate = 95%)
- Household listing conducted by the National Bureau of Statistics (NBS)
- 30 EAs canvassed for each State
- Random selection of eligible members in each household by Kish grid Table Method
- Fieldwork was conducted from May to August 2008 by Research and Marketing Services
- The questionnaire was translated into Hausa, Yoruba, Igbo and Pidgin English

Sampling Methodology

- Sample drawn systematically with equal probability of selection (600 questionnaires per State)
- Reporting domain of the survey was national, zonal and at state level
- Sample based on National Integrated Survey of Households (NISH) Master Sample designed for five years period (2007/2012) developed by NBS)
- Sample design and weighting conducted by NBS

The methodological framework underpinning this survey is based on the FinScope™ methodology

B. Overview of Sample Demographics

Demographic Profile of Respondents

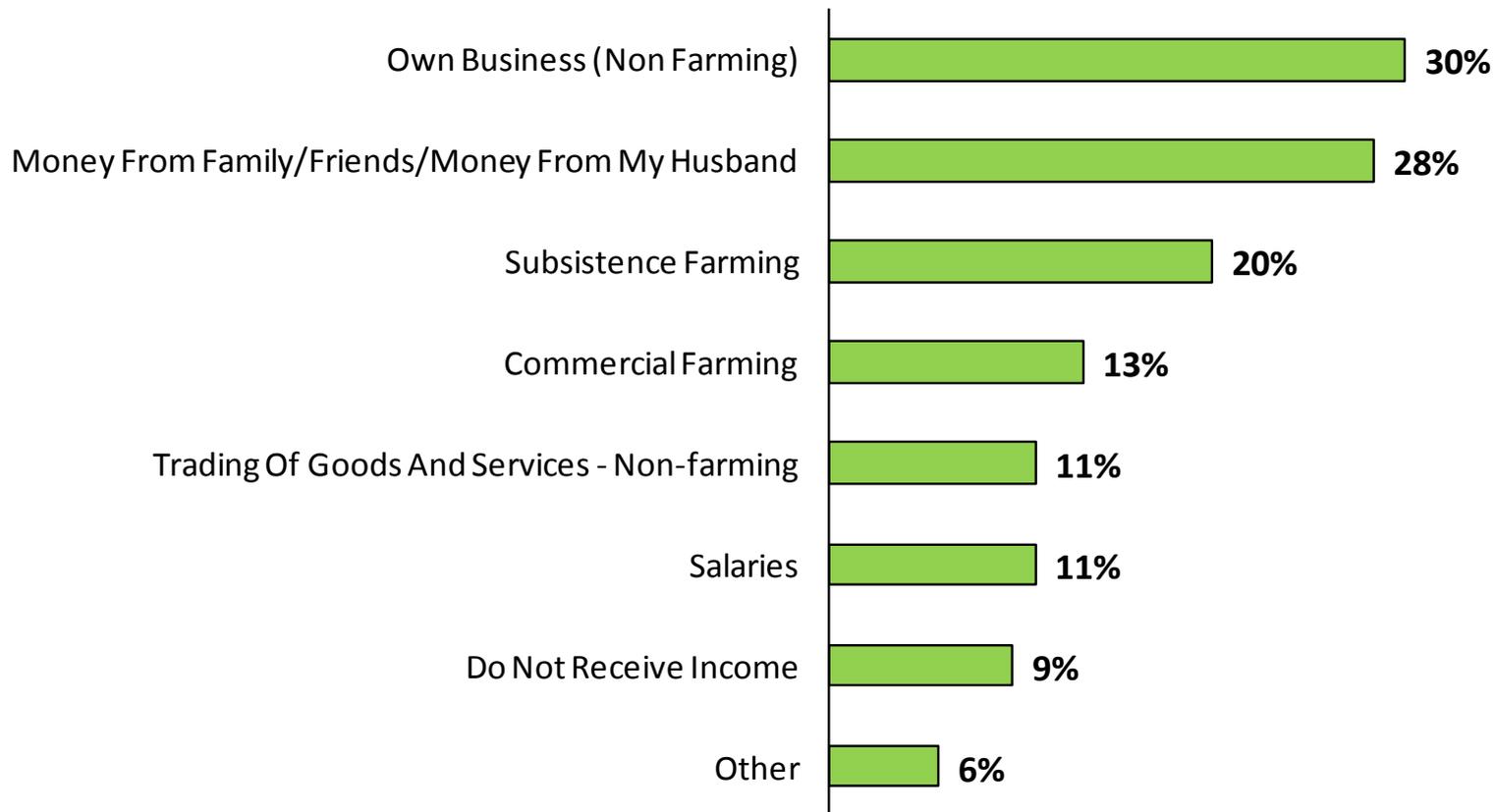
- The total adult population (18 years and above) is 86.6 million

Gender	%
Male	52
Female	48
Metropolitan Area	%
Urban	28
Rural	72
Geopolitical Zones	%
North Central	16
North East	13
North West	21
South East	13
South West	18
South South	20

Level of Education	%
No Formal	24
Some primary/primary completed	19
Some secondary/secondary completed	43
Some diploma/diploma completed	12
Degree+	3
Socioeconomic Status	%
AB	0.4
C1	0.7
C2	11.0
DE	88.0

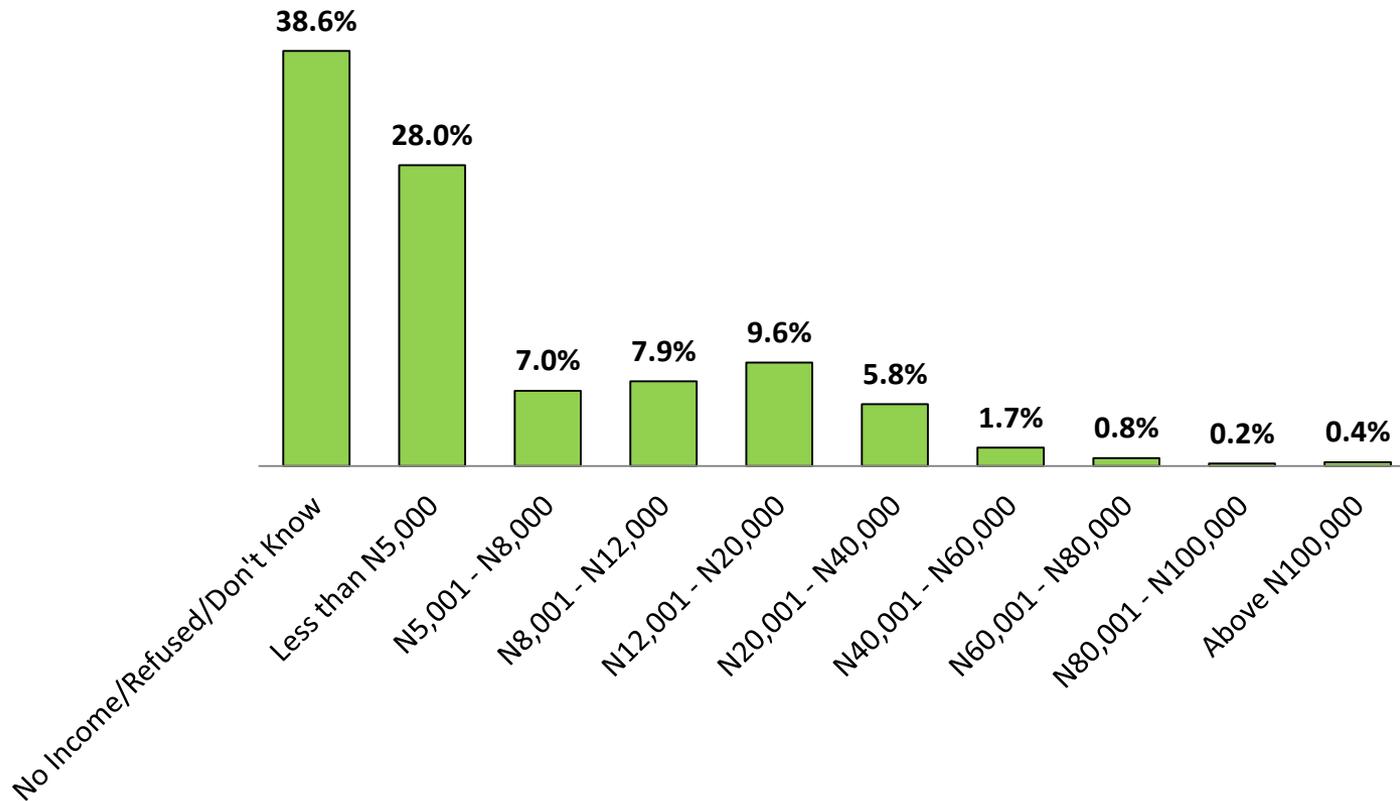
Main Source of Income

- The main source of income for 25.8 million adults is from their own business



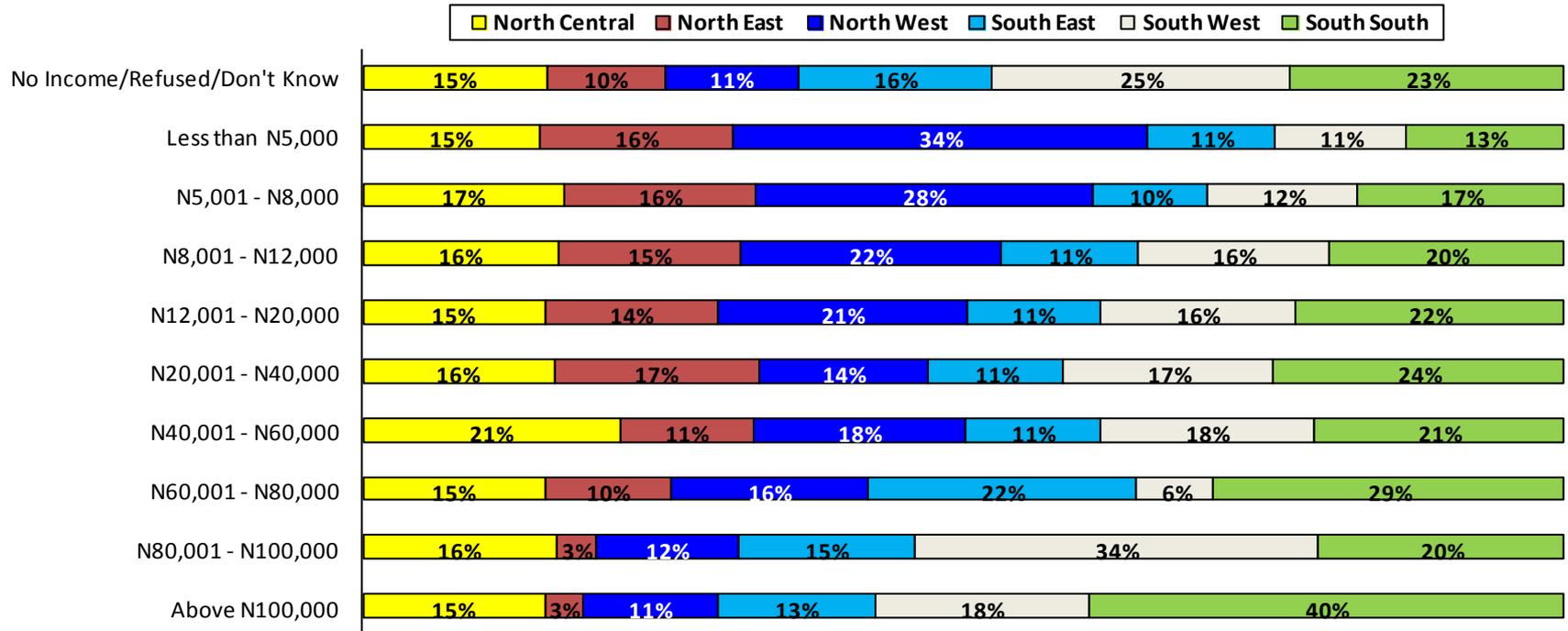
Personal Monthly Income

- ❑ The average monthly income is less than N8,000 per month
- ❑ 38.6% of the adult population either indicated 'no income' or 'refused to answer'



Personal Monthly Income by Geopolitical Zones

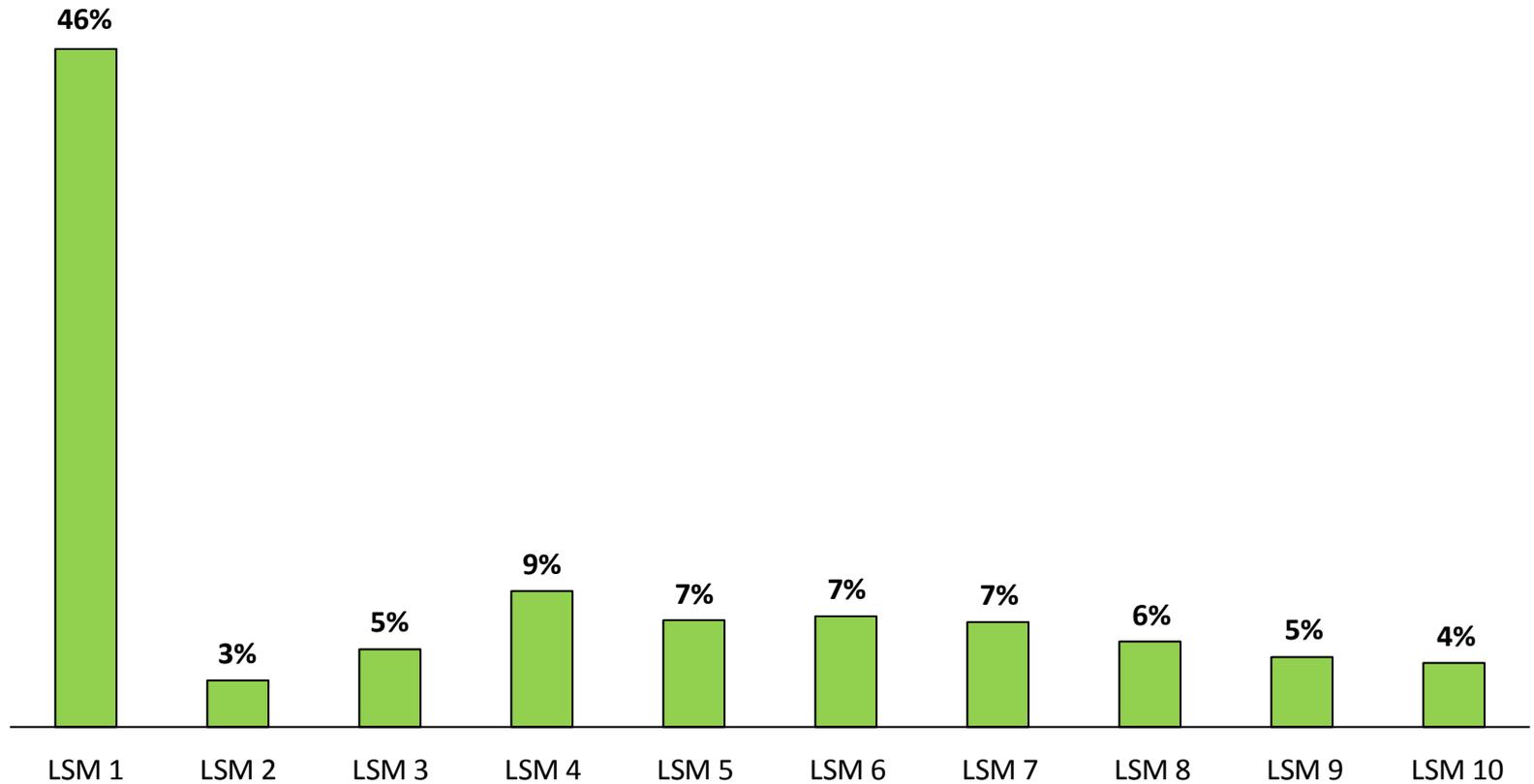
- ❑ 34% of those who earn less than N5,000 per month are from North West
- ❑ 40% of those who earn above N100,000 per month are from South South



