

Access to Financial Services in Nigeria 2020 Survey

Kaduna State Deep Dive

July 29th, 2021

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EFInA Overview

Enhancing Financial Innovation & Access (EFInA) is a Financial Sector Deepening (FSD) organisation that promotes inclusive finance in Nigeria. EFInA was established with support from the UK's Foreign Commonwealth & Development Office (FCDO) in 2007 and began receiving funding support from the Bill & Melinda Gates Foundation in 2009.

EFInA is renowned, within Nigeria's financial sector, for providing thought leadership toward achieving financial inclusion and championing the unbanked. By funding and catalysing innovation, providing cutting-edge research, advocating for inclusive policies, and building capacity, EFInA has gained a reputation as an "honest broker" among the private and public sectors in Nigeria. EFInA's Access to Financial Services in Nigeria surveys and other research have served as credible sources of information for policymakers and regulators,

including the Central Bank of Nigeria (CBN), the National Insurance Commission (NAICOM), the National Pension Commission and others, to formulate regulations and policies. EFInA has a strong focus on promoting digital financial services, and in recent years has taken a leading role in supporting an emerging FinTech sector in Nigeria.

Since its founding, EFInA has contributed to the increased focus on financial inclusion in Nigeria, convening and supporting stakeholders to develop and work toward the implementation of a National Financial Inclusion Strategy. Between 2008 and 2018, the number of adults using formal financial services in Nigeria increased by more than 27 million, and EFInA has directly enabled more than 4.5 million Nigerians use formal financial services through its grants.

Objectives of A2F 2020 Survey – Kaduna Deep Dive

- To measure the levels of financial inclusion (i.e. levels of access/usage of financial products and services – both formal and informal)
- Measure trends in access to and usage of financial services in Kaduna State
- Understand financial behaviours of adults in Kaduna State, including various products/services used to meet their financial needs
- Understand financial health of adults in Kaduna State
- Provide credible data that can highlight opportunities for policy reform and market opportunities for financial service providers

Coverage and methodology of the A2F 2020 Survey – Kaduna Deep Dive



Design

- Provided by the National Bureau of Statistics (NBS)
- Sampling of respondents was based on equal representation (around 200 respondents) per LGA
- Allows for statistically robust headline indicators of financial access at the LGA and State levels



Coverage

- Representative sample of adults (18+) in Kaduna State across all 23 LGAs
- The survey includes 4796 respondents
- Household listing and data collection was conducted from November 2020 to March 2021 by the Research Firm - Ipsos Nigeria, with supervision from the National Bureau of Statistics (NBS)



Questionnaire

- The survey questionnaire was developed by EFInA, with input from a wide range of industry stakeholders.
- The questionnaire (in English) was translated into and administered in Hausa, Yoruba, Igbo and Pidgin English



Results

- Results were weighted by the NBS to provide for the total adult population. Kaduna State Bureau of Statics (KDBS) also participated in a workshop on the data weighting
- Also benchmarked to population estimates for verification

Kaduna at a glance

Kaduna State's rural and youthful population has implications for financial inclusion



69% rural areas



83% own a Mobile Phone



87% have a formal ID
Voter's card is prevalent among the formal IDs



1.6 million business owners



44% read and speak English

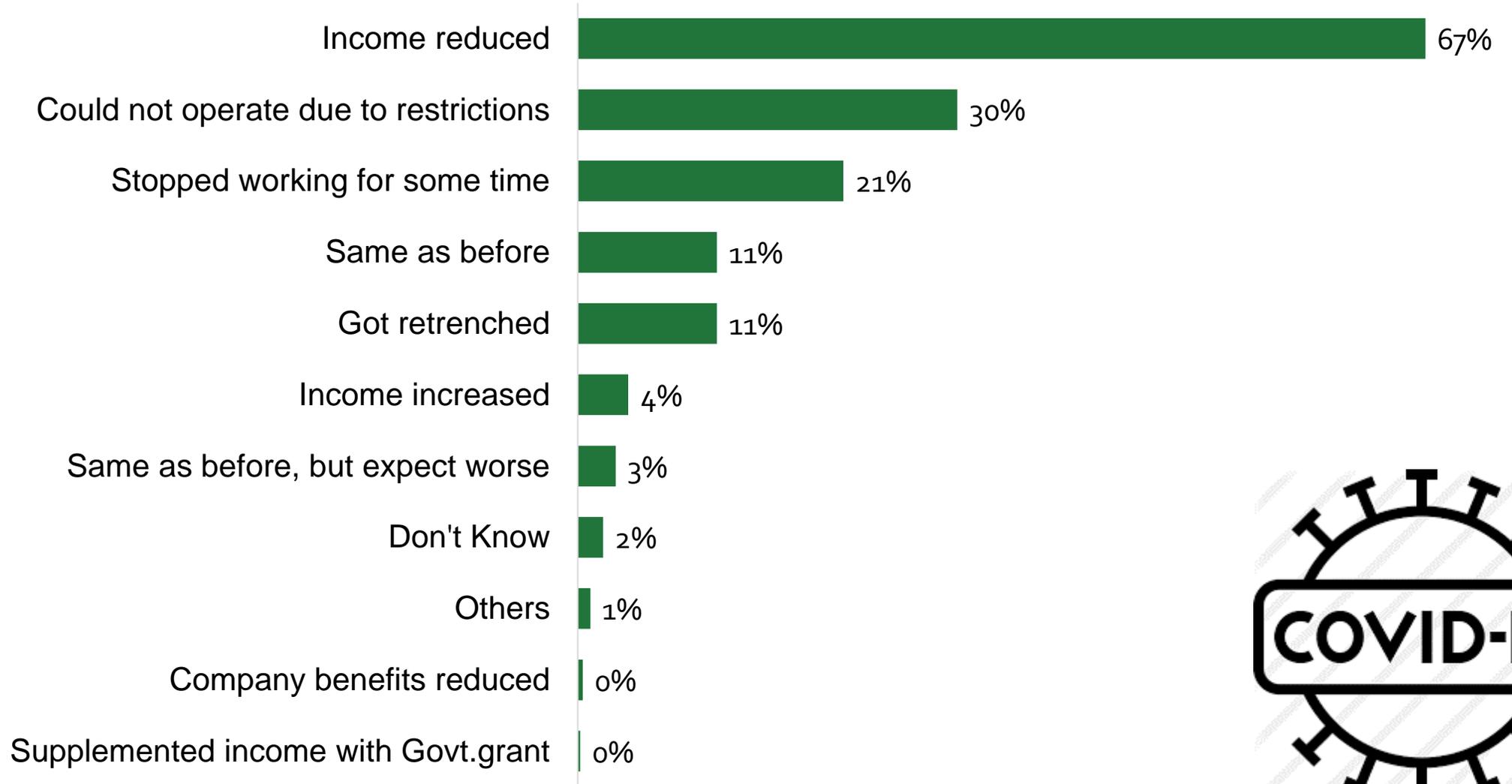


66% read and speak Hausa



12% have No Formal Education

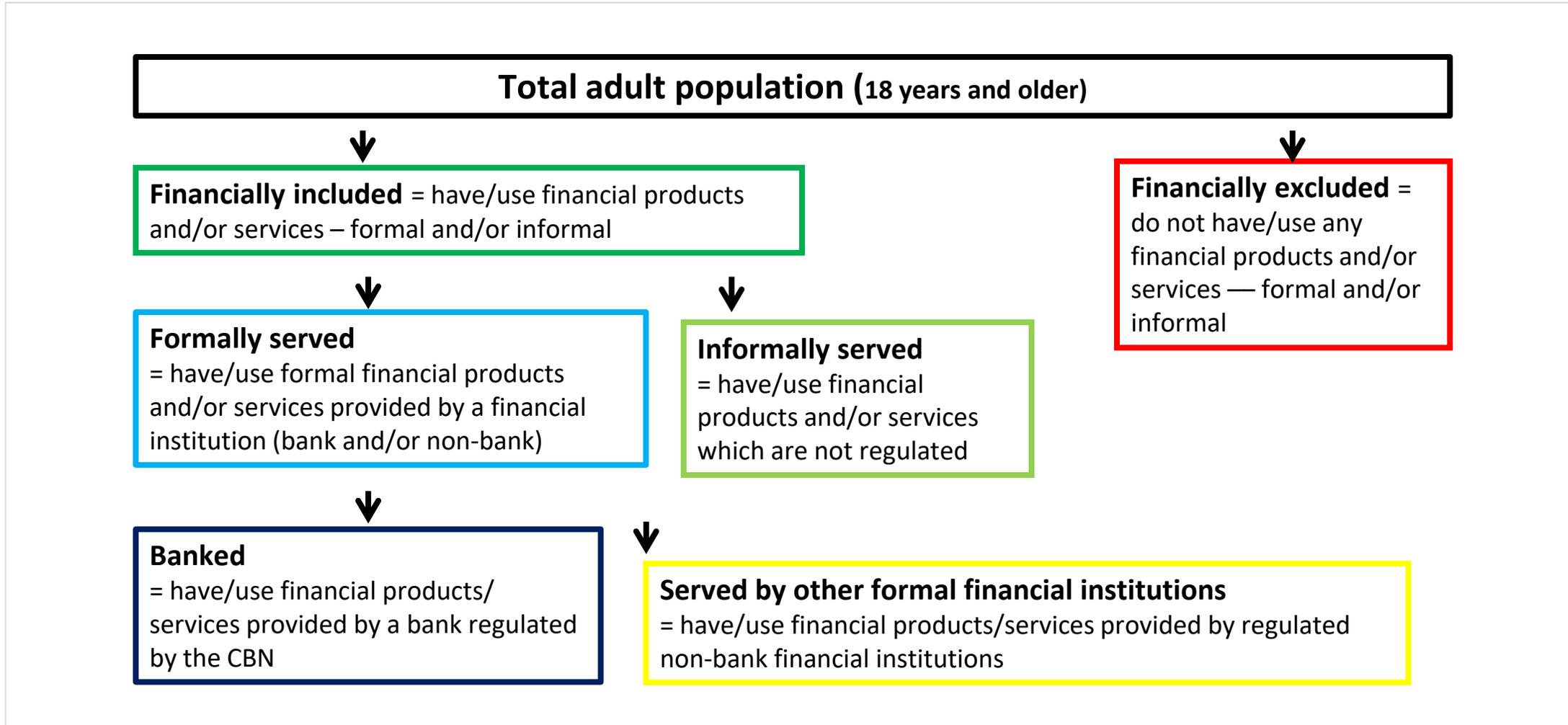
3.5m (84%) adults' livelihoods were negatively affected by the COVID-19 pandemic