- ❑ The Living Standard Measure (LSM) is a tool commonly used to segment consumers based on household consumer durable ownership including cars and major household appliances and degree of urbanization
- ❑ It is an alternative way of segmentation, rather than using income
- ❑ The LSM model classifies people into 10 tiers, with LSM 1 signifying the most asset-poor people in society, living in rural areas and LSM 10 the most asset-rich people in society, living in urban areas
- ❑ This model has been widely used in South Africa and other markets for media planning and to predict how different segments use formal financial services
- ❑ LSMs offer a more scientific and objective approach to segmenting respondents

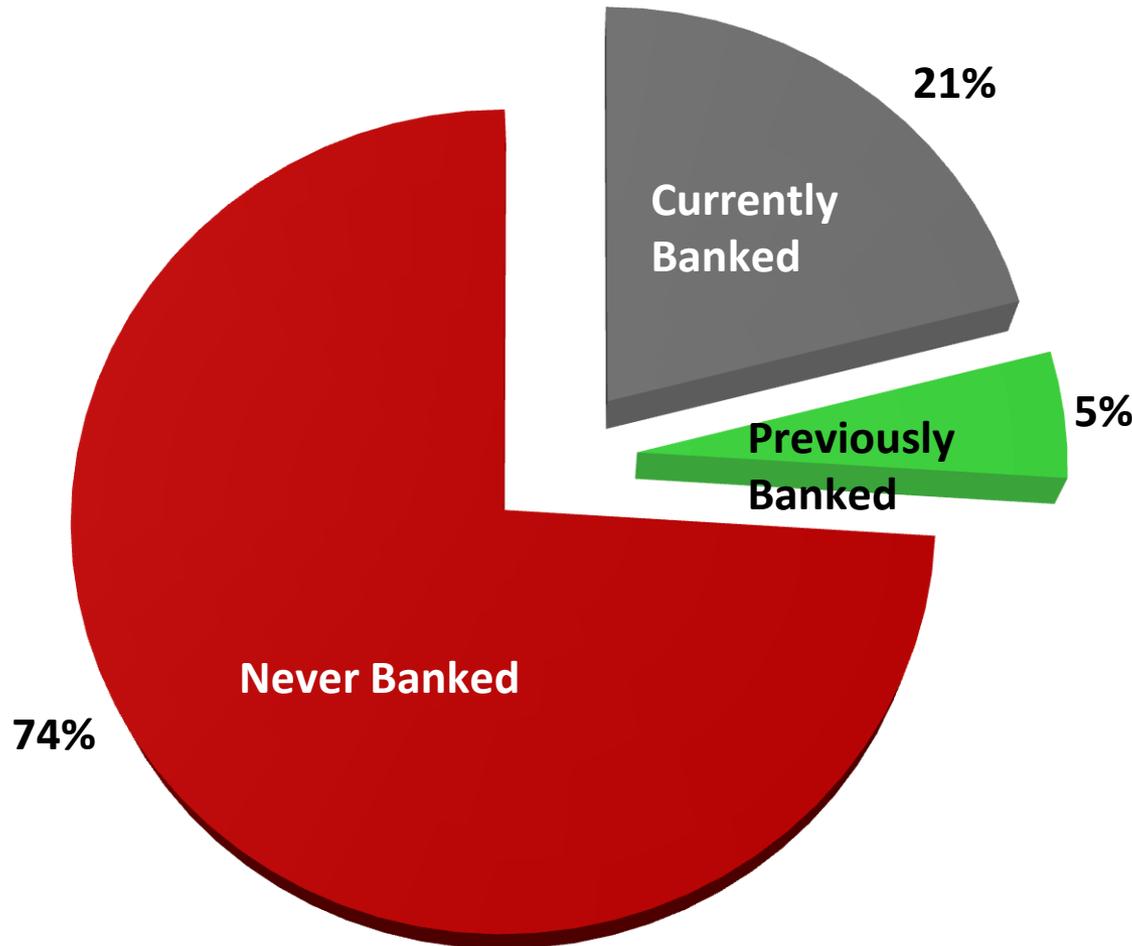
Breakdown of Population by LSM

- ❑ 46% of the adult population belong to LSM 1 group



C. Banking

Banking Profile of the Adult Population



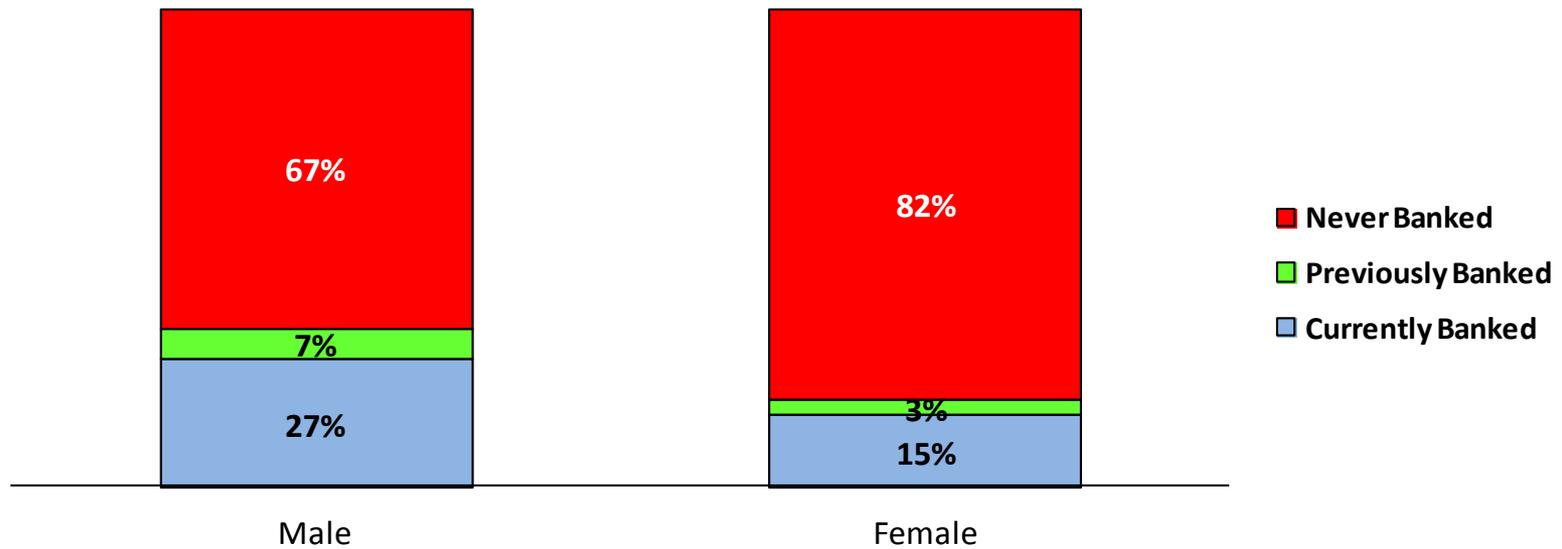
- ❑ Only 21% of the adult population has a bank account, which is equivalent to 18 million people
- ❑ 74% of the adult population have never been banked, which is equivalent to approximately 64 million people
- ❑ 5% of the adult population (about 4 million people) are previously banked, in other words, have left the banking system

Banked definition:

currently have access to or use formal deposit taking institutions (i.e. deposit money banks) in addition to any of these products: ATM/Debit card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan, Islamic loan or Islamic financing investment

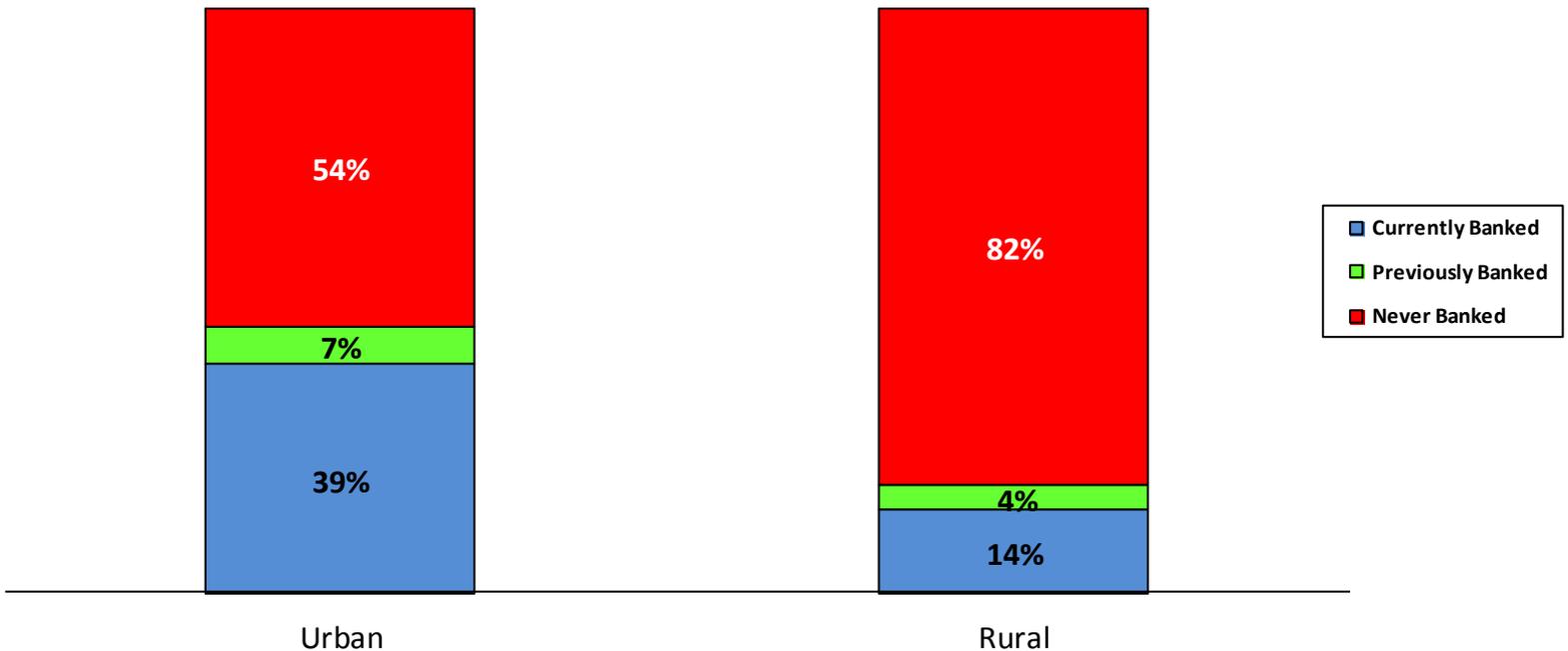
Bank Status by Gender

- ☐ 85% of adult females are currently unbanked
- ☐ 74% of adult males are currently unbanked



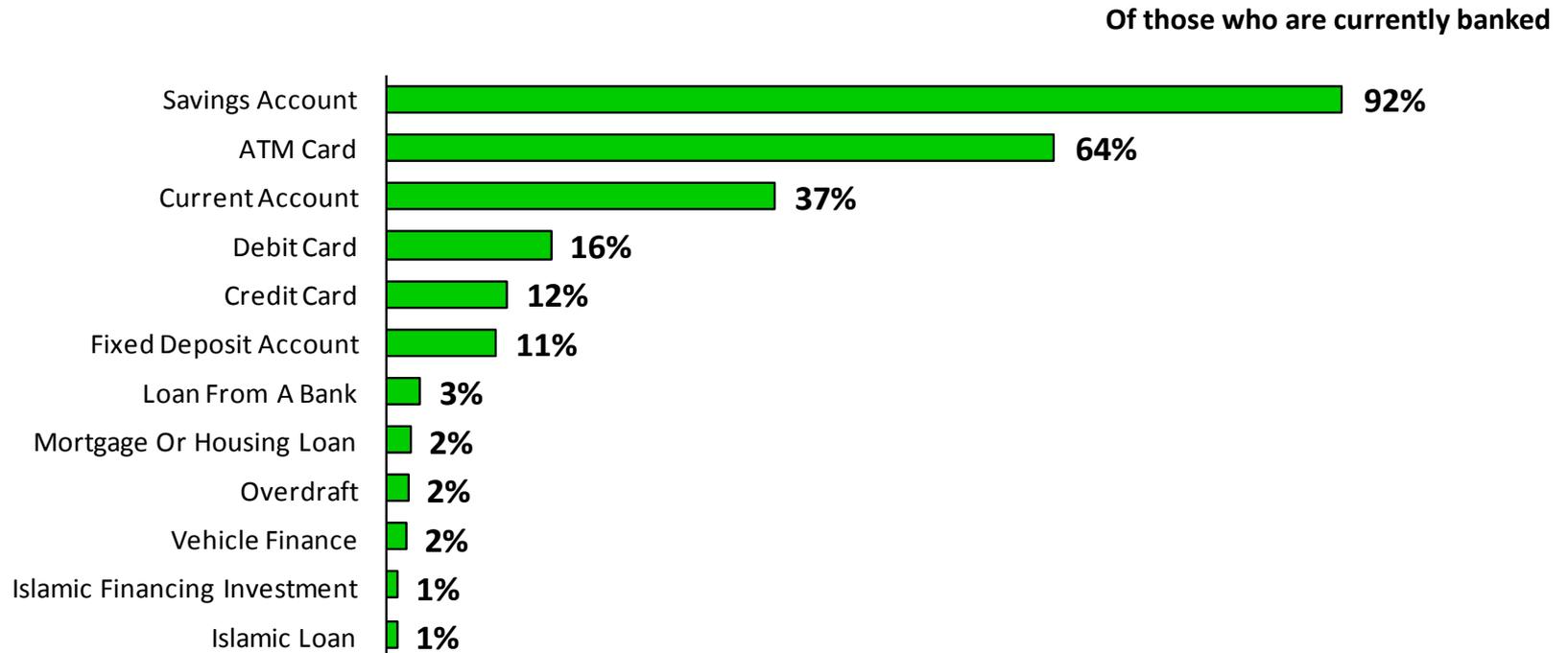
Bank Status by Metropolitan Area

- ❑ 86% of the rural population are currently unbanked
- ❑ 61% of the urban population are currently unbanked