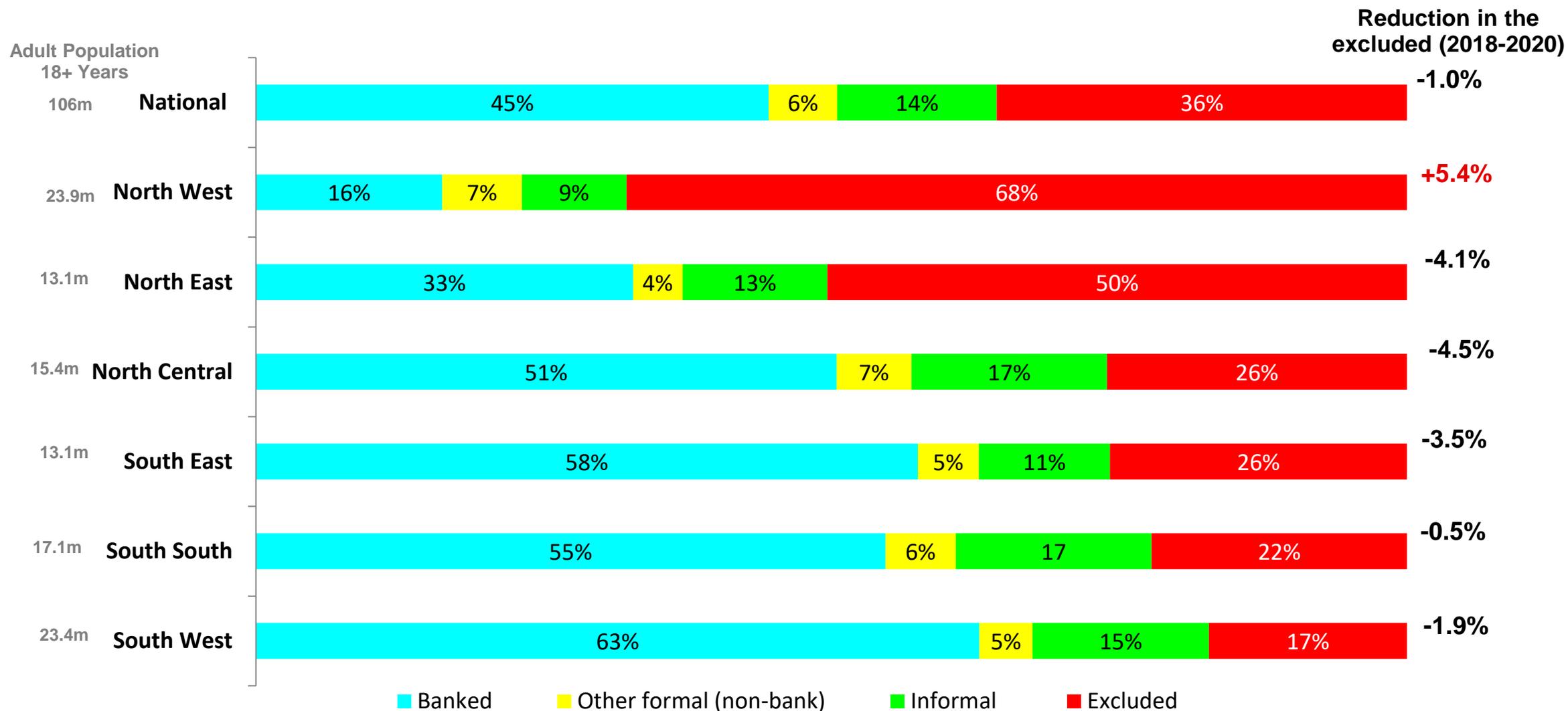


Financial Inclusion Indicators (Financial Access Strands)

Defining financial inclusion



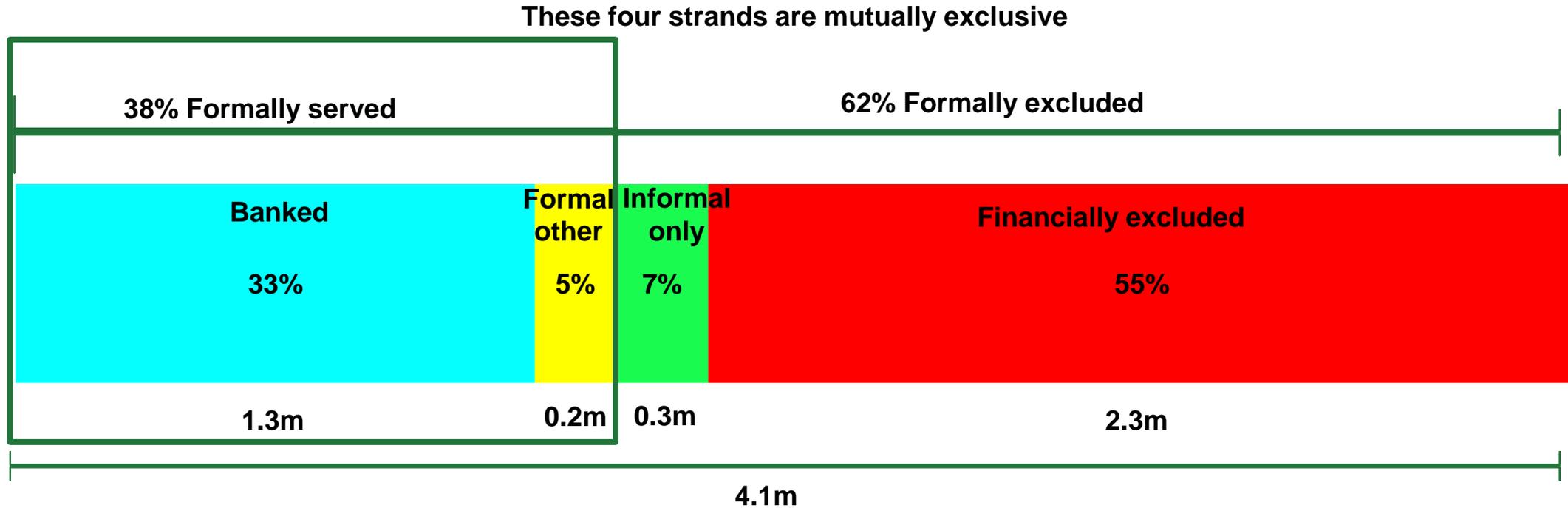
The North West is the most financially excluded geopolitical zone in Nigeria, with increasing rates of financial exclusion



Regional Access to Financial Services in Nigeria

Source: EFInA Access to Financial Services in Nigeria 2020 Survey

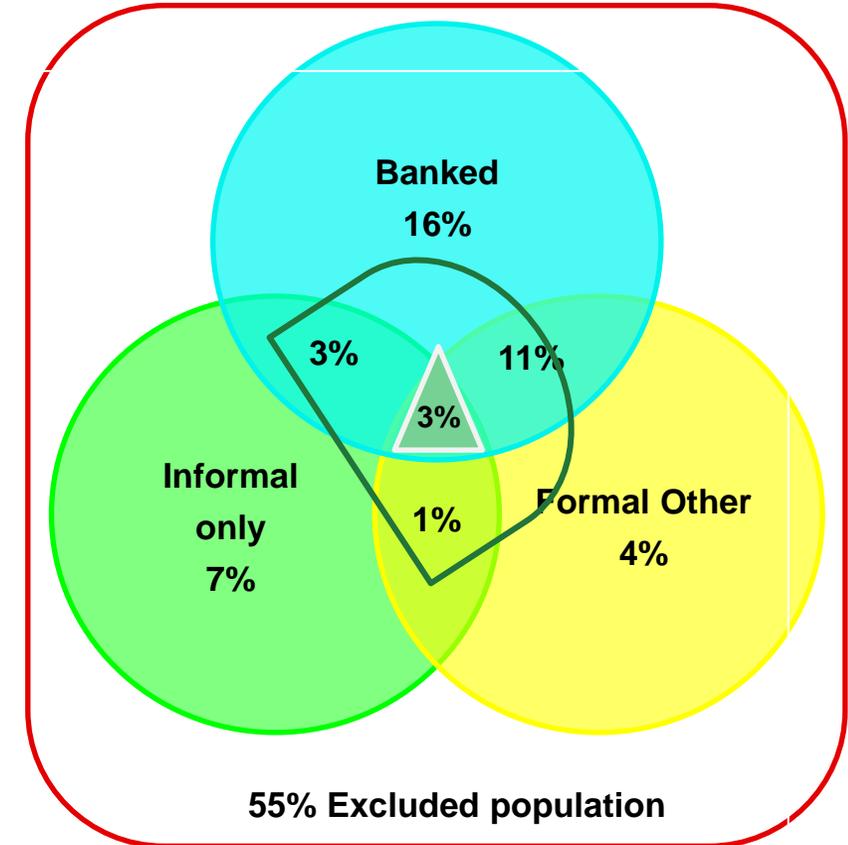
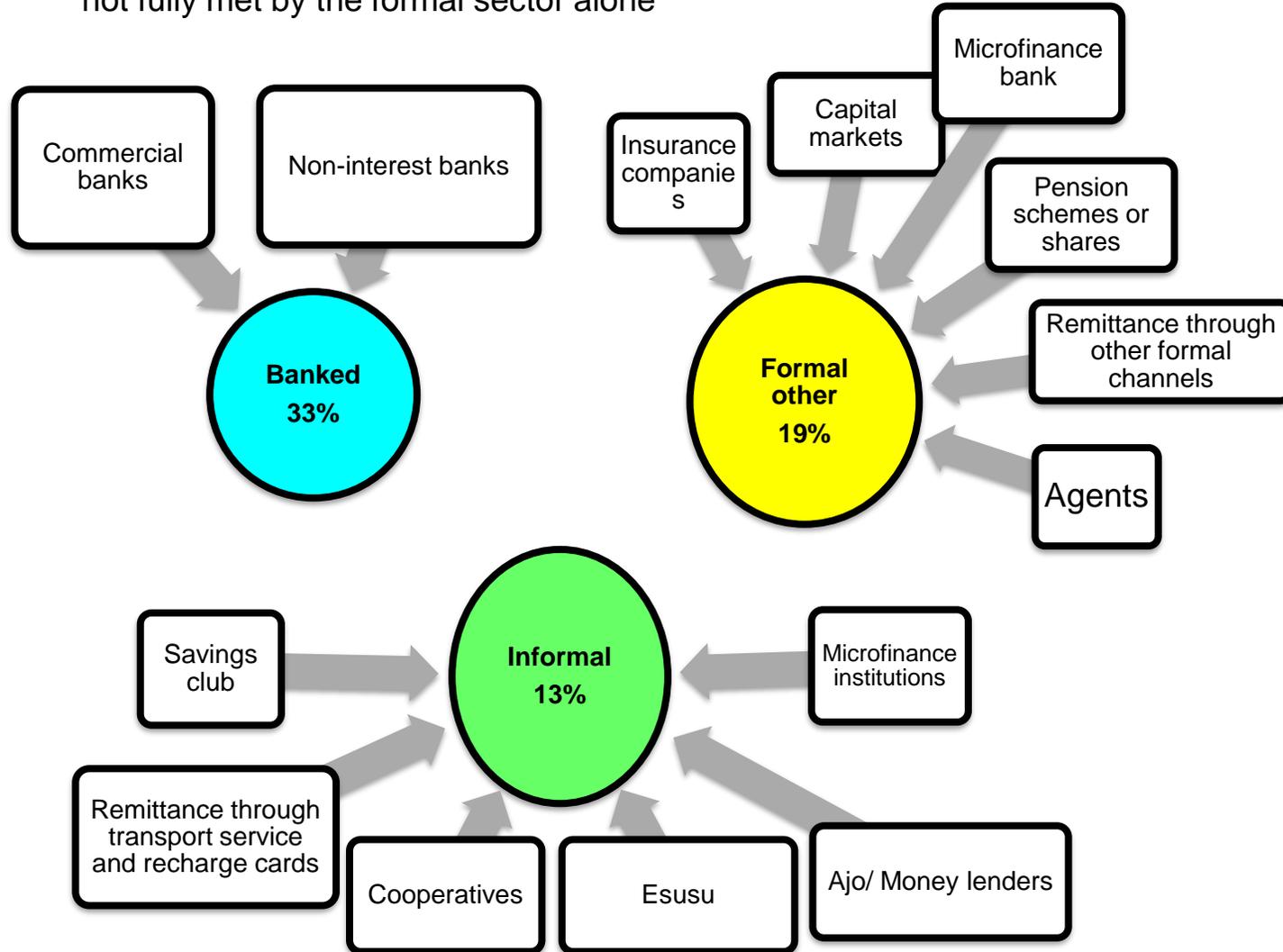
Kaduna State Financial Inclusion: Nearly 2 in 5 (1.5 million) adults use formal financial services