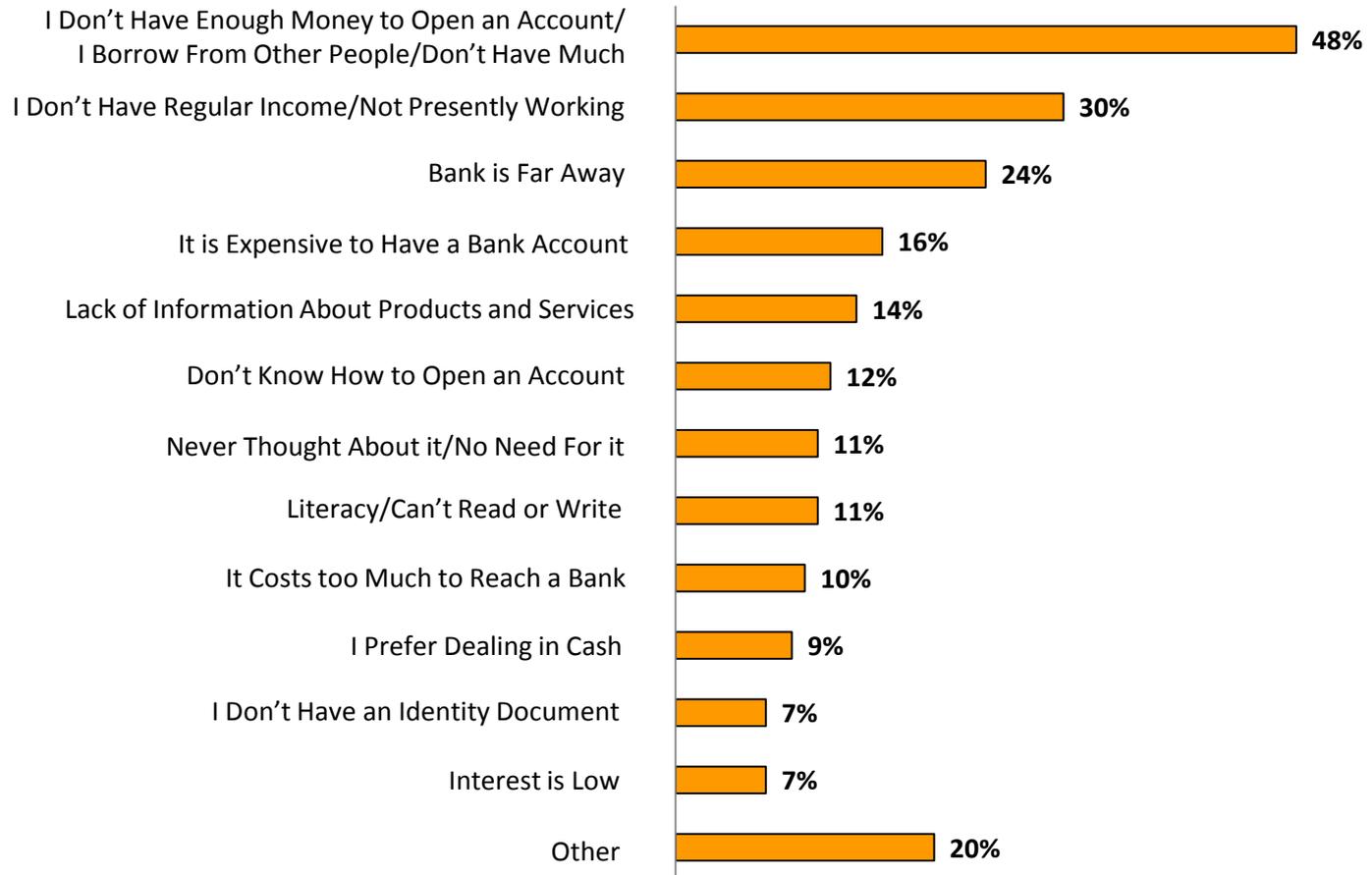
Current Usage of Banking Products

- Of the 18.3 million adults who are banked, the product with the highest penetration is savings account with 16.7 million customers



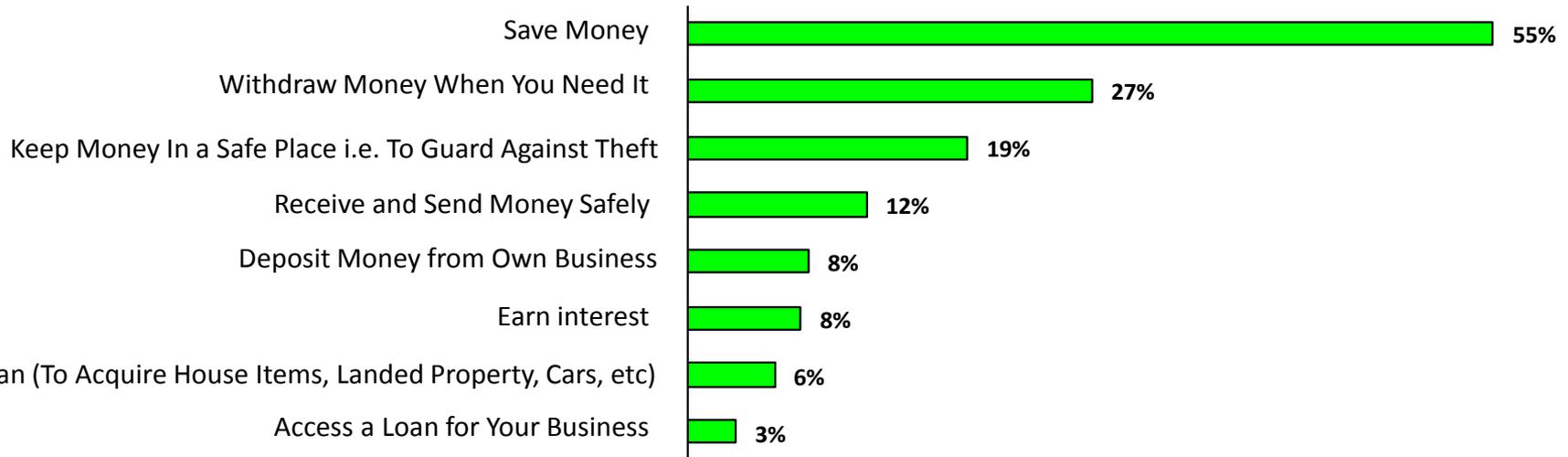
Reasons for Not Having a Bank Account

- ❑ For the unbanked, the main barriers to having a bank account are lack of money, irregular income and distance to the bank



Reasons For Wanting a Bank Account

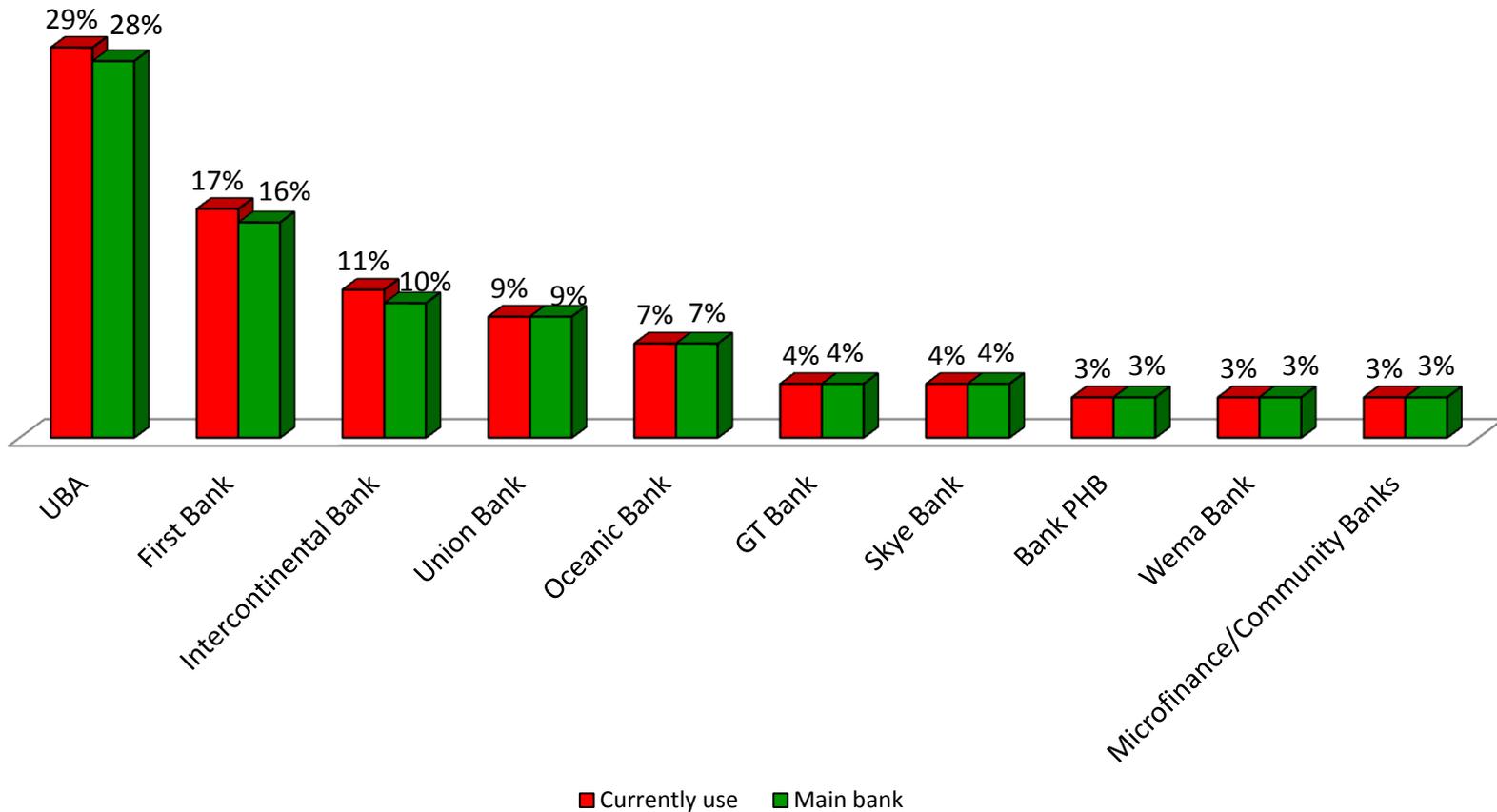
- Of the 68.3 million adults who are currently unbanked, the most important reason for 37.3 million adults (55% of them) for wanting to open a bank account is to save



- 41.7 million adults (61% of those currently unbanked) said they would like to have a bank account

Financial Institutions Used Most Often

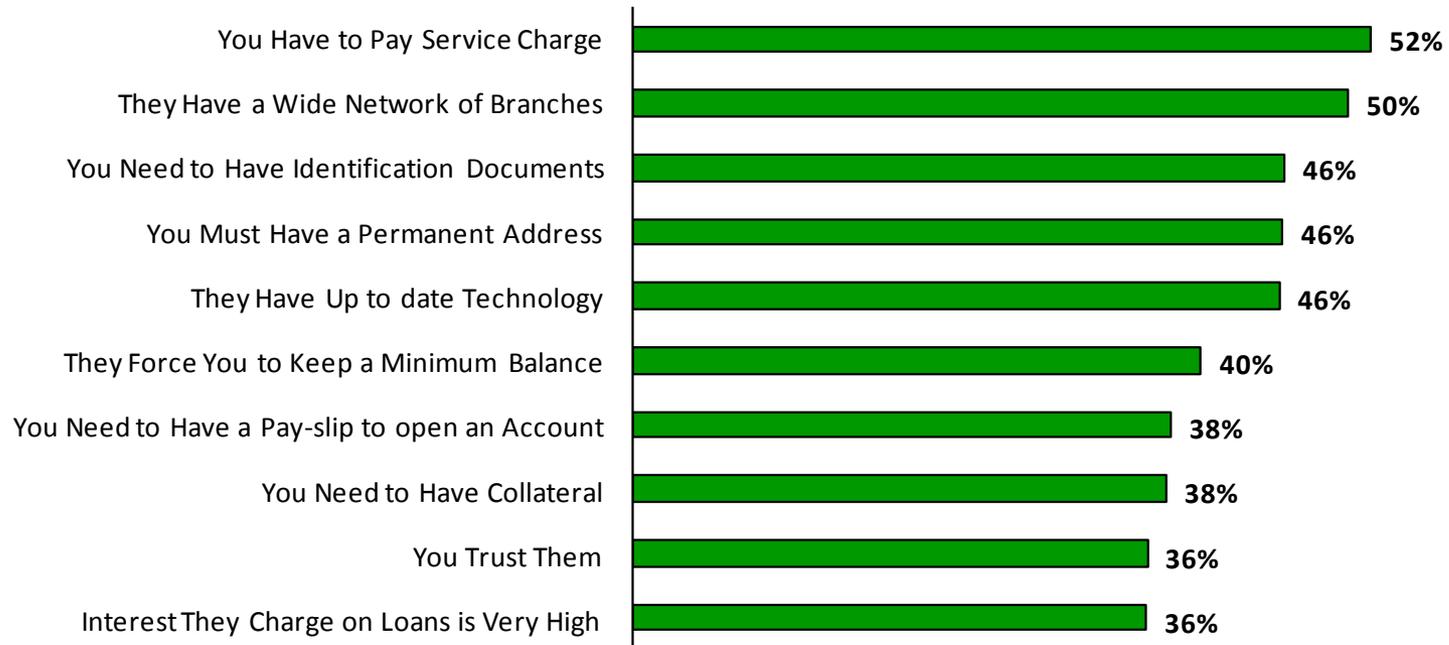
- ❑ UBA and First Bank are the top two main banks
- ❑ Only 0.5 million adults (3% of the banked population) use microfinance banks as their main bank



Source: EFInA Access to Financial Services in Nigeria 2008 survey

People's Perception of Banks

Top 10 perceptions associated with banks



Of the 0.5 million adults that use a Microfinance Bank as their main bank:

- Gender**
65% are male

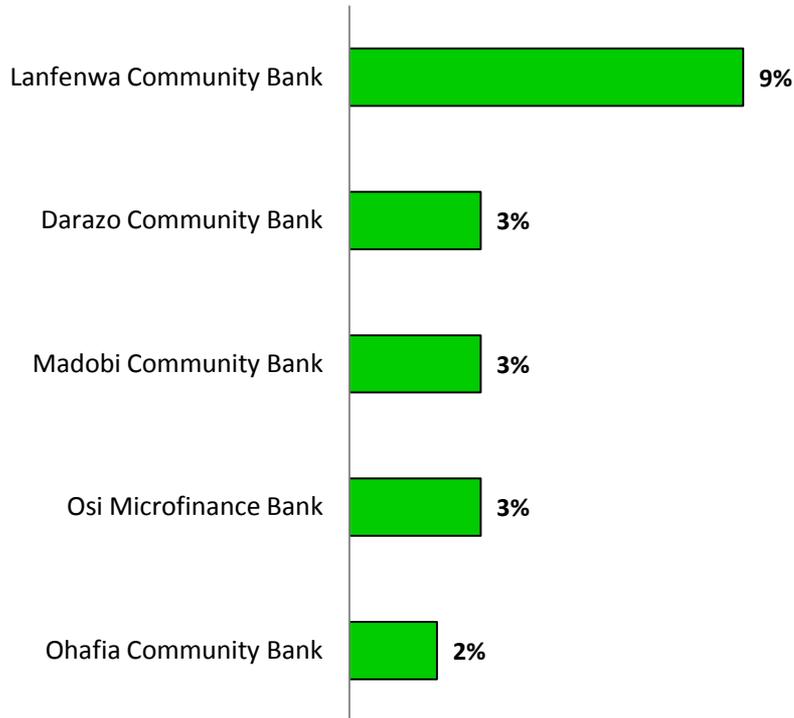
- Metropolitan Area**
46% live in urban areas while 54% live in rural areas

- Age Group**
32% are within age group of 35-44 years and 26% of them are within the age group of 45-54 years

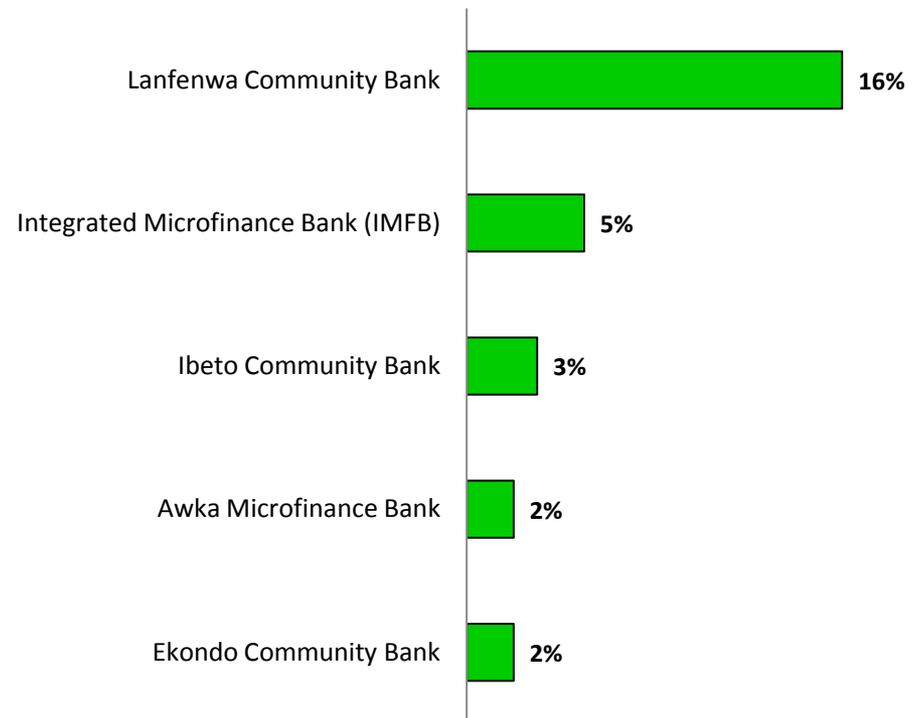
- Geopolitical Zone**
52% live in the South West region

Awareness of Microfinance/Community Banks

Top 5: First Mention



Top 5: Other Mentions



What Documentation do People Have?

- ❑ 33.4 million adults (39% of the adult population) indicated that they have a national ID card

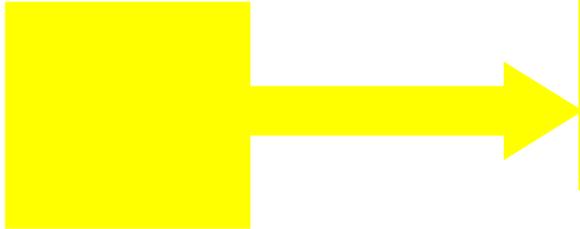
	Total %	Urban %	Rural %
National ID	39	48	35
Electricity bill	14	22	12
International Passport	14	22	11
Land ownership	13	13	13
Bank statement	13	24	8
House ownership	12	11	12
Pay slip	9	15	6
Drivers license	7	13	5
LGA rates & tax inv	6	8	6
Tax return	5	5	6
Others	12	21	9

D. Financial Access

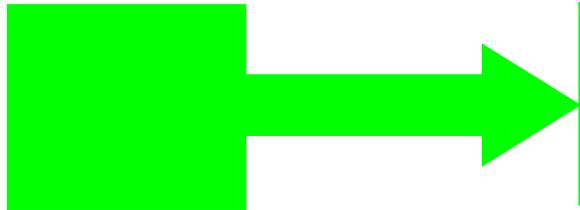
Definition of Financial Access Strand



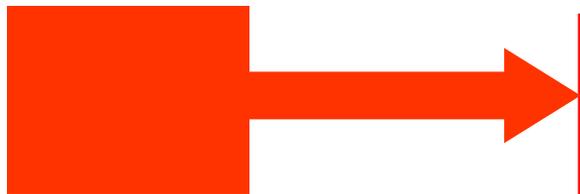
Banked: refers to all adults who have access to or use deposit money banks in addition to currently using any of the following products: ATM/Debit card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, Islamic loan or Islamic financing investment



Formal other: refers to all adults who have access to or use other formal institutions such as insurance companies and microfinance/community banks, in addition to using the following products: pension schemes or shares



Informal only: refers to all adults who do not have any of the banked or formal other products as described above, but have access to or use only informal services and products such as: savings clubs/pools, esusu, ajo or moneylenders

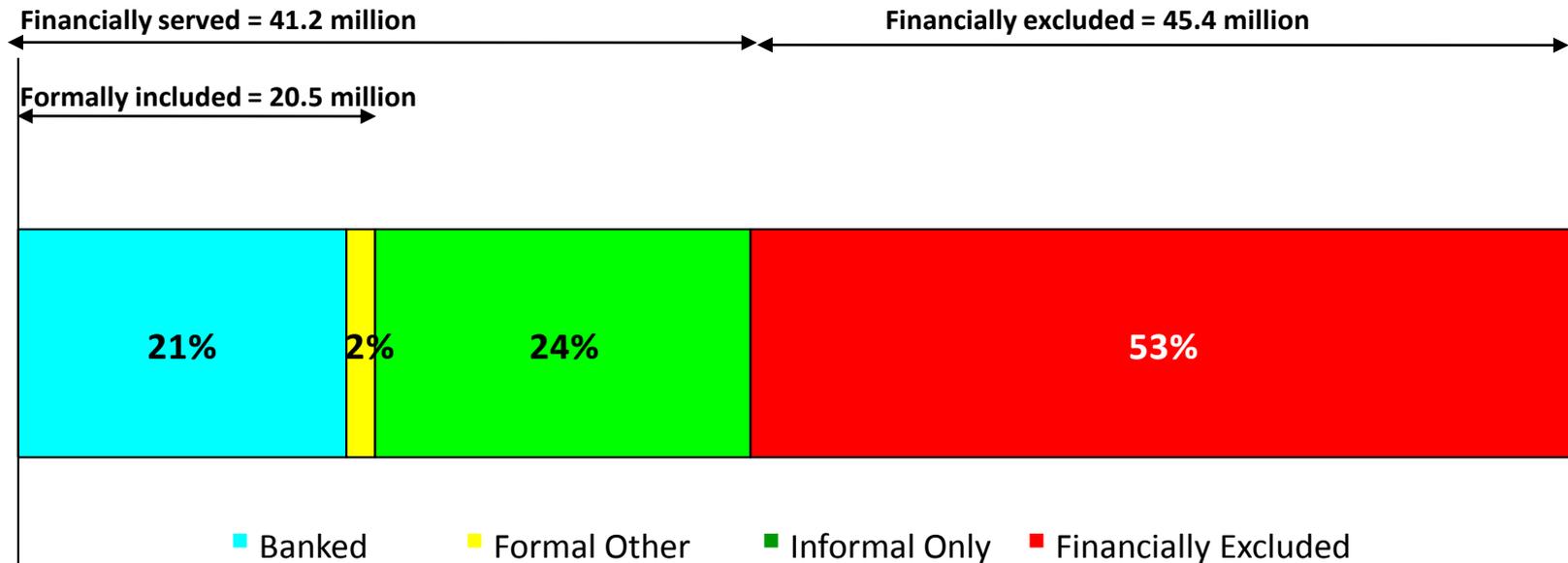


Financially excluded: refers to all adults not in the banked, formal other, or informal categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers

These four strands are mutually exclusive

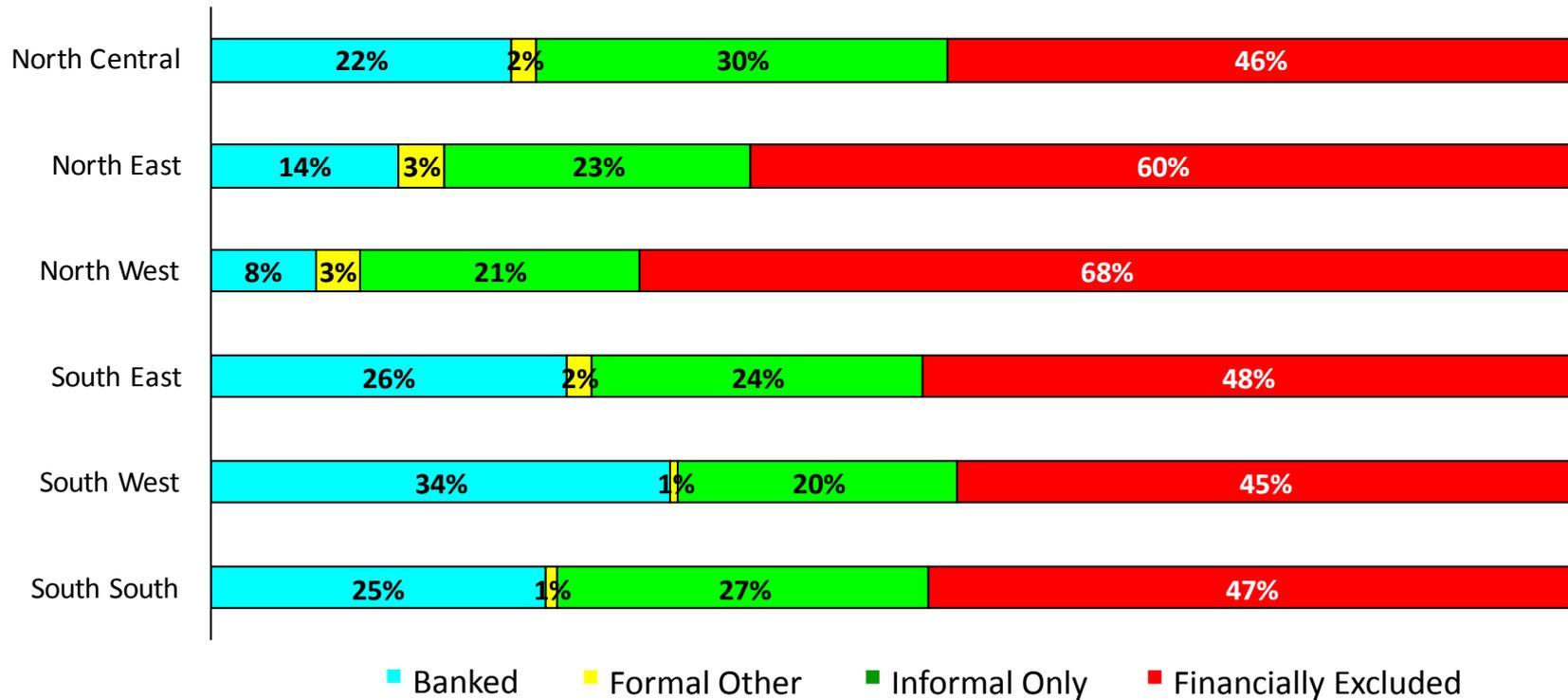
Nigeria Financial Access Strand

- ❑ 45.4 million adults (53% of the adult population) are financially excluded
- ❑ 20.7 million adults (24% of the adult population) use 'informal only' products/services