- ❑ **Banked:** adults who have access to or use of deposit money bank, in addition to having/using a traditional banking products such as ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank or Islamic banking products
- ❑ **Formal other :**all adults who have access to or use of other formal institutions and financial products not supplied by deposit money banks including insurance companies, microfinance bank, pension schemes or shares. It also include remittance through formal channels
- ❑ **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 money lenders; as well as remittance through informal channels such as transport service or recharge card
- ❑ **Financially excluded:** adults who are 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 family member or friend

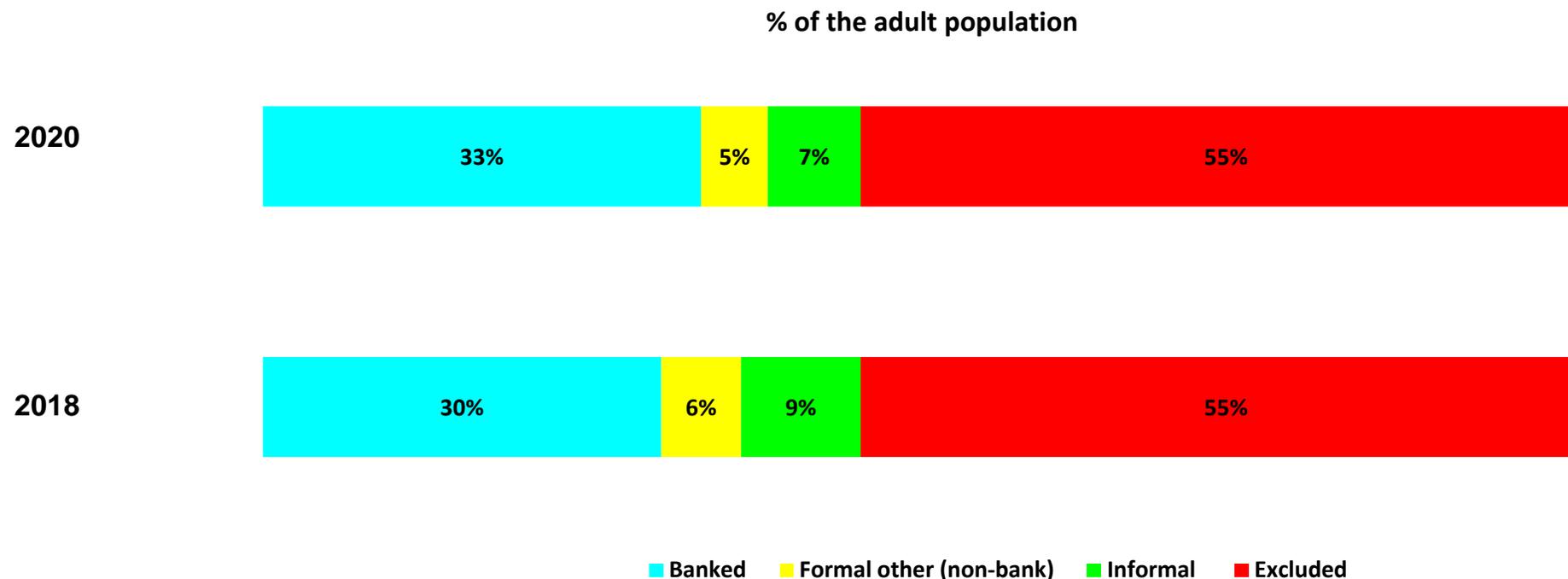
Adults in Kaduna State use a combination of financial services to meet their needs

- Formally served adults use a combination of formal and informal mechanisms to manage their financial needs, indicating that their needs are not fully met by the formal sector alone



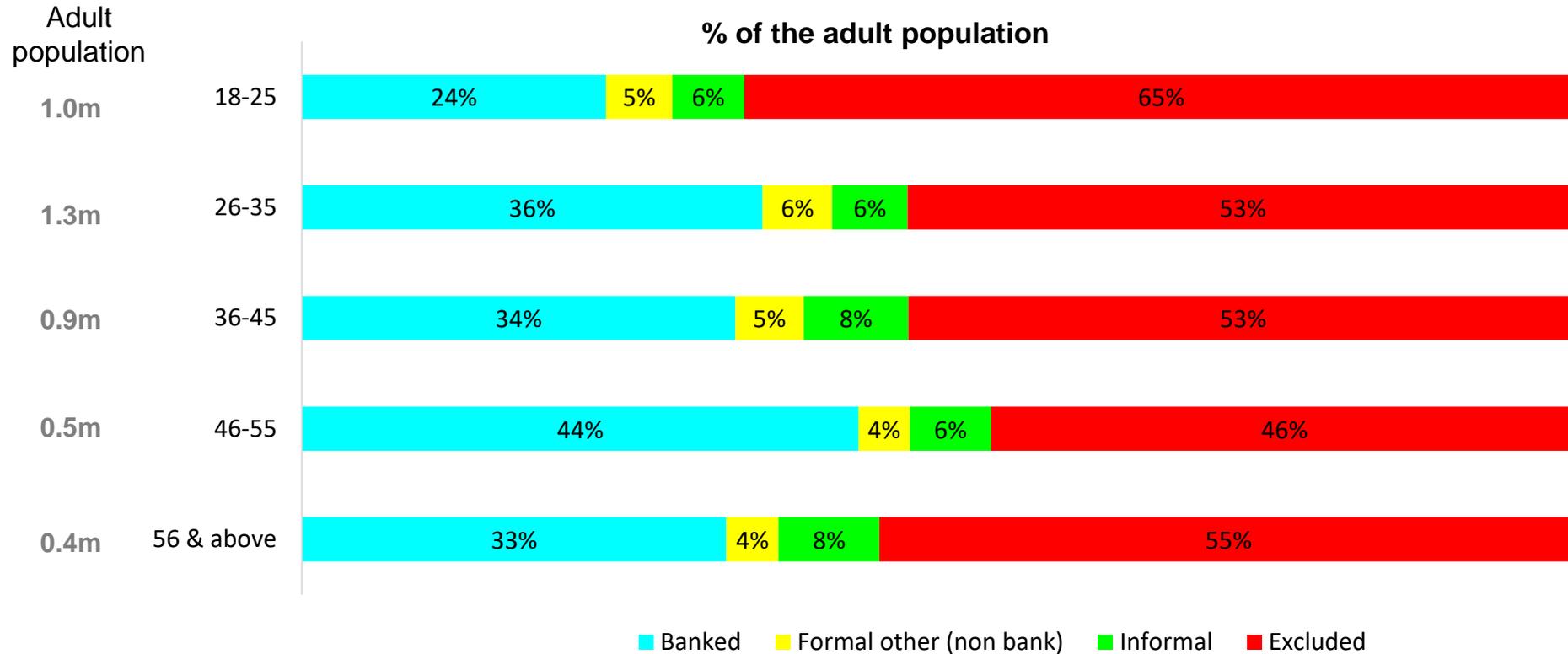
Financial inclusion in Kaduna State has remained stagnant despite gains in the banked population

- Slow uptake of non-bank formal and informal financial services continues to drive exclusion in Kaduna

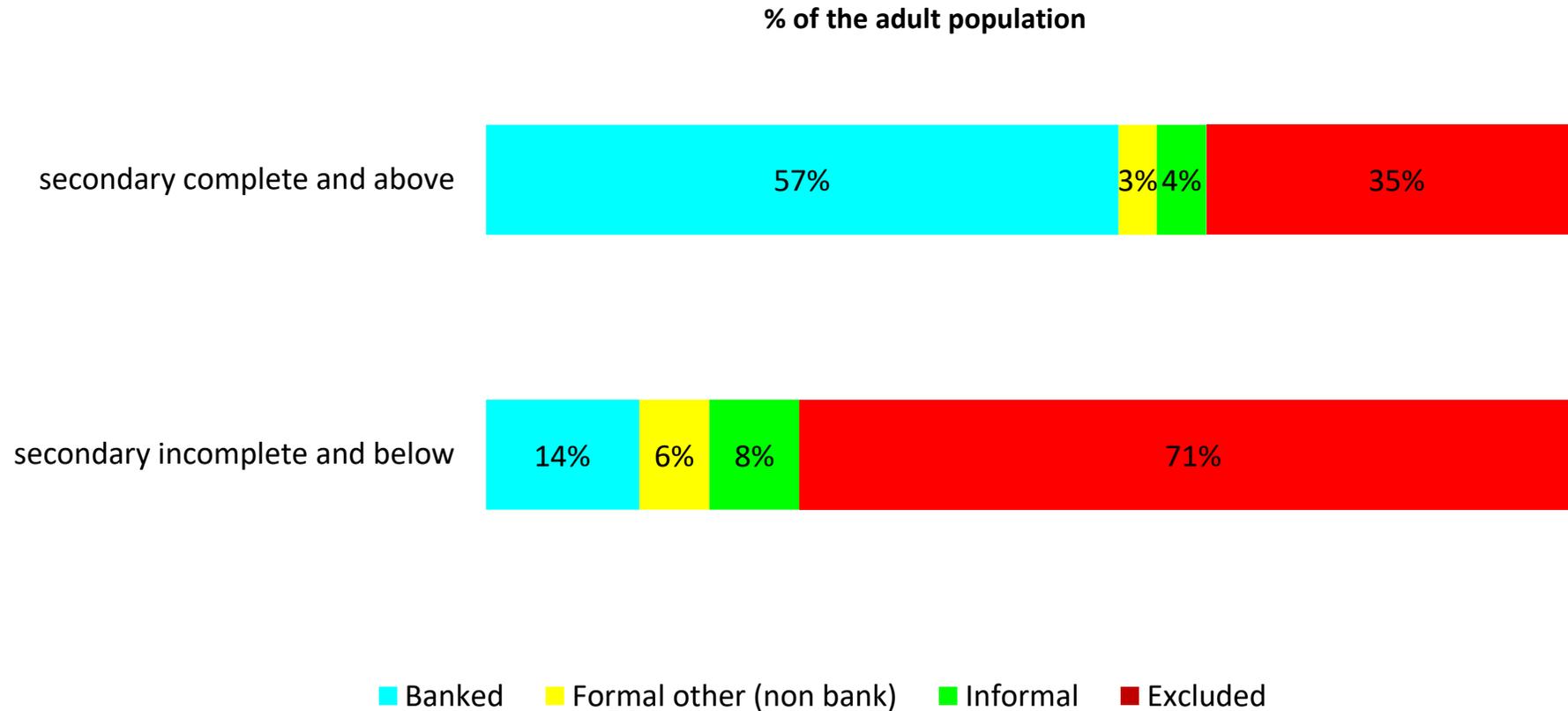


Young adults continue to be significantly more excluded

- Adults in the 18 to 25 age bracket are significantly more likely than older adults to be financially excluded

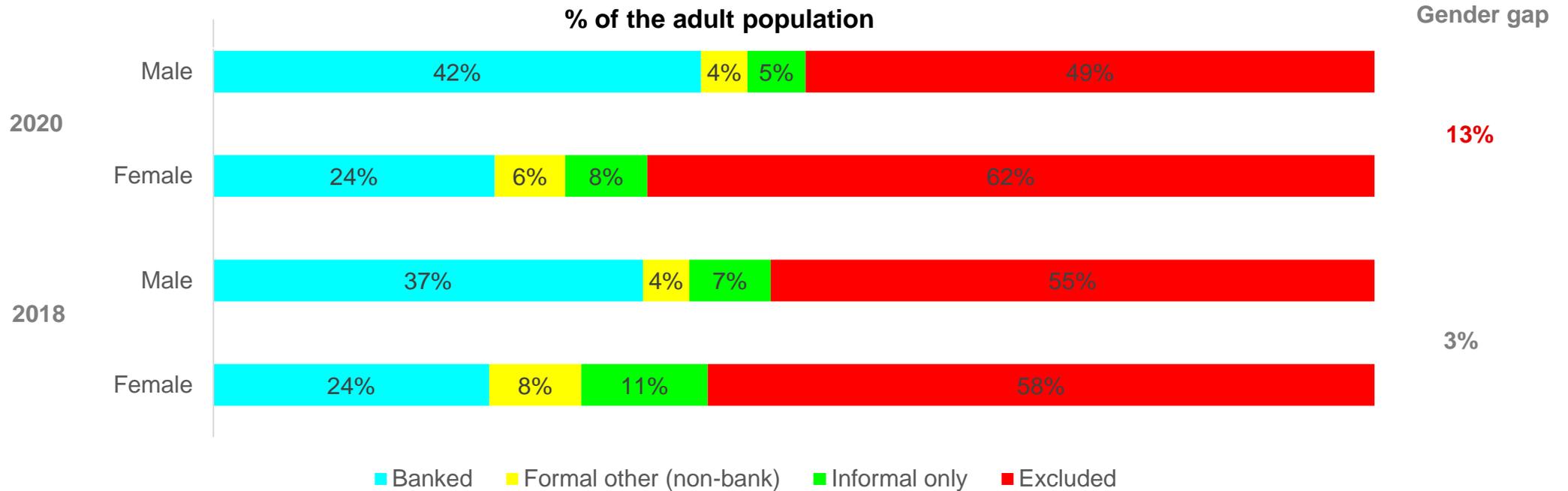


Adults with higher levels of education are significantly more likely to be financially included



Increased financial inclusion gender gap, driven by women's underrepresentation in the formally served category, is a cause for concern

- Slow uptake of both formal and informal financial services continues to drive exclusion of women in Kaduna



2018 figures computed from the A2F 2018 survey which comprises of a sample of 750 respondents in Kaduna state

There is a wide gender disparity in access to education, mobile phones and financial decision making among Kaduna adults

Socio economic factors



89% own a mobile phone



52% have complete secondary education and above



54% have a formal ID



50% are farmers



33% are business owners



76% own a mobile phone



36% have completed secondary education and above



46% have a formal ID



21% are farmers



50% are business owners



Financial decision making



84% Involved in making decisions on how money is spent in the household



83% Control of how money is spent in the household



87% Have a final say on whether to work to earn income or not

53% Involved in making decisions on how money is spent in the household



43% Control of how money is spent in the household



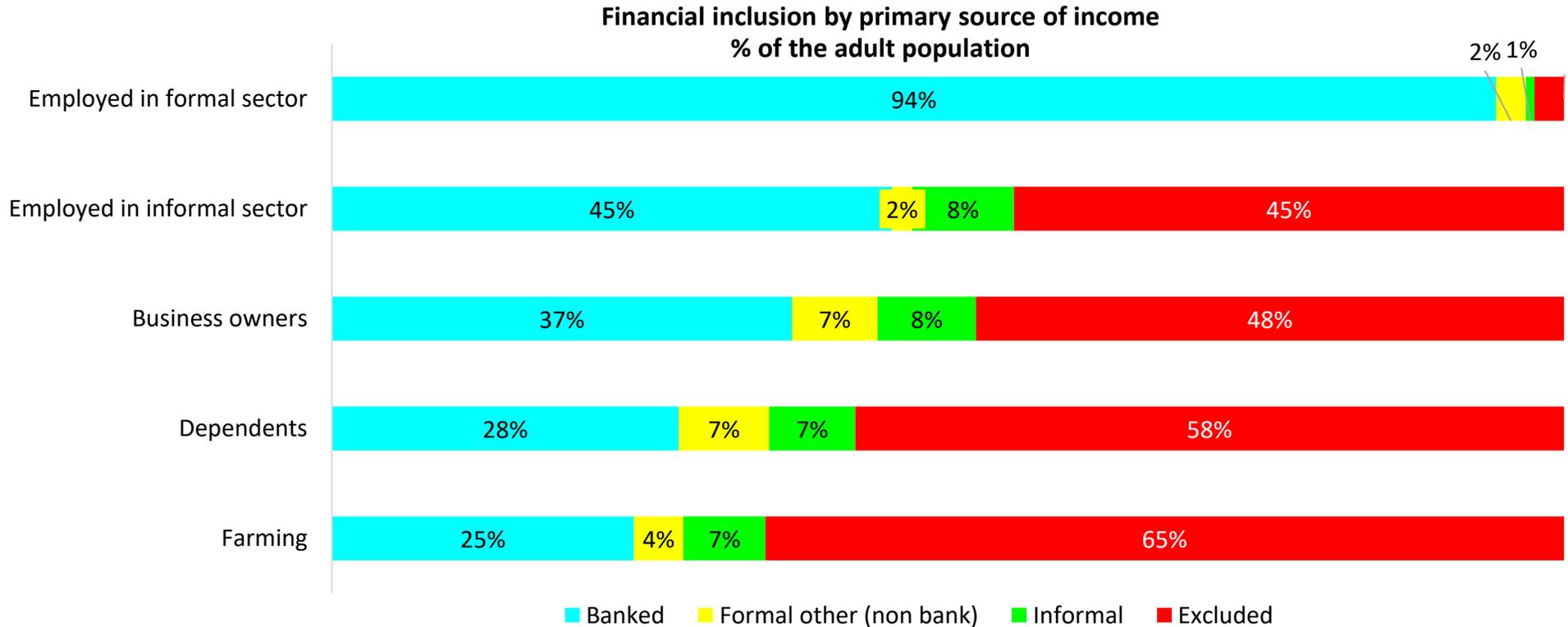
21% Have a final say on whether to work to earn income or not



Farmers and dependents are more likely to be financially excluded

- Significant intervention needed for about 30% of the adult population who rely on farming

Salary/wages from a business/company (formal sector)
Salary/wages from an individual with own business (informal sector), from an individual for chores such as domestic chores or farm labour
Own business/trader - farming products, non farming products, agricultural inputs, provide a service
Get money from household member, family & friends
Subsistence/small scale farming, commercial/large scale farming



Opportunities exist to reach the agricultural population, mainly through digital financial services and agent networks that can facilitate access in rural areas

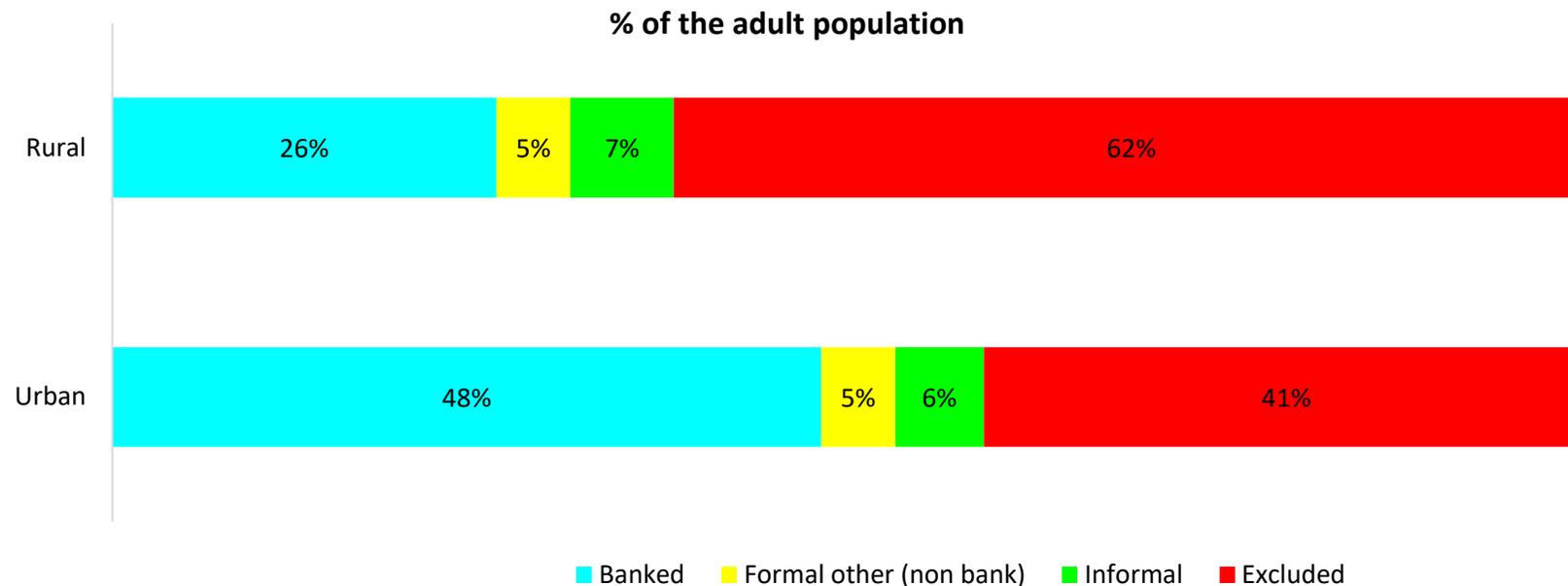
- 1.7million adults rely on agriculture - 1.3 million rely on farming and 0.4m trade in farm produce/agricultural inputs
- Interventions to reach farmers must address the infrastructural challenge in rural areas to increase financial access

Adults in Kaduna State who rely on agriculture for livelihoods

<p>Population dynamics</p>		<p>91% live in rural areas</p>	 <p>74% are women</p>
<p>Socio economic factors (education & technology)</p>		<p>65% have not completed their secondary education or have lesser education</p>	 <p>83% own a phone</p>
<p>Awareness of Access points near them</p>		<p>79% are not aware of any formal financial access point (such as bank branch or financial service agent) near them</p>	

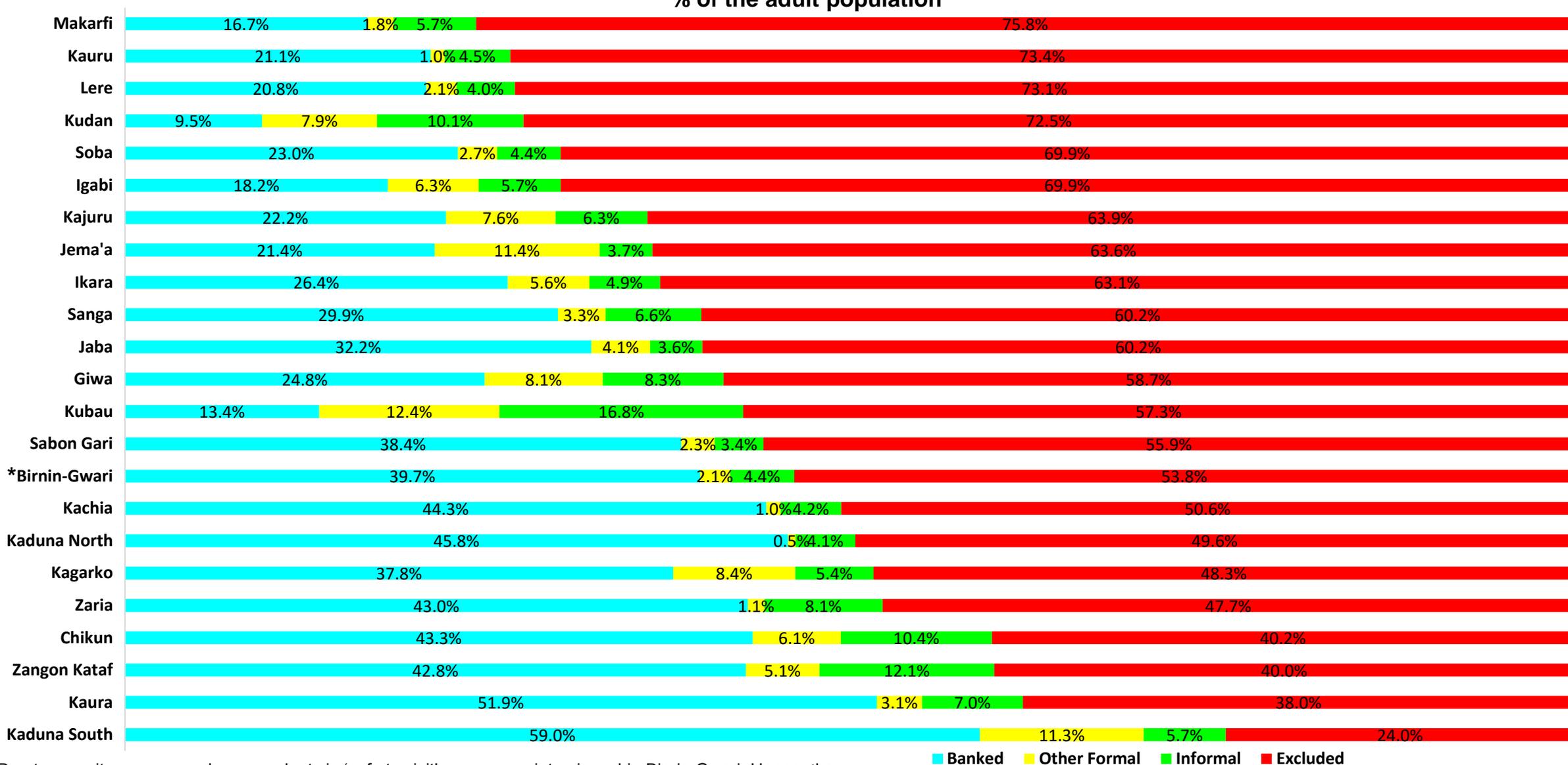
Only about one quarter of rural adults in Kaduna State are banked, compared to nearly half of adults in urban areas