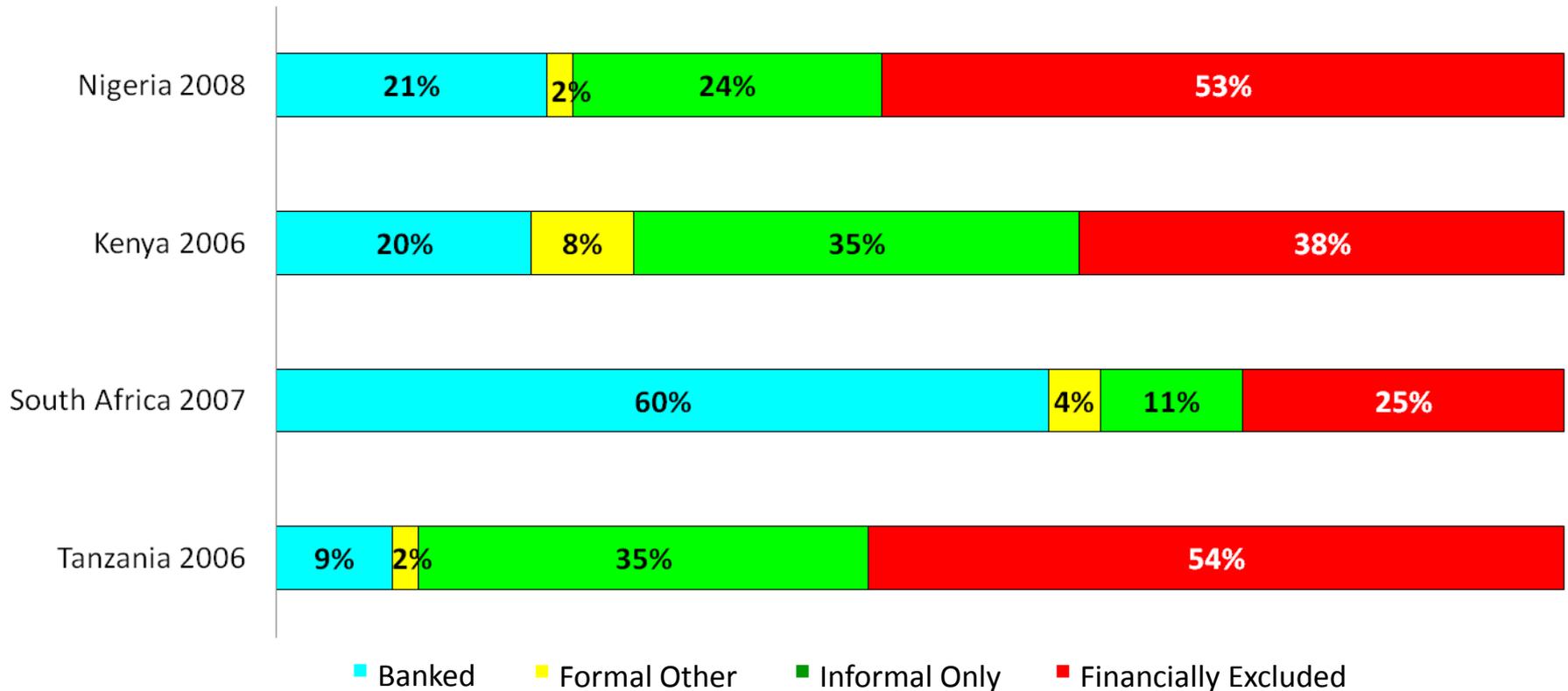
Access Strand by Geopolitical Zone

- ☐ South West zone has the highest banked population with 5.2 million adults
- ☐ North West zone has the highest financially excluded population with 12.3 million adults



Financial Access - Cross Country Comparisons

- ☐ South Africa has the highest banked population with 60%
- ☐ Nigeria has the second highest banked population with 21%
- ☐ Tanzania has the highest financially excluded population with 54%



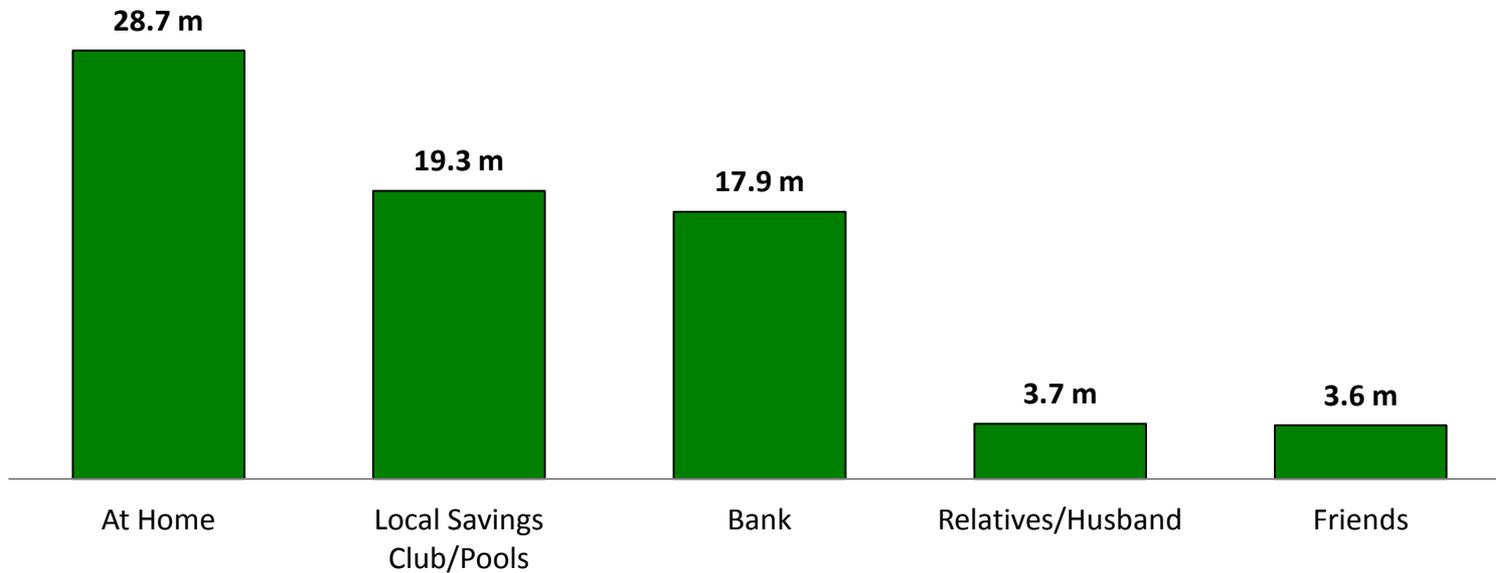
Note: Some definitional differences between the countries

E. Savings & Investment

Where People Currently Save

58.0 million adults (67.0% of the adult population) are currently saving, of which:

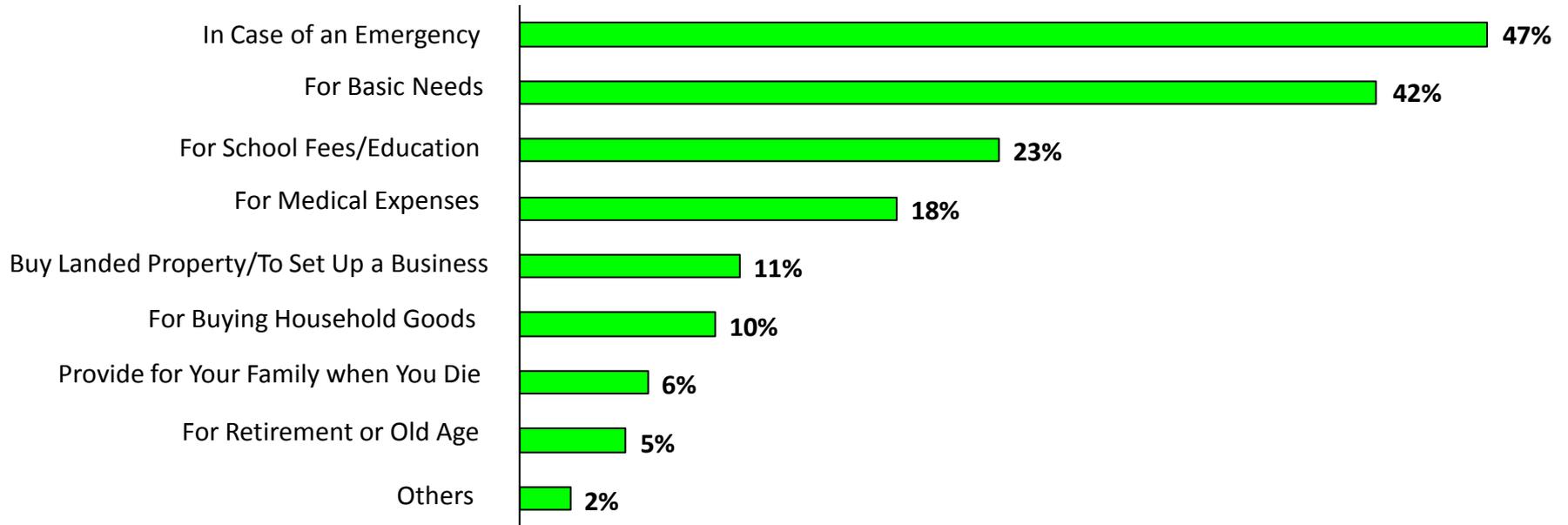
- ❑ 28.7 million adults are currently saving at home
- ❑ 19.3 million adults are currently saving in local savings club/pools



Reasons for Saving

The top 2 reasons for saving are:

- For emergencies and basic needs

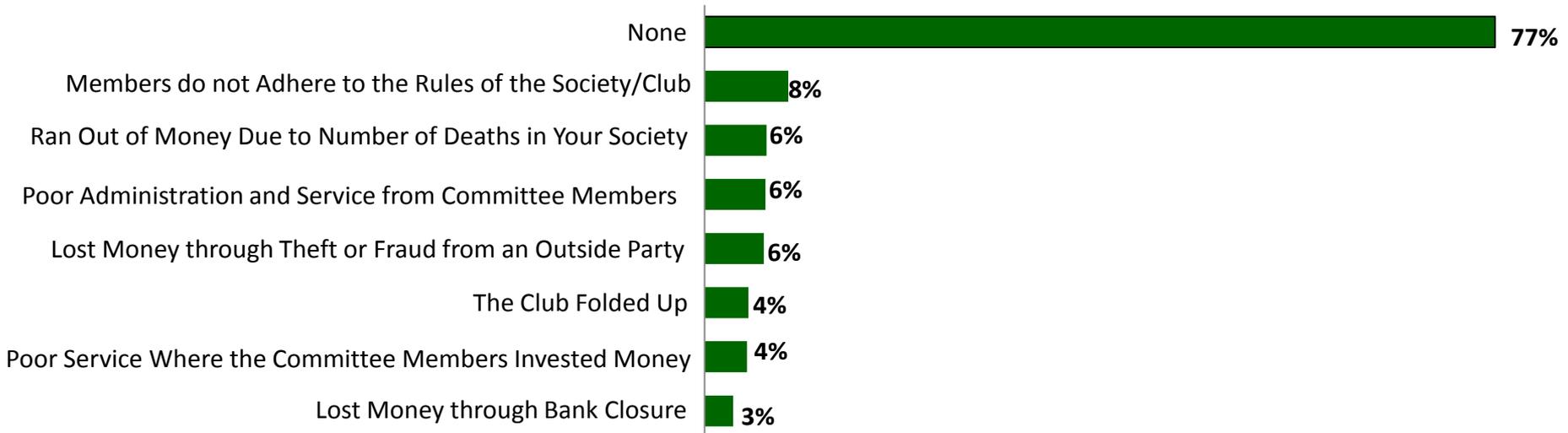


Savings Club

22% of the adult population (19.3 million adults) belong to a savings club, of which:

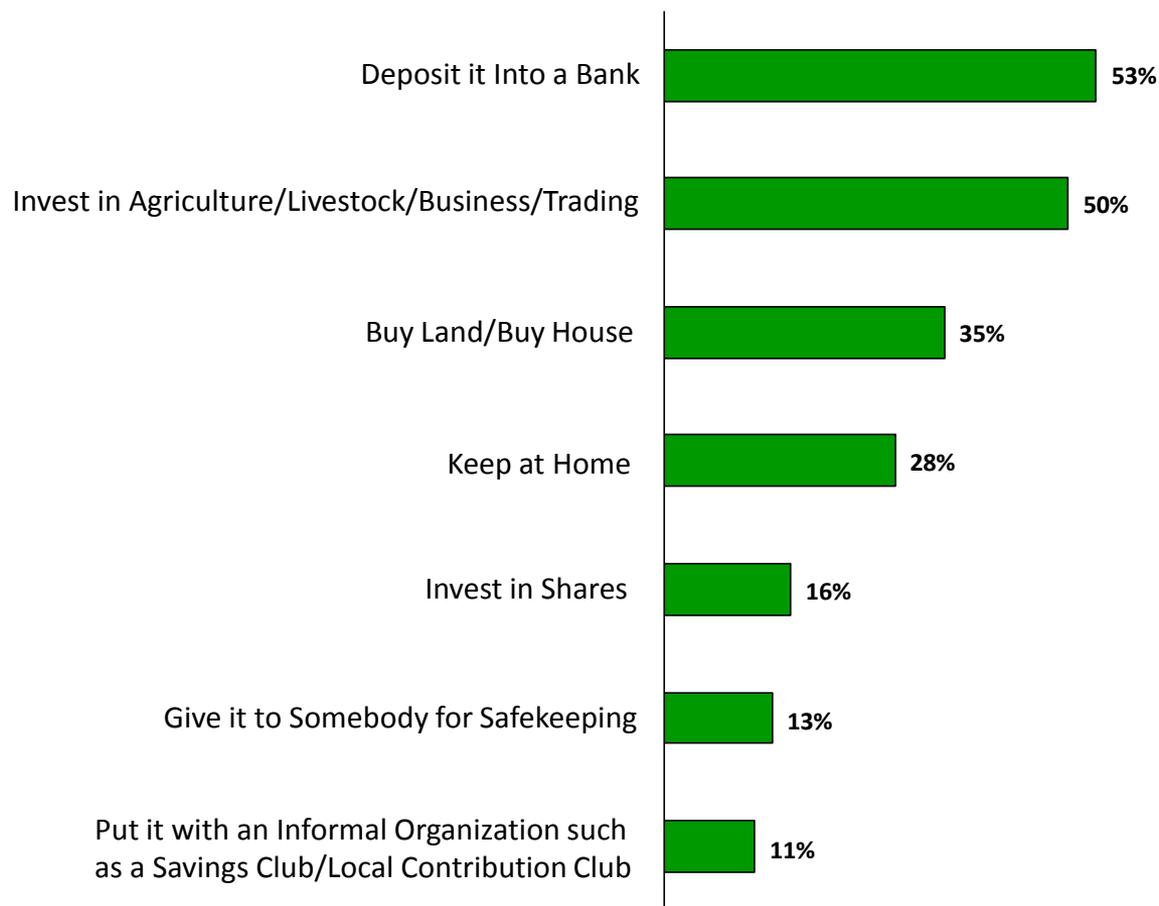
- They belong to 2 clubs on average and contribute N434 each time
- 52% of them indicate that they make this contribution weekly
- 77% have not experienced any mishap with any of their savings clubs

Incidence of Mishaps



If you were to receive a fairly large sum of money and did not spend it immediately, what would you initially like to do with it?