- Banking services are still not reaching the rural areas; reach of other formal (non-bank) financial services is also limited in Kaduna State
- Rural adults are slightly more likely than those in urban areas to rely exclusively on informal financial services



Financial exclusion varies widely by LGAs

% of the adult population



Banked Other Formal Informal Excluded

*Due to security reasons, only respondents in 'safe to visit' areas were interviewed in Birnin Gwari. Hence, the sample in Birnin Gwari is considered non-random and not representative of the full Local Government Area



The excluded population

Out of the 4.1 m adults in Kaduna, 2.3m are financially excluded, most of these excluded adults are females, aged 18-25 years and business owners

Population dynamics



54% are women



36% are farmers



47% are business owners

Socio economic factors



84% have access to mobile phones



68% do not have the formal ID and proof of address required to open an unrestricted account

Financial behavior



19% are borrowing from family and friends



21% are saving at home



11% are remitting through family & friends

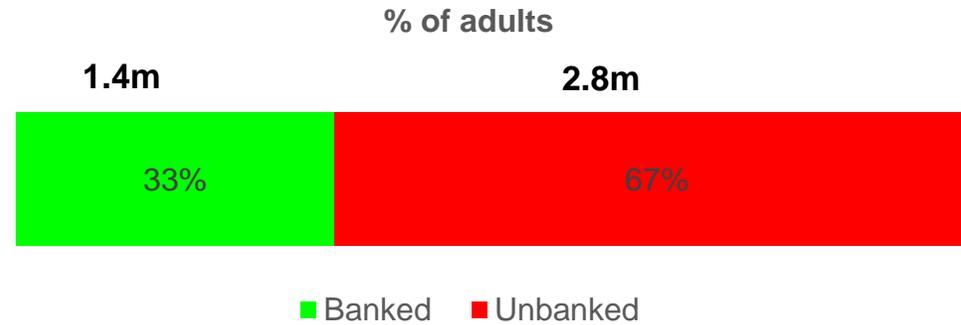
Key Take-Aways

- Rates of financial exclusion are significantly higher in the North West than in other regions of Nigeria; driving inclusion in the North West is critical to meeting nationwide goals related to financial access
- Although Kaduna State has above average levels of financial inclusion compared with the North West overall, more than half of adults in Kaduna State remain financially excluded. Kaduna State can lead the region in driving financial inclusion by expanding financial access to the 2.3m excluded adults in Kaduna State
- Relatively few unbanked adults are using other formal (non-bank) or informal financial services
- The widening financial inclusion gender gap is part of a wide range of gender disparities partly driven by socio-cultural norms that deny women equal opportunities to access education and involvement/control in financial decision making, among others
- While women are significantly more financially excluded than men, many are economically active, with 50% of women in Kaduna State reporting that their primary source of income is their own business
- Rates of financial exclusion are high among women, youth, people residing in rural areas, and farmers



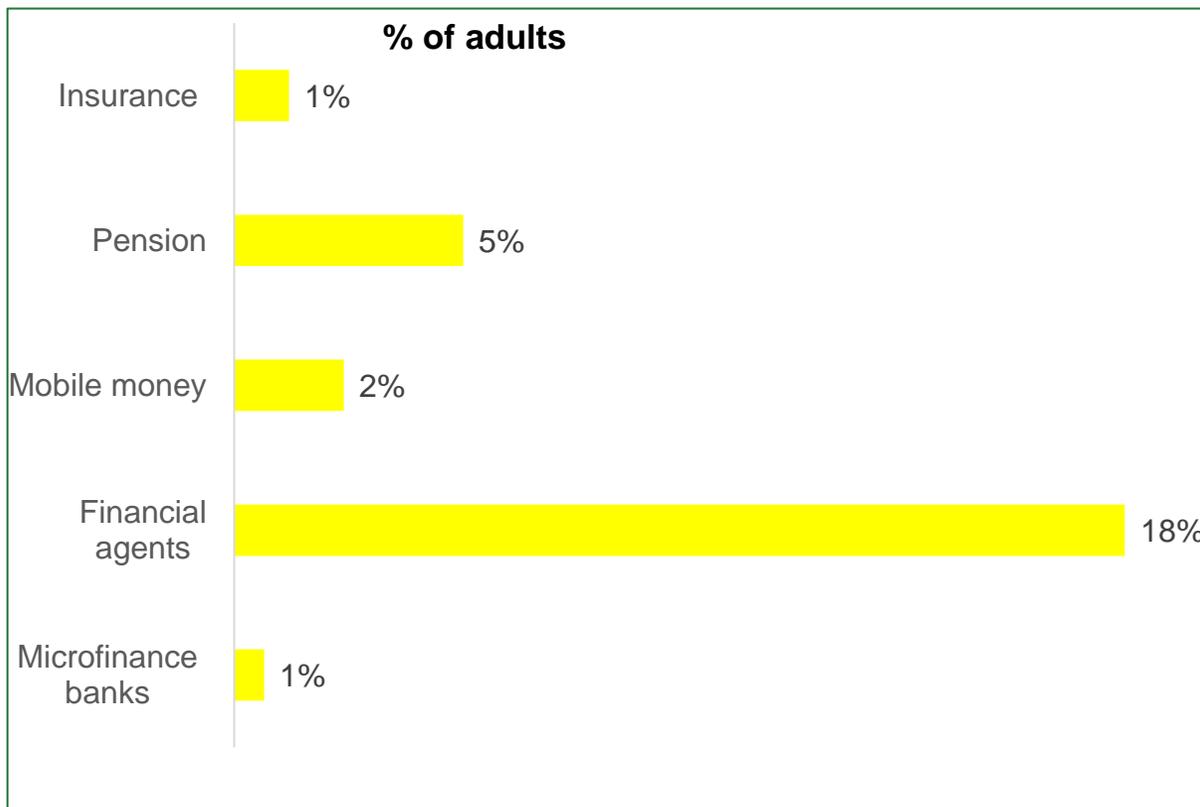
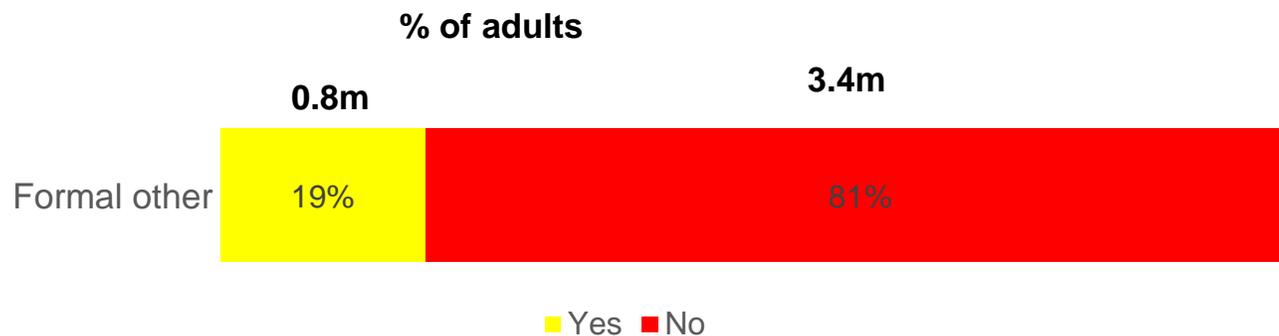
Use of financial products/services

Only one-third of adults are banked, with savings and remittances driving the use of bank accounts



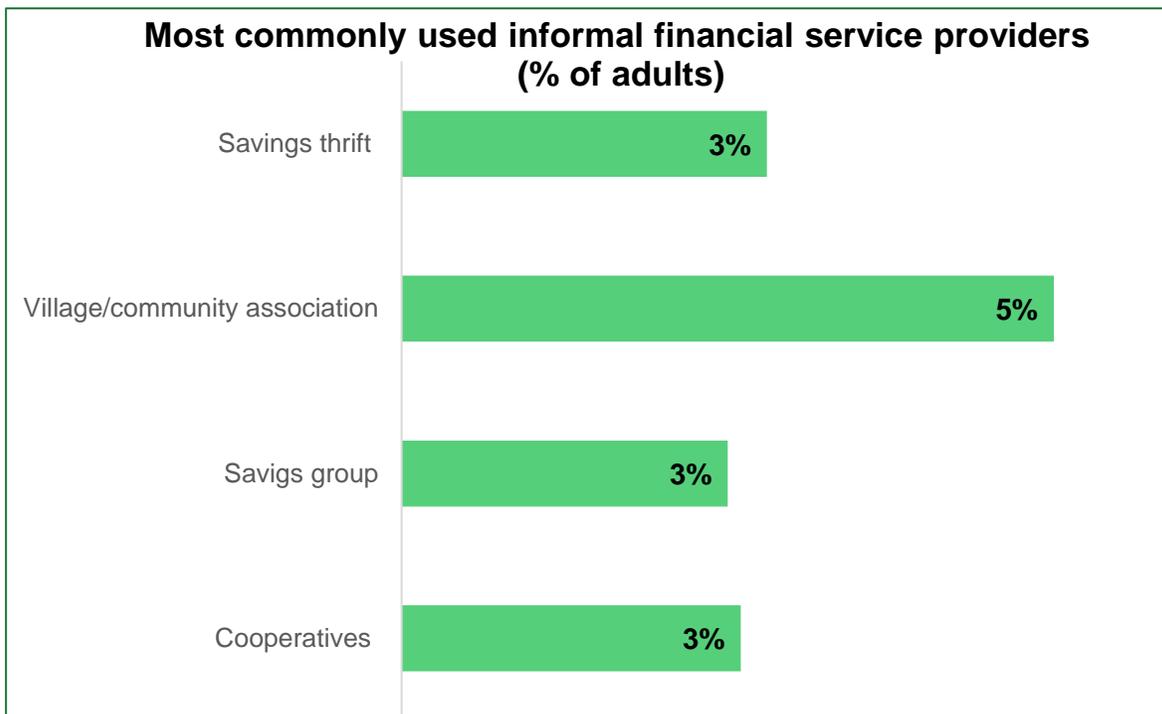
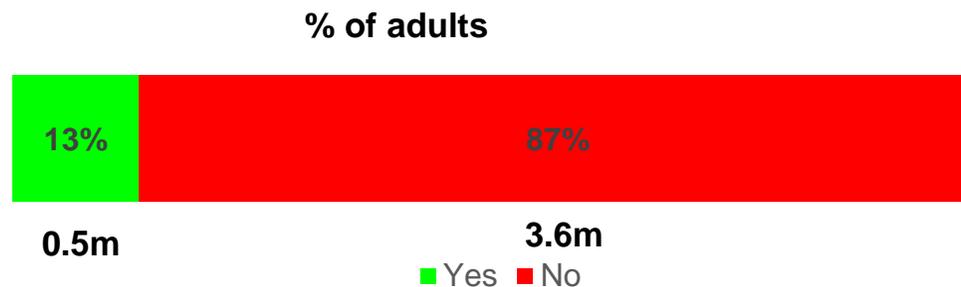
	National 2020	Kaduna 2020
Banked	45%	33%
Savings	27%	13%
Remittances	25%	14%
Credit	2%	1%

Financial service agents are driving use of other formal non-bank financial services



	National 2020	Kaduna 2020
Other formal (non-bank)	28%	19%
Savings	12%	7%
Remittances	6%	3%
Credit	1%	0.4%

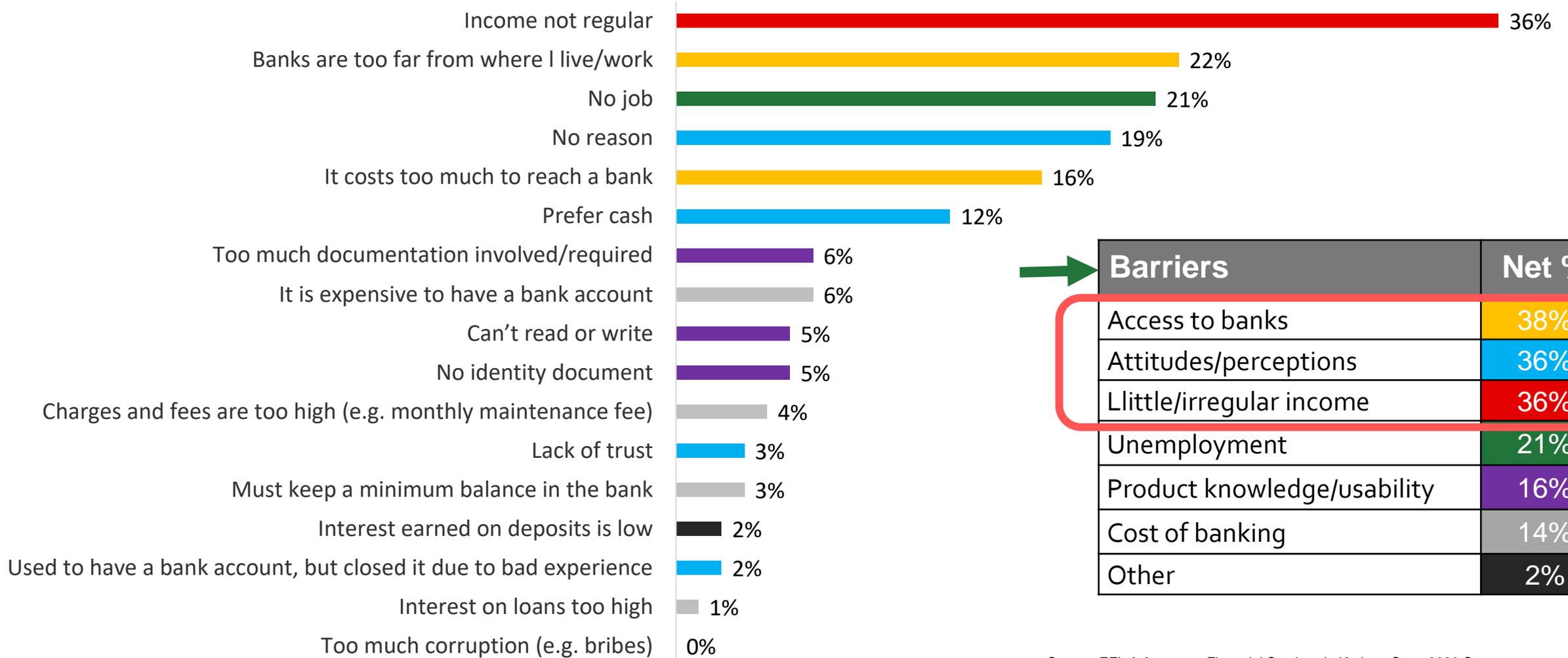
Use of informal financial services in Kaduna State is relatively low compared with nationwide averages



	National 2020	Kaduna 2020
Informal	33%	13%
Savings	24%	9%
Remittances	3%	1%
Credit	8%	3%

Banking: Lack of access, irregular incomes, and perceptions of banking are leading barriers to banking for adults in Kaduna State

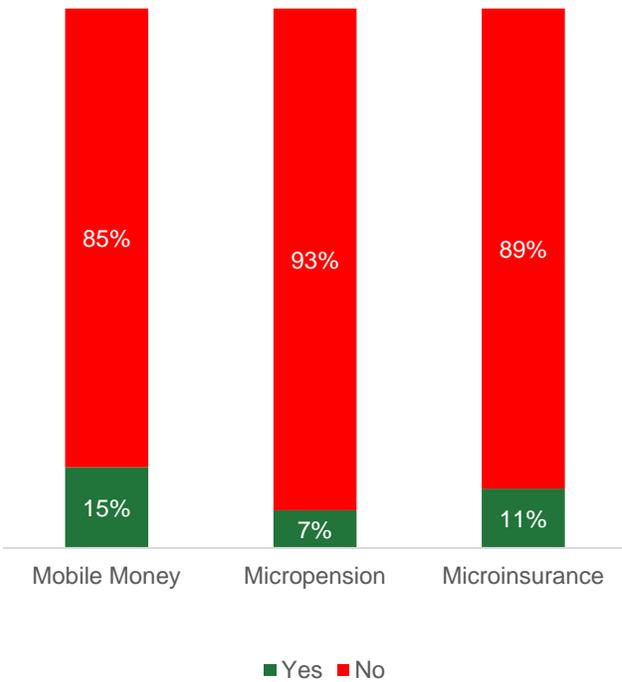
Reasons for not having bank account (%)



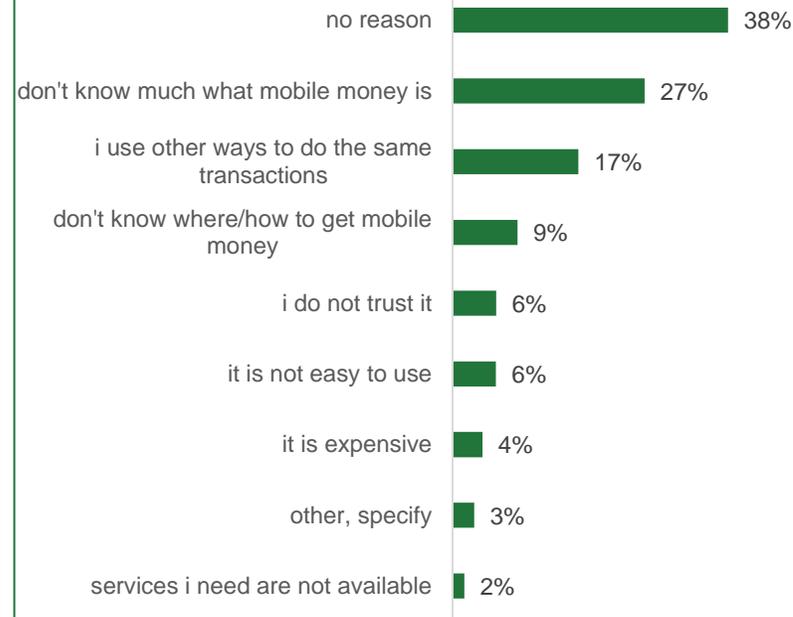
Lack of awareness, suitability and insurable assets are main barriers to other formal non-bank financial services

- 1.5million adults are interested in using mobile money.
- 0.7million adults are interested in micro insurance
- 1.3million adults would be encouraged to use mobile money if they understand how it works

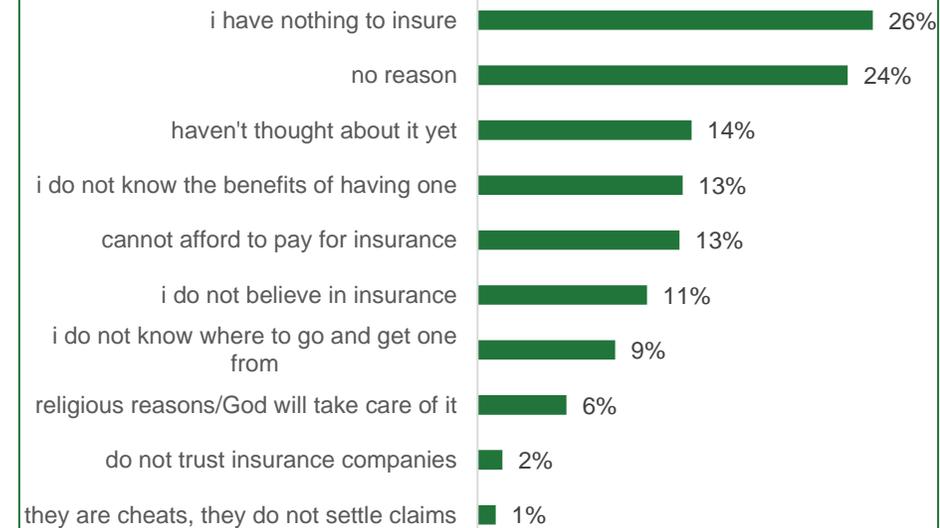
Awareness



Why no use of Mobile Money (% of adults not using Mobile Money)



Why uninsured (% of adults not insured)



Key Take-Aways

- A third of adults in Kaduna State use banks to manage some of their financial needs
- Lack of access to banks is a frequently-cited barrier to banking among unbanked adults in Kaduna State. However, initial use of agents indicates promise for further expanding access through channels, such as agent networks, that do not require bank infrastructure
- Low/irregular income, unemployment, and cost of banking are also cited as barriers to banking
- Relatively high rates of mobile phone ownership in Kaduna State, even among excluded groups, present an opportunity for expanding financial inclusion via affordable, relevant digital financial services. With more product knowledge, about one-third of adults say they would be interested in using mobile money
- At least 3 in 5 adults are neither saving, borrowing, nor remitting money through formal or informal channels – how are they coping?