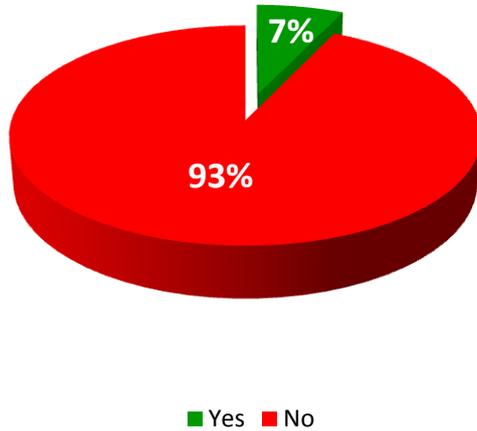
- ❑ 53% of the adult population (46.2 million adults) would deposit the money into a bank



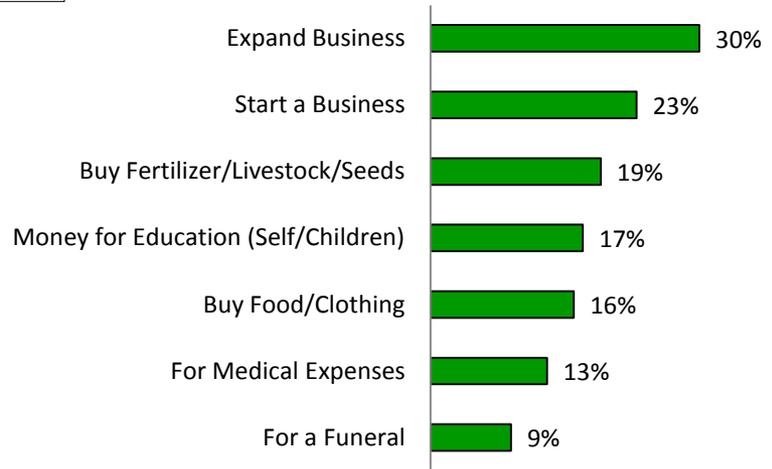
F. Loans and Credit

Incidence of Loan taking

Only 5.8 million people (7% of the adult population) currently have a loan

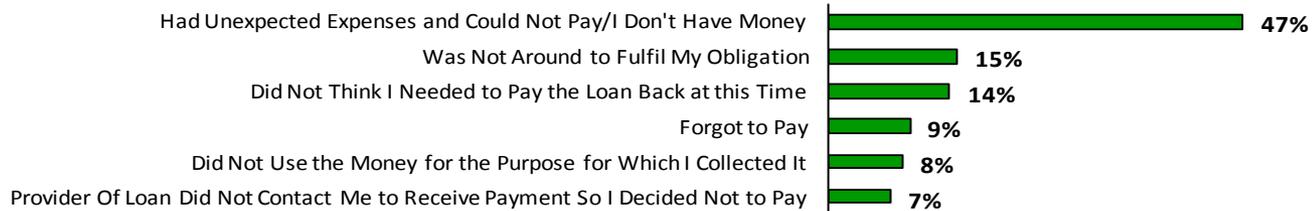


Reasons for taking a loan



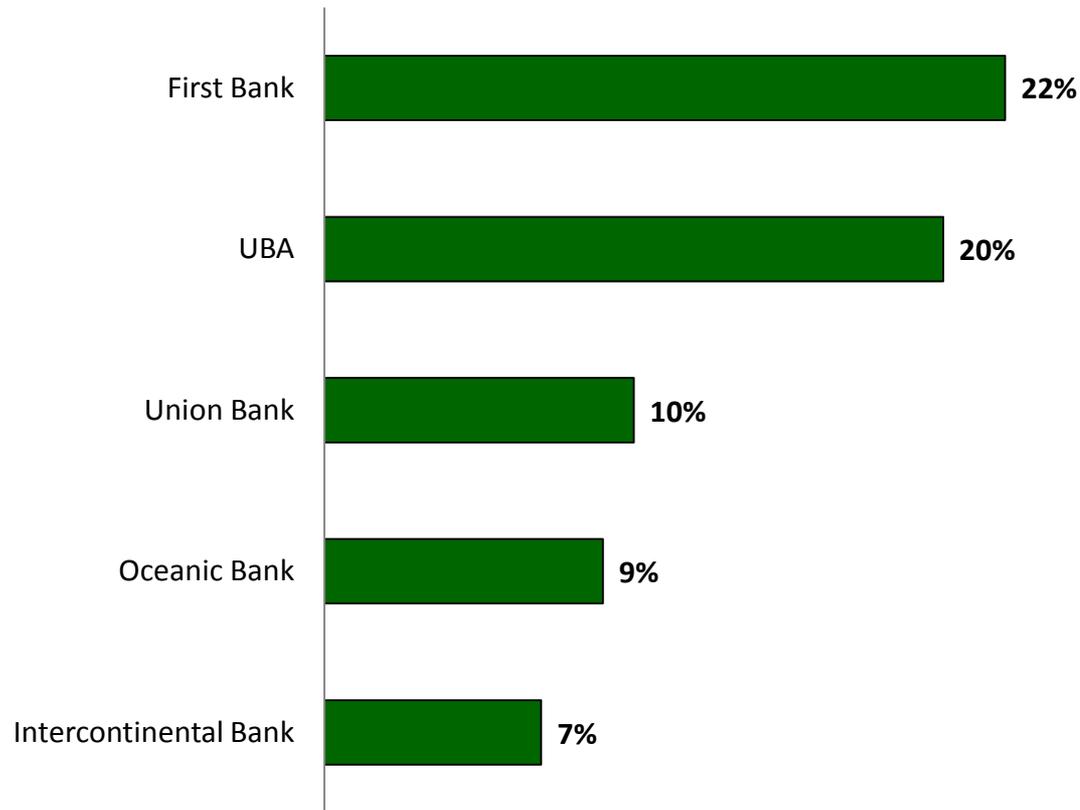
1.5 million adults (26% of those who currently have a loan) have missed a loan payment

Reasons for missing a payment



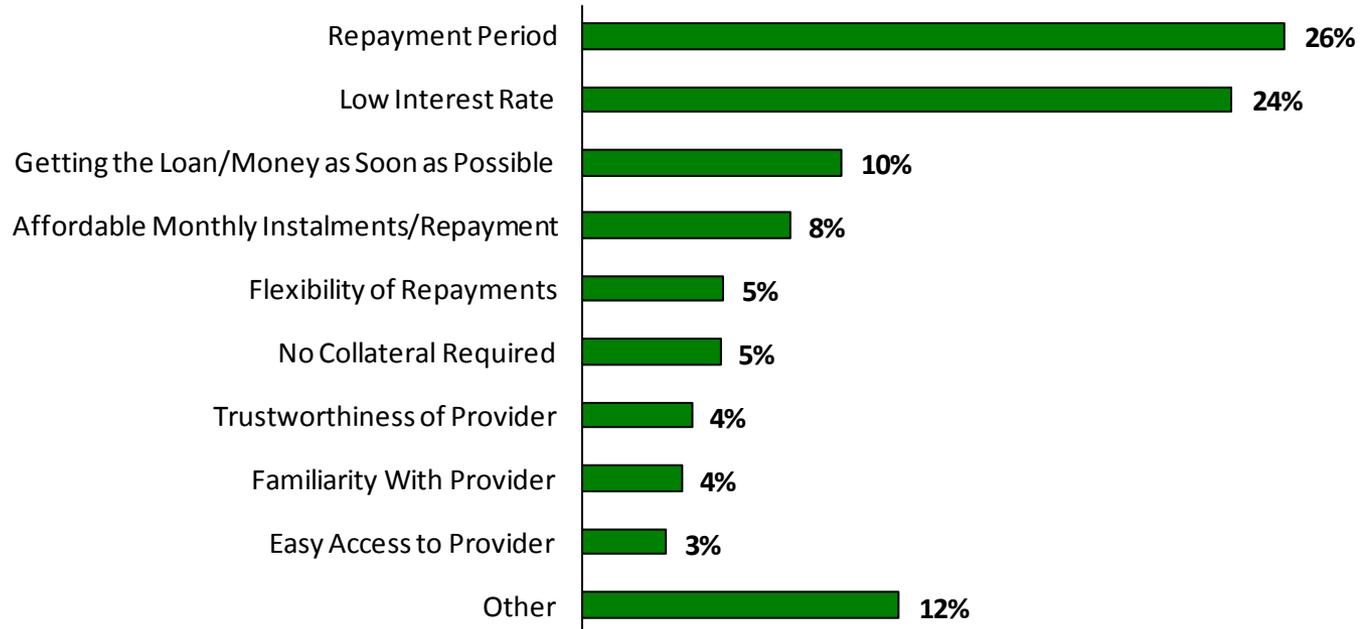
Top 5 Banks Where Loans Were Taken

- ❑ Of the 0.5 million adults who currently have a loan at a bank, 0.1 million (22%) took out the loan from First Bank



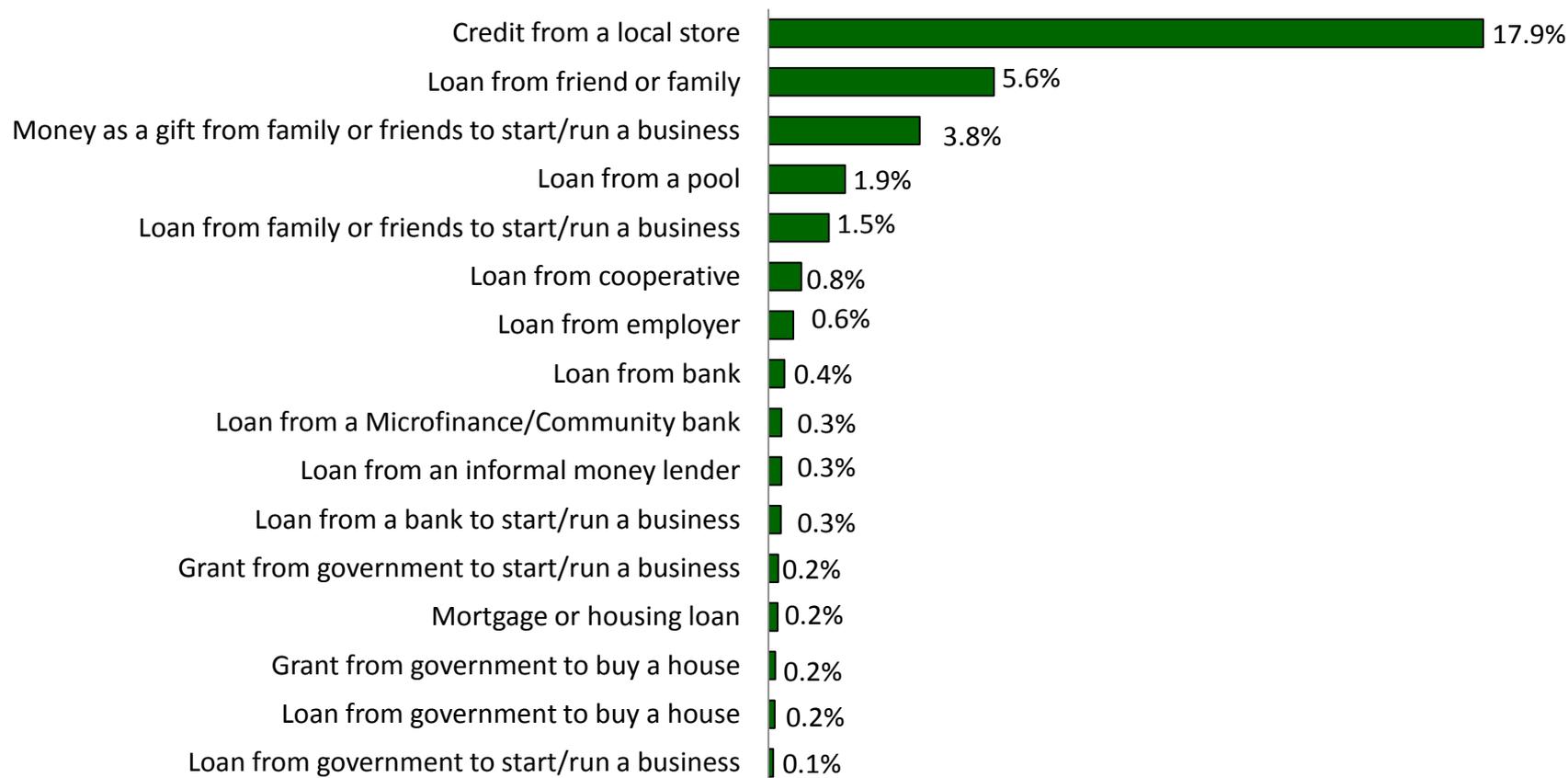
Most Important Factors Considered when Deciding to Apply for a Loan

- 22.4 million adults (26% of the adult population) said repayment period was the most important factor when deciding to apply for a loan



Sources of Loans/Credit

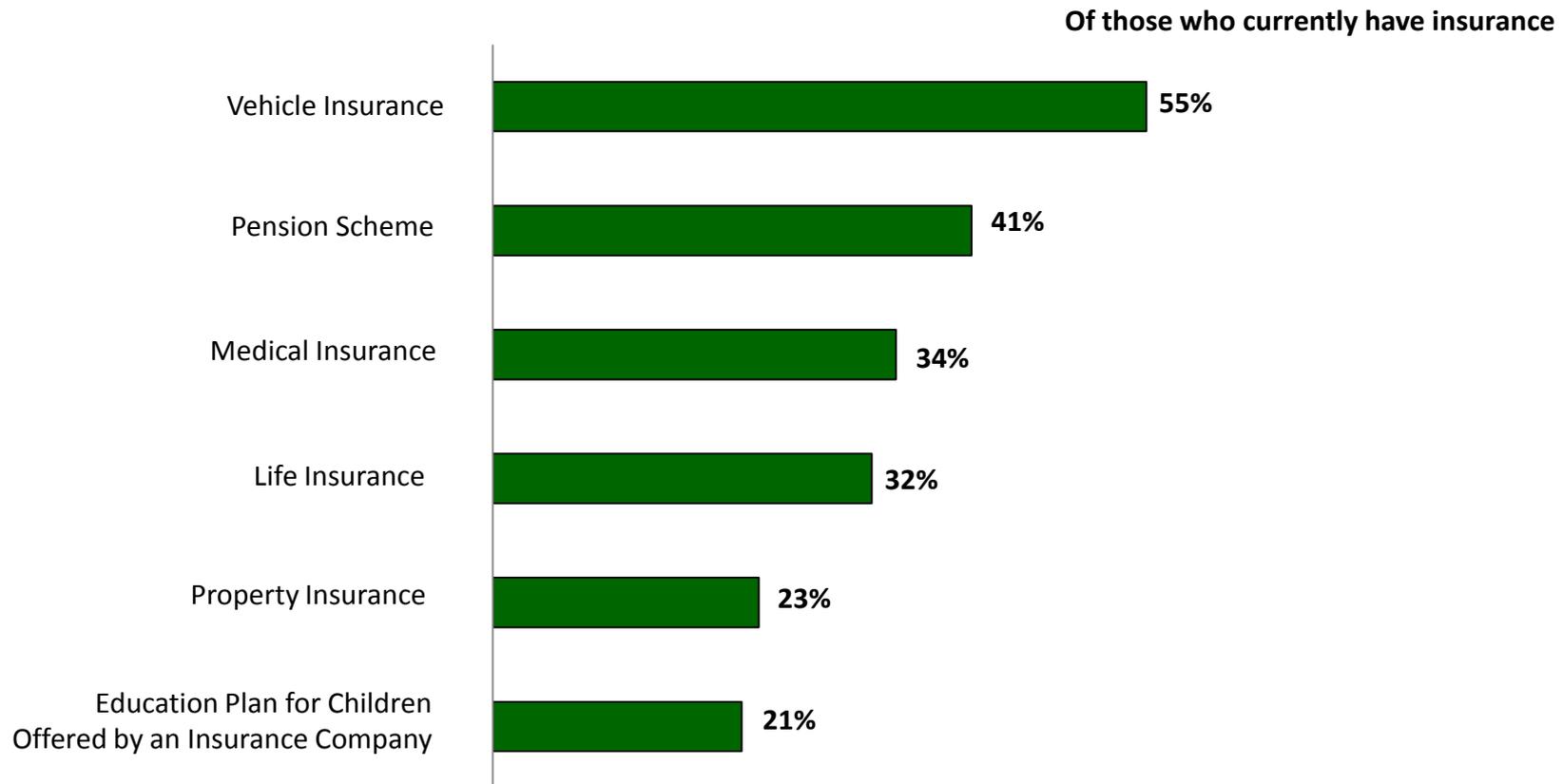
- 15.5 million adults (17.9% of the adult population) are currently using credit from a local store



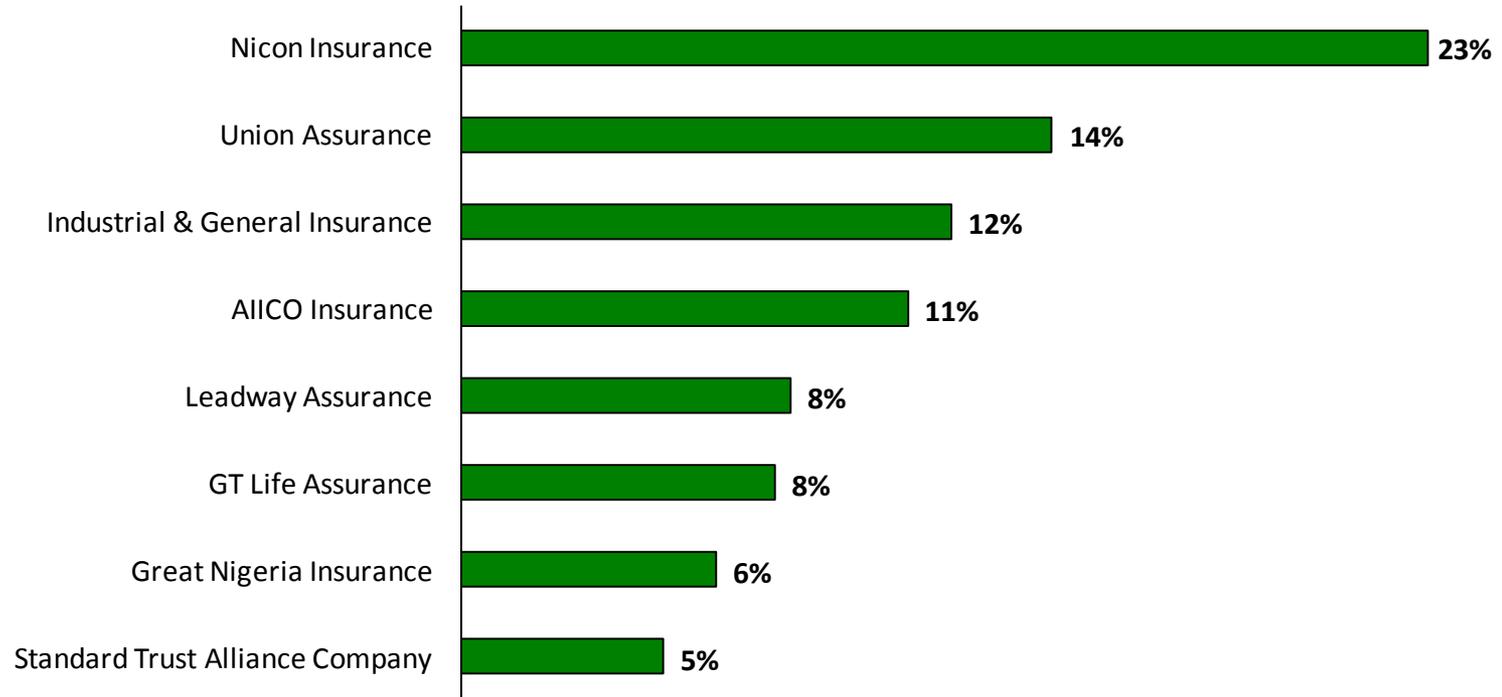
G. Insurance

Penetration of Insurance Products

- ❑ Only 1.0 million adults (1.2% of the adult population) have insurance
- ❑ 0.6 million adults have vehicle insurance (which is compulsory)



Companies where Insurance Policies are Currently Held



Experience of Household Risks and Coping Mechanisms

- ❑ The top coping mechanism for risk mitigation is the use of savings as opposed to insurance

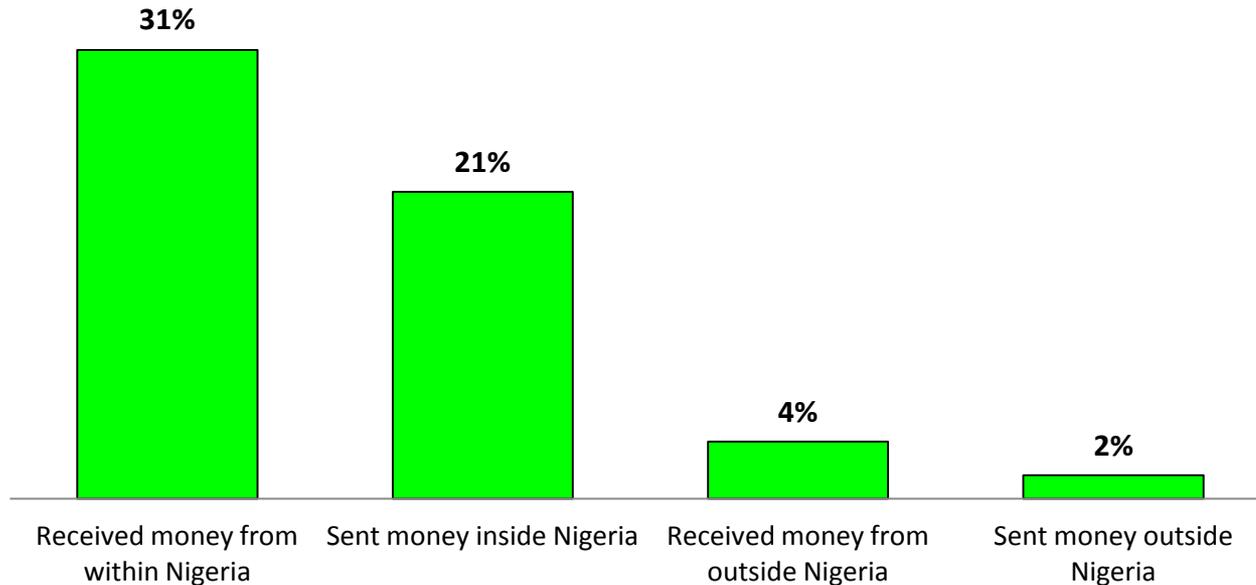
Coping Mechanisms	Risks Experienced					
	Theft of household property/Agricultural product %	Fire or destruction of household property %	Failure of business %	Member of household loses job %	Serious illness of a household member %	Death of a relative %
Used own savings	35	34	30	31	46	42
Sell assets/dispose of agricultural crop	15	13	10	8	14	8
Borrow money from family/friend	14	19	25	16	21	15
Did nothing	12	4	4	9	2	8
Cut down on household expenses	9	14	13	18	7	7
Wait/ask for donations	6	14	7	8	12	18
Don't know	6	6	5	9	4	0
Borrow money from other sources	4	7	6	5	7	4
Others	10	5	15	7	9	8

H. Remittances

Usage of Money Transfer Services

In the six months prior to being interviewed:

- ❑ 26.4 million adults (31% of the adult population) received money from a friend/relative within Nigeria
- ❑ 18.1 million adults (21% of the adult population) sent money to a friend/relative inside Nigeria
- ❑ 3.7 million adults (4% of the adult population) received money from friend/relative from outside Nigeria
- ❑ 1.4 million adults (2% of the adult population) sent money to friend/relative outside Nigeria



Methods of Money Transfer

- The predominant means used for sending or receiving money inside Nigeria is through a friend/family member
- The most common method used for international money transfers is through a bank

Means of transfer*	Domestic		International	
	Sent %	Receive %	Sent %	Receive %
Friend/family member	57	63	15	25
Bank	43	33	45	37
Cheque	4	3	6	4
Western Union/Moneygram	1	1	15	30
Third party (taxi, bus driver, etc)	10	10	3	4
Electronic bank transfers	1	1	2	1
Recharge card	3	2	-	-

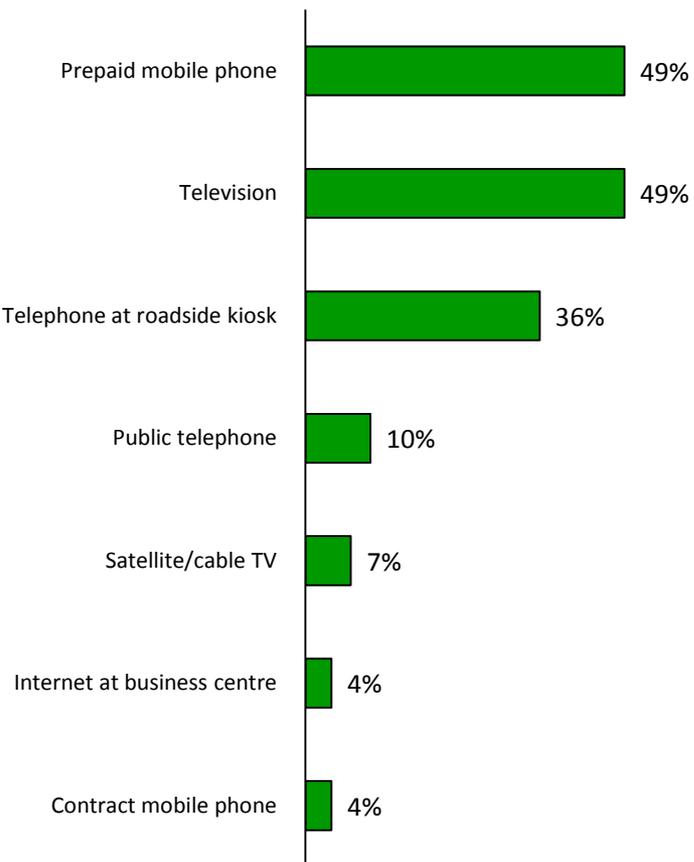
** Percentages are calculated based on respondents who indicated they had either sent or received money from within or outside Nigeria over the past six months*

I. Technology and Mobile Phone Usage

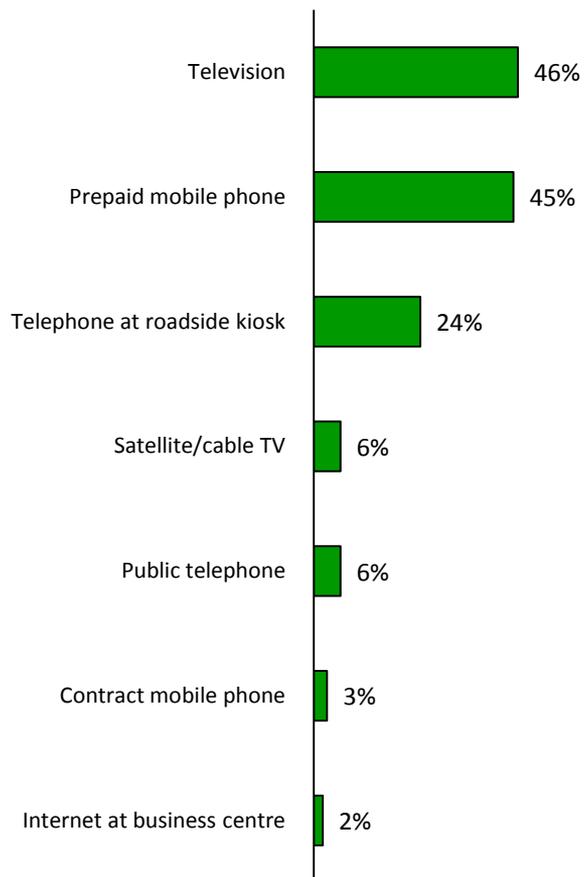
Access/Usage/Ownership of Technology

☐ 42.2 million adults (49% of the adult population) have access to a prepaid mobile phone