Beyond Financial Inclusion
Financial Health

Nearly 9 out of 10 adults are maintaining or accumulating reserves to help them build resilience from shocks and create opportunities for improved livelihoods

<p>Saving</p>		<p>62% of adults in Kaduna are saving money</p>
<p>Investing</p>		<p>40% are investing their money in assets for future cash flow</p>

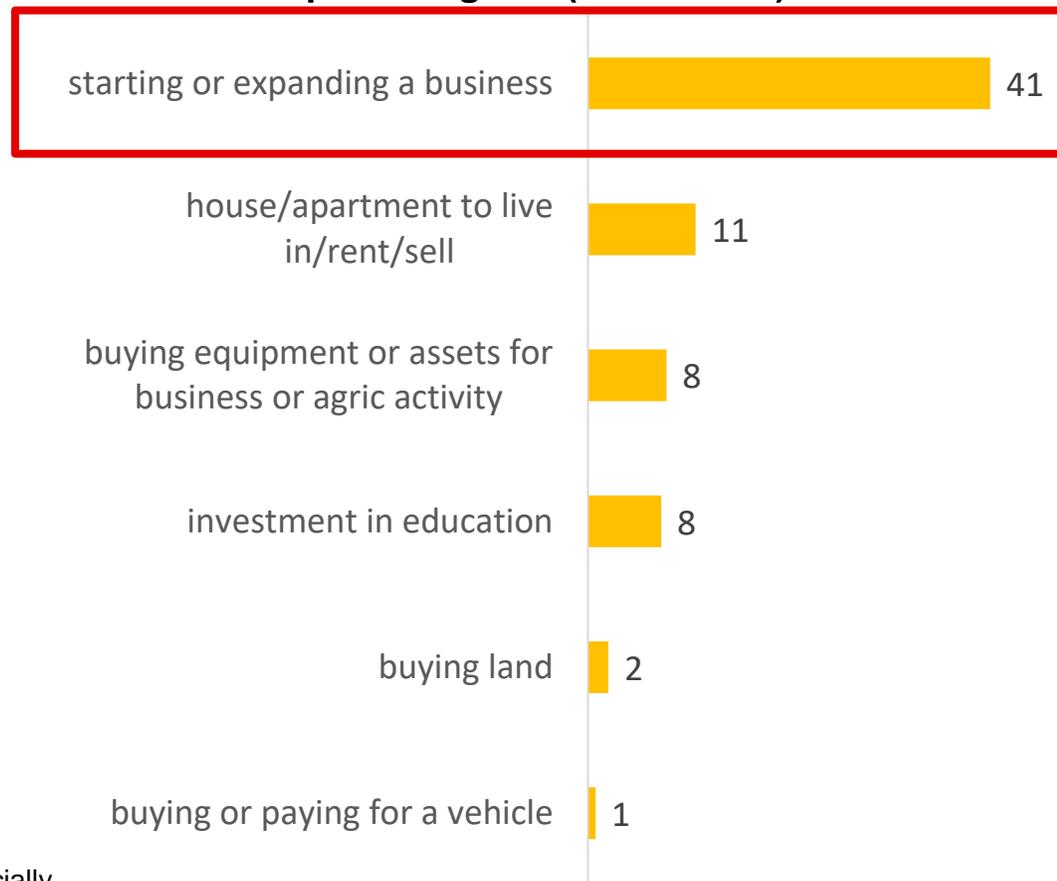
More than two-thirds of adults are planning ahead financially, including currently trying to meet specific life goals

- Majority of adults are trying to meet business related goals, and are using social and non-financial mechanisms to meet goals



69% of adults are planning ahead financially

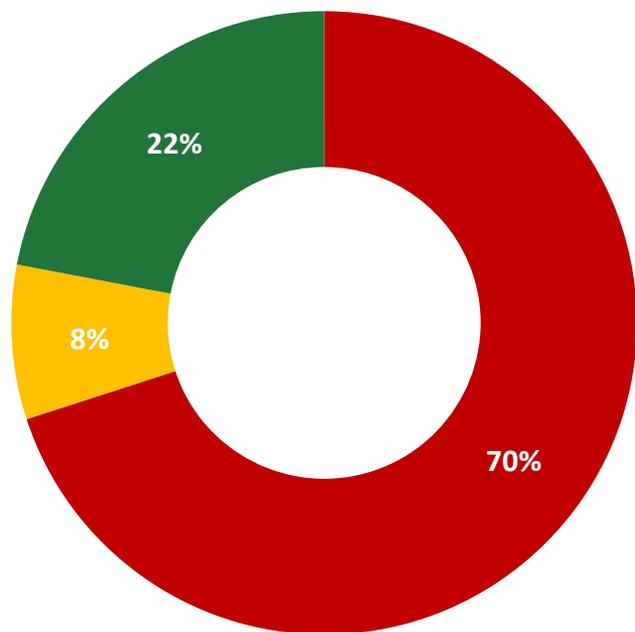
Expressed goals (% of adults)



78% of the adult population experienced an episode of liquidity distress in the past 12 months

About half of distressed adults merely did nothing or readjusted their expenses to manage liquidity. Significant portion of distressed adults rely on physical and social mechanisms to cope

Liquidity distress (% of adults)



■ Severe distress ■ Some distress ■ No distress

% of distressed adults

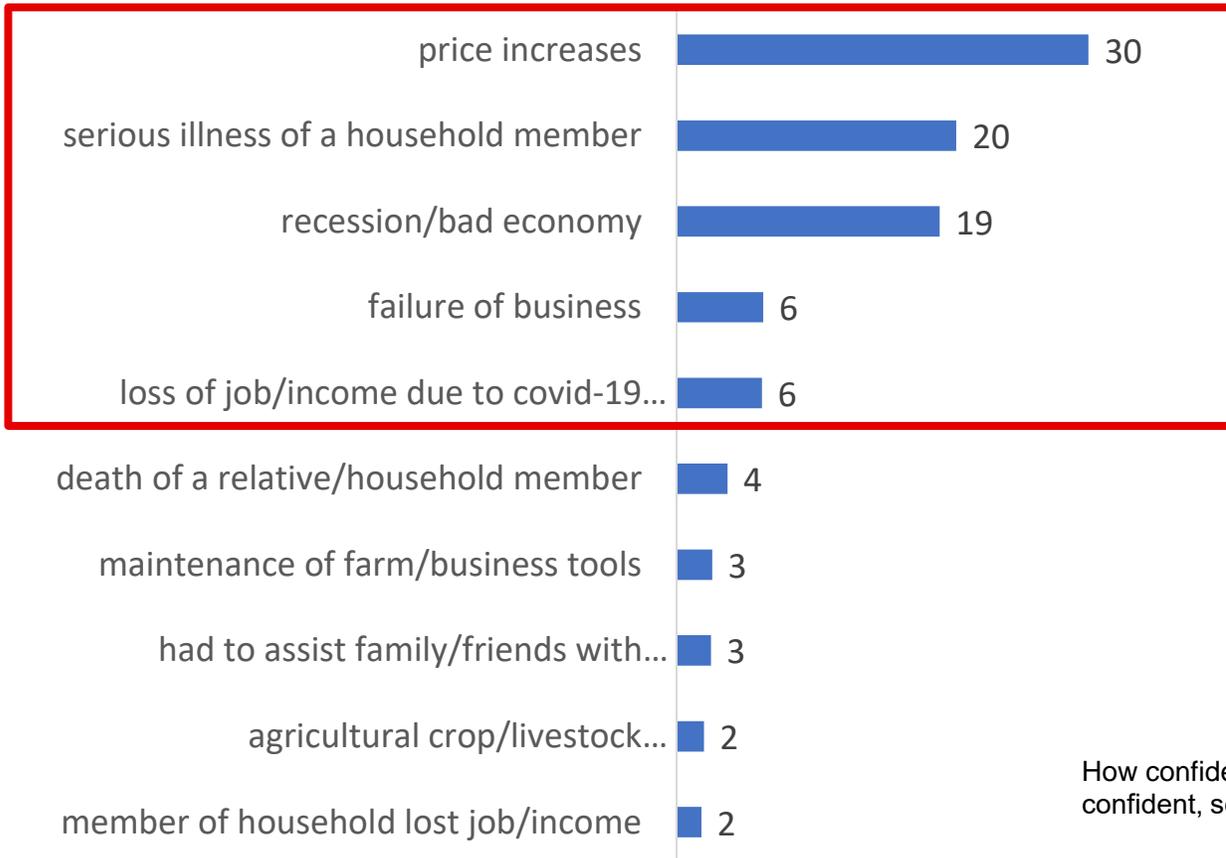


Liquidity distress is defined as being unable to balance income and expenses.
Severe – more than one month, some distress – once in the past year

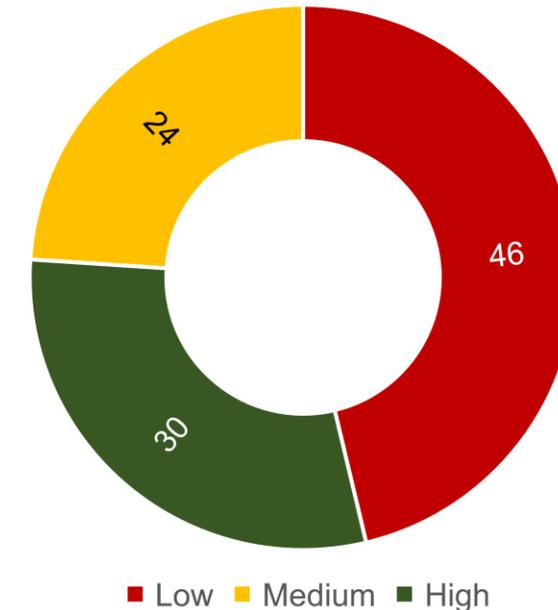
54% of adults experienced a financial shock in the past 12 months, mainly driven by economic (1.4 million) and health (0.5 million) related shocks.

Adults were more likely to do nothing, borrow from family/friends, cut down on expenses, or sell assets than use savings to cope with shocks.

Shocks with greatest impact on households (% of adults with shocks)



Could recover from shock (% of adults)