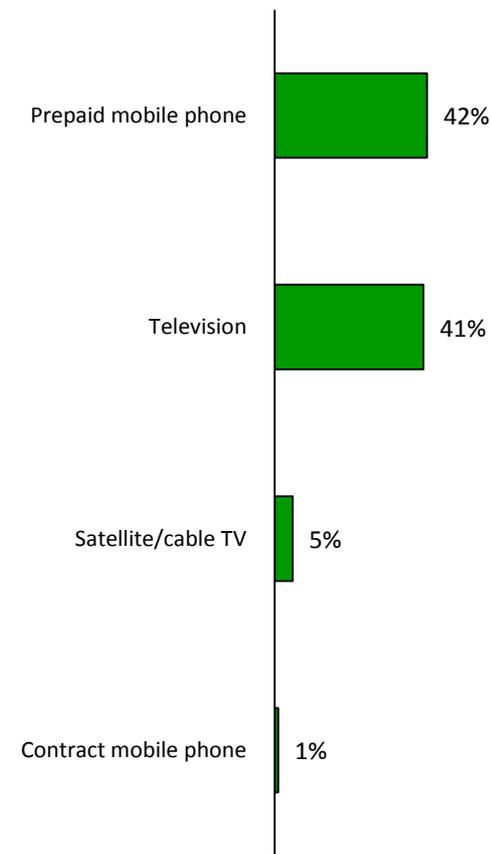
ACCESS



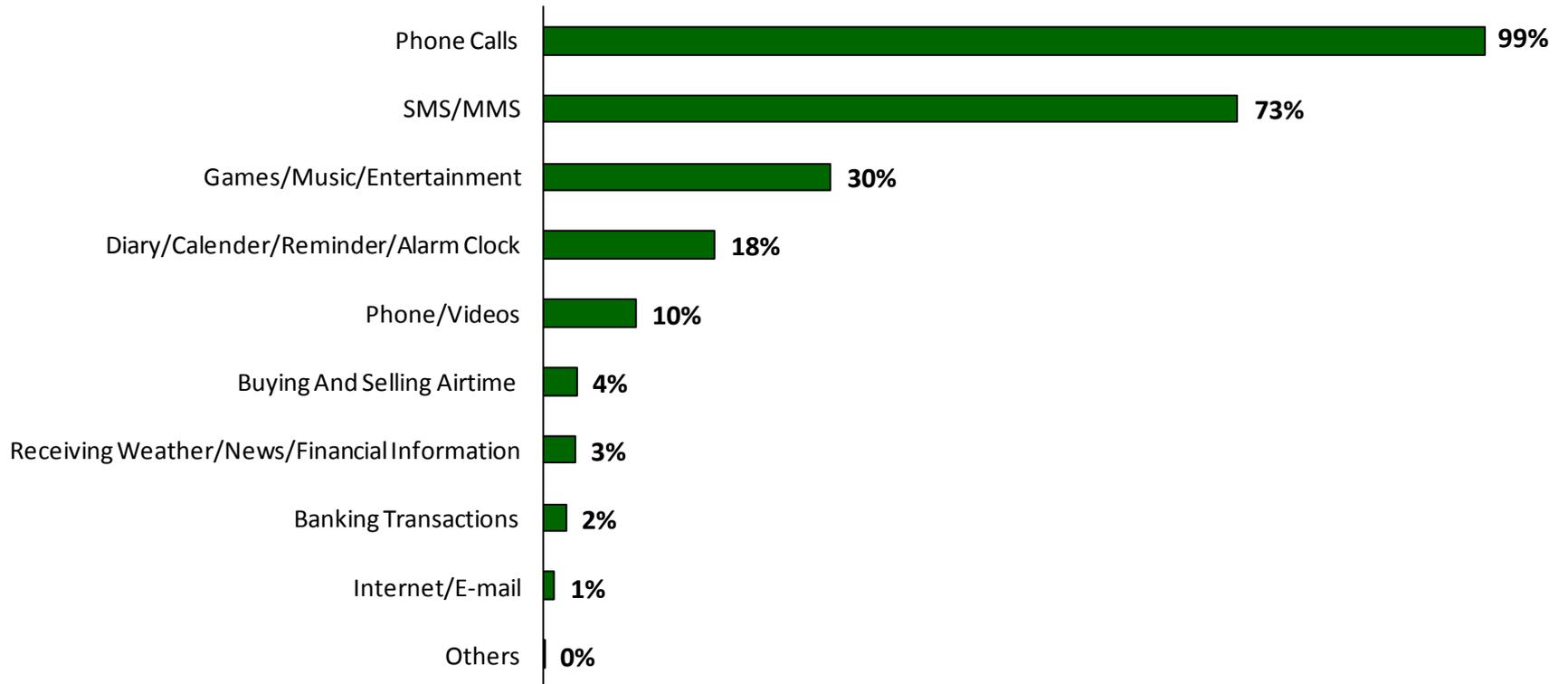
REGULARLY USE



PERSONAL/HOUSEHOLD OWNERSHIP

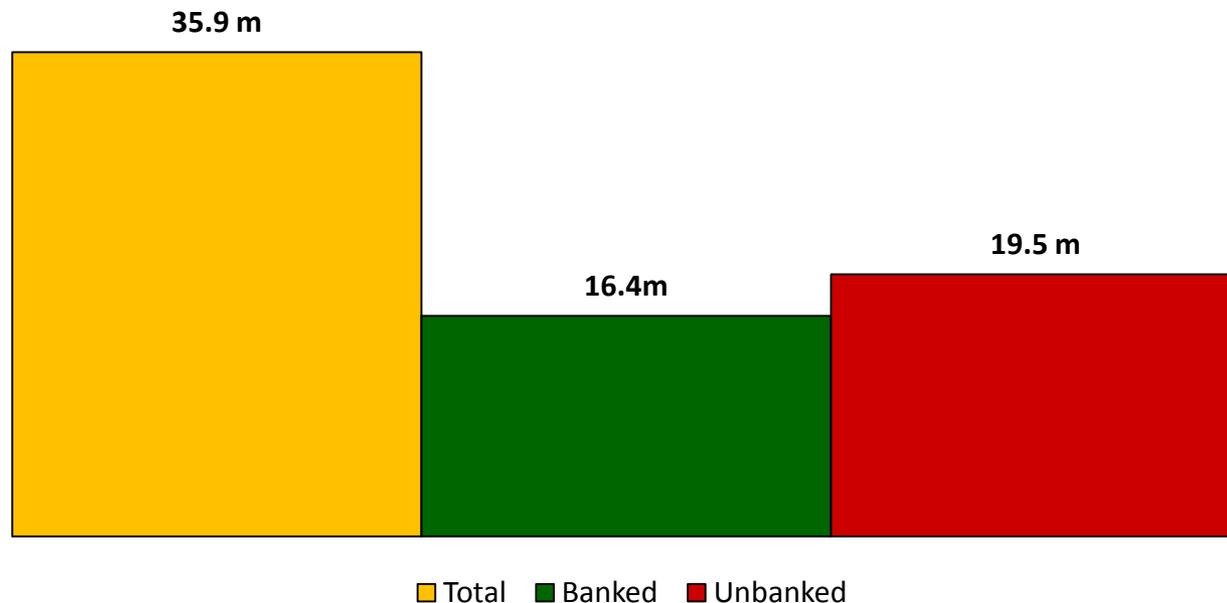


What People Currently Use Their Mobile Phones For



Mobile Phone Ownership vs. Banking Status

- ☐ 35.9 million adults own a prepaid mobile phone, of which:
 - **16.4 million** are banked (which represents 94.6% of the banked population)
 - **19.5 million** are unbanked (which represents 68.6% of the unbanked population)
- ☐ This clearly demonstrates the potential for using mobile phones as a distribution channel for providing financial services to the unbanked



J. Financial Literacy

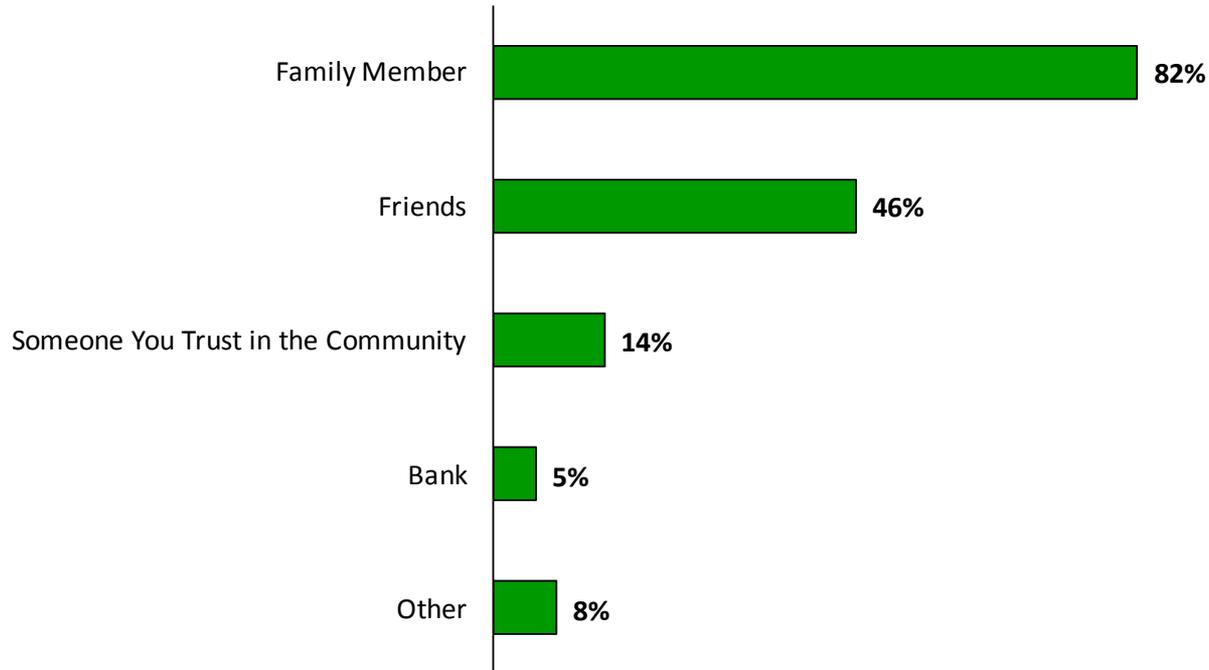
Knowledge of Key Financial Terms

	Heard – Do Understand %	Heard – Don't Understand %	Never Heard %
Pension	57	19	23
Savings Account	45	13	41
Cheque	42	12	46
Microfinance/Community bank	39	15	46
Current Account	36	15	49
Insurance	35	17	48
Shares	34	19	47
ATM	25	12	63
Bank service charge/COT	19	12	68
Stock Exchange	19	13	68
Mortgage	17	10	73
Credit card	13	11	76
Debit card	13	12	75
Islamic Banking	12	10	78
Mobile Phone Banking	12	10	78
Valu card	11	13	75
Internet Banking	11	10	79

- ❑ **57%** of the adult population have heard and understand what pension means
- ❑ **73%** have never heard of mortgages; **63%** have never heard of ATMs; **49%** have never heard of current accounts and **46%** have never heard of microfinance/ community banks

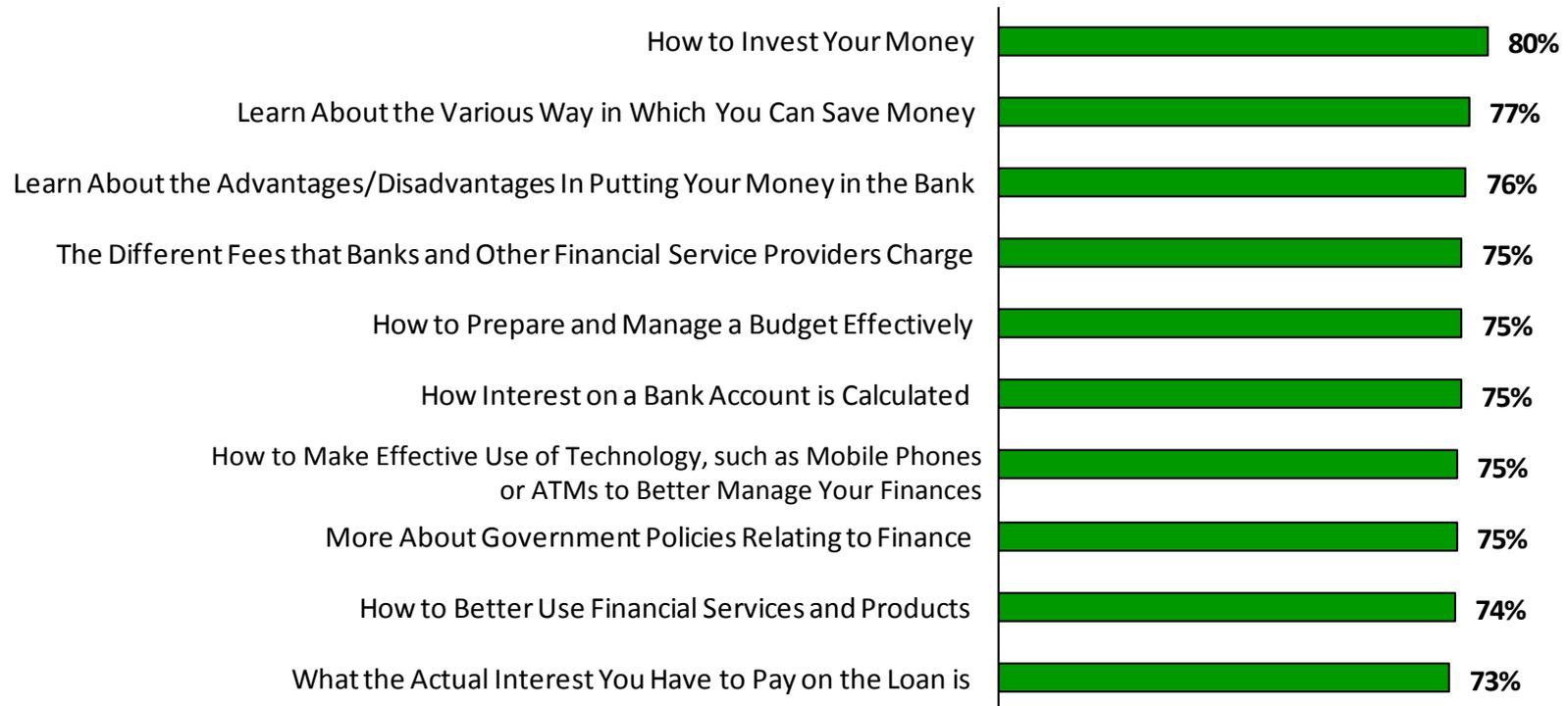
Sources of Financial Advice

- ❑ 70.8 million adults (82% of the adult population) get their financial advice from a family member
- ❑ Only 4.7 million adults (5% of the adult population) indicated that they get financial advice from a bank



Desired Financial Knowledge

- ❑ 68.9 million adults (80% of the adult population) would like to know more about how to invest their money
- ❑ 66.3 million adults (77% of the adult population) would like to learn about the various ways to save money



K. Conclusions

Key Characteristics of the Unbanked

- Belong to LSM 1-5
- 44% have some level of secondary education
- Predominantly rural
- Mostly female
- Likely to be living in the North East and North West
- 41% have no income
- Of those with an income, they are earning less than N8,000 per month
- Their main regular source of personal income is from farming (commercial and subsistence)
- 30% are within the age group 18-34 yrs

Large gaps in financial access

Banking

- The unbanked represent a significant portion of the population – 68 million people.
- This also represents a large opportunity as 61% of the unbanked (41.7 million people) say they would like to have a bank account - how do we facilitate this?

Insurance

- How do we encourage insurance companies to provide insurance products customized to the needs of the low income population?

Microfinance

- Are Microfinance Banks truly extending access to finance and serving the poor in Nigeria?
- Microfinance banks have not sufficiently penetrated the rural areas

Financial Literacy/Capability

- Lack of financial knowledge acts as a deterrent to a significant proportion of the Nigerian adult population, in terms of improving access to finance

L. Data Dissemination Options

Data Dissemination Options

EFInA Access to Financial Services in Nigeria 2008 survey

- Comprehensive database where information can be segmented in multiple dimensions, e.g., gender, geo political 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 questions
- Data request form can be downloaded from the EFInA website

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