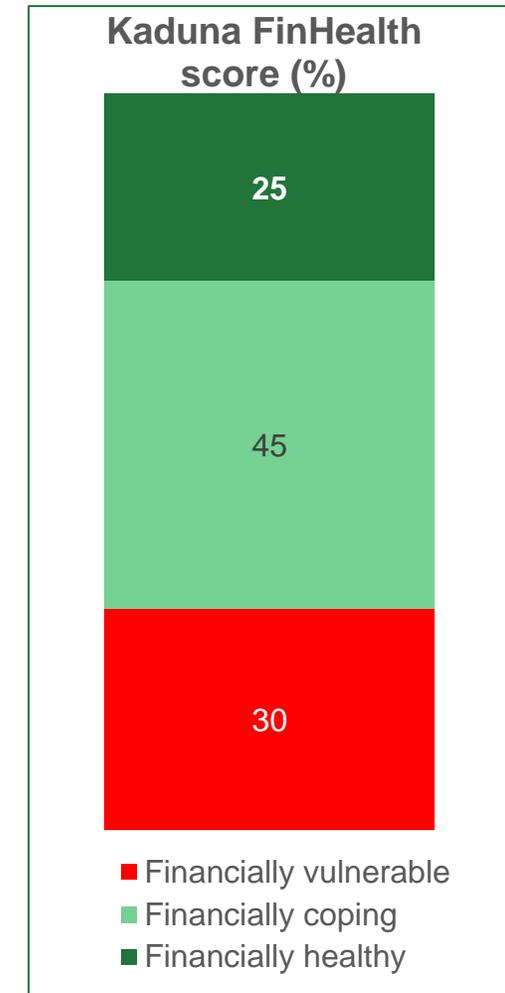
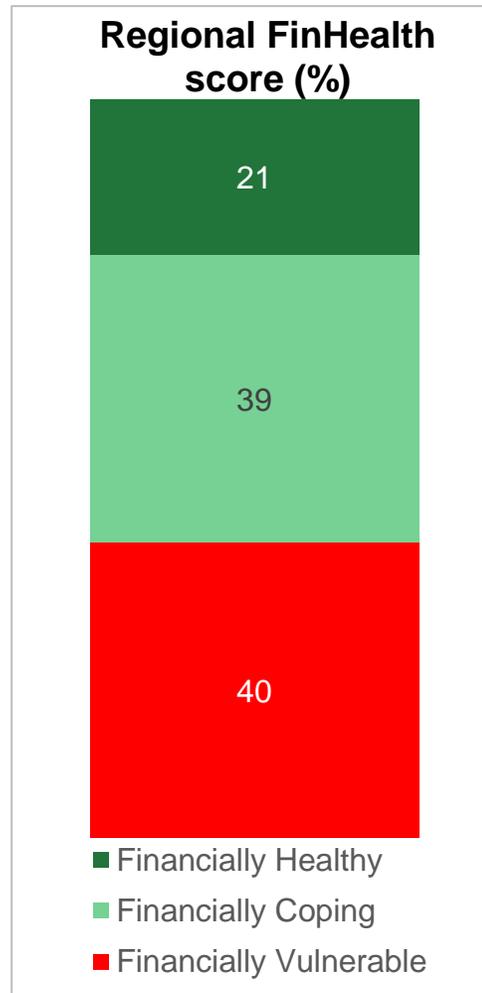
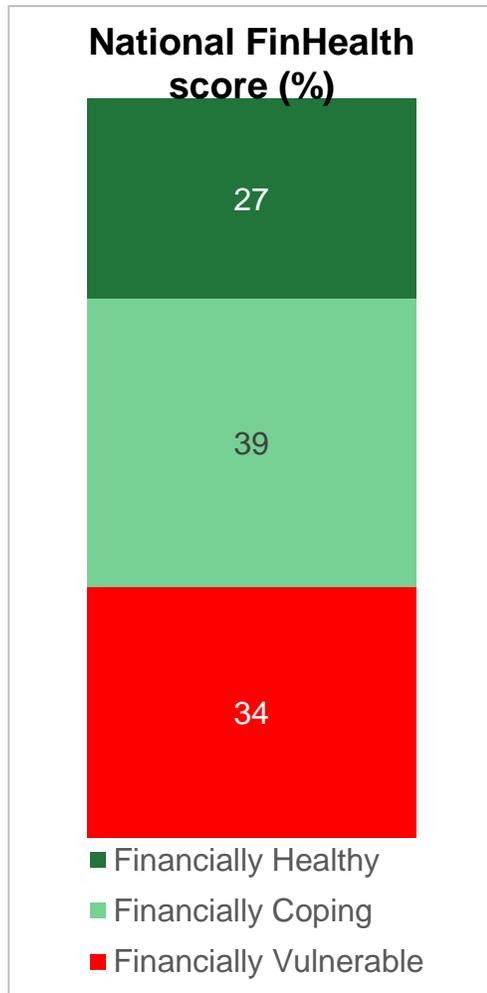
How confident are you that you will get enough support in case of an emergency? Not at all confident, slightly confident, somewhat confident, don't know – Low, moderately confident – Medium, very confident - High

Adults in Kaduna State tend to demonstrate stronger abilities to build and maintain reserves, with lower ability to manage day-to-day

Financial Health dimensions	Low score	Medium	High score
Ability to manage day to day (spend score) No trouble making money last	70%	8%	22%
Build and maintain reserves (save score) Save money, invest in assets	11%	55%	34%
Planning and prioritising (Plan score) Plan ahead financially	31%	45%	24%
Ability to manage risks Could recover from financial shock	46%	24%	30%

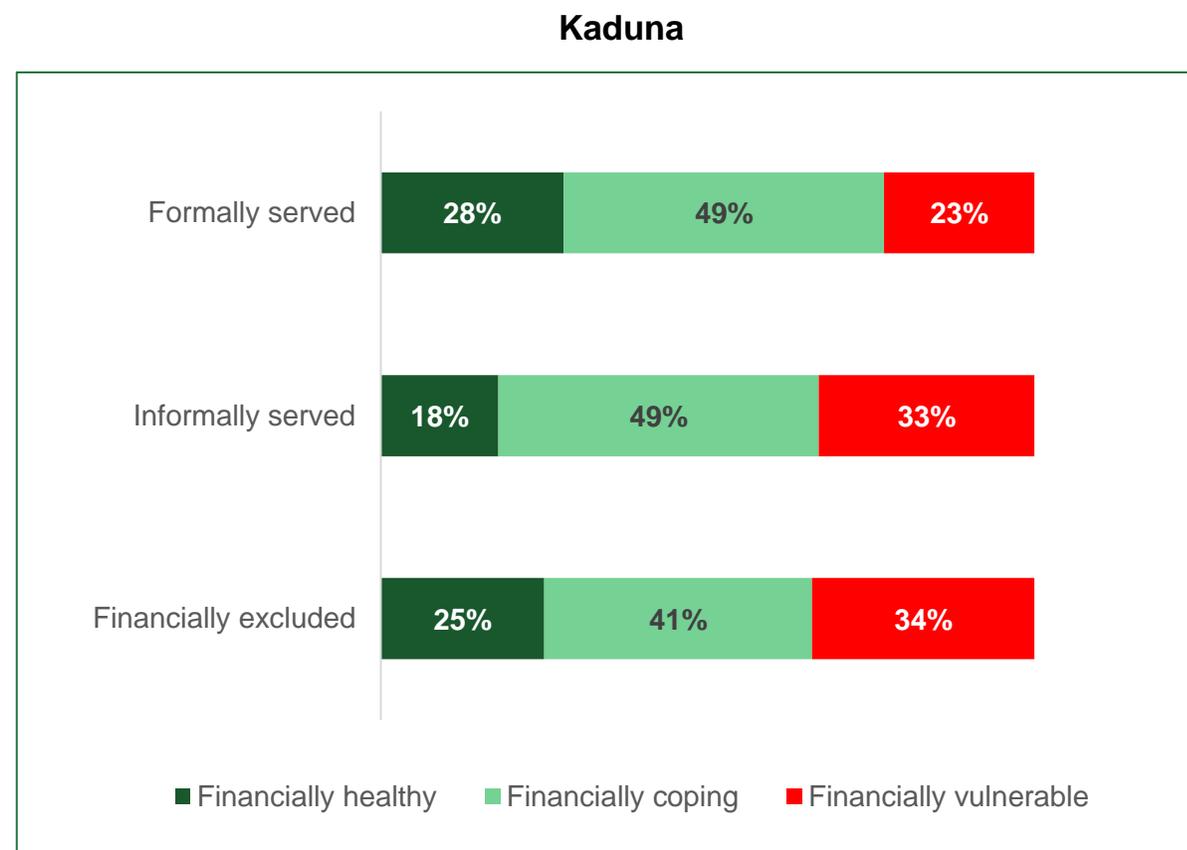
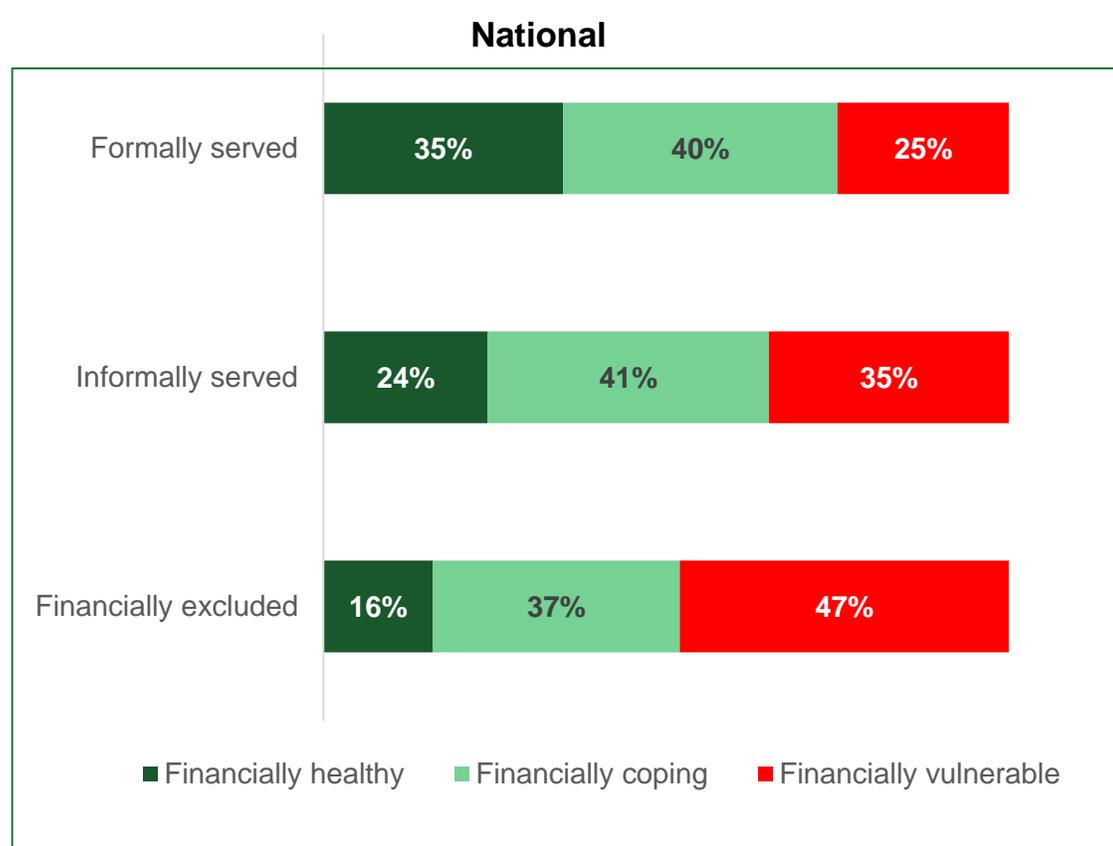
Only 1 in 4 adults in Kaduna State are considered "financially healthy"; nearly one-third are financially vulnerable

- Nearly half of residents in Kaduna are just getting by, and are only one financial shock away from becoming financially vulnerable



The direct correlation between financial health and financial inclusion which is evident at the national level, narrows in Kaduna

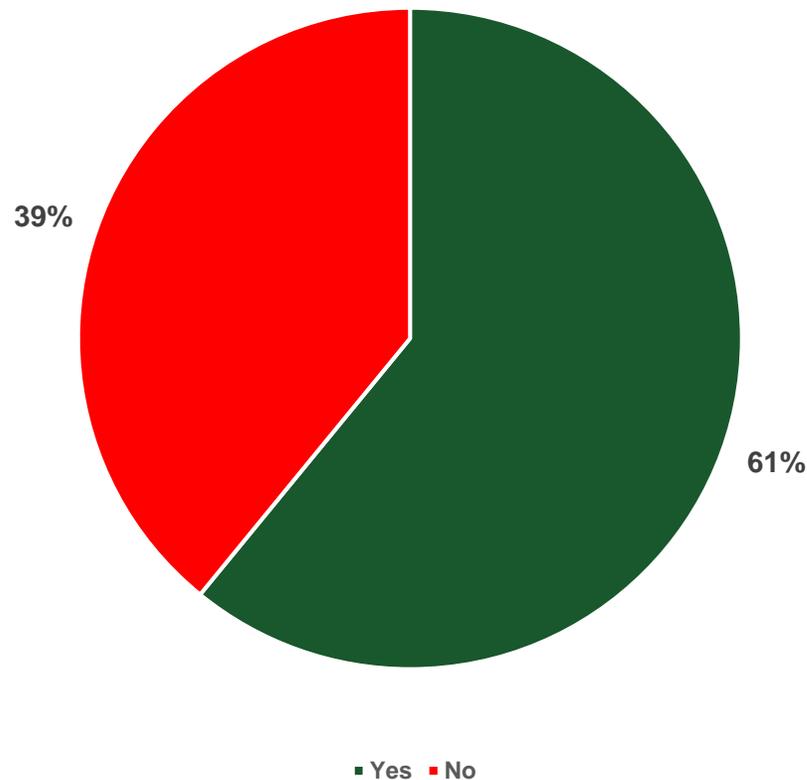
- Even among adults that use formal (regulated) financial services, less than one third are financially healthy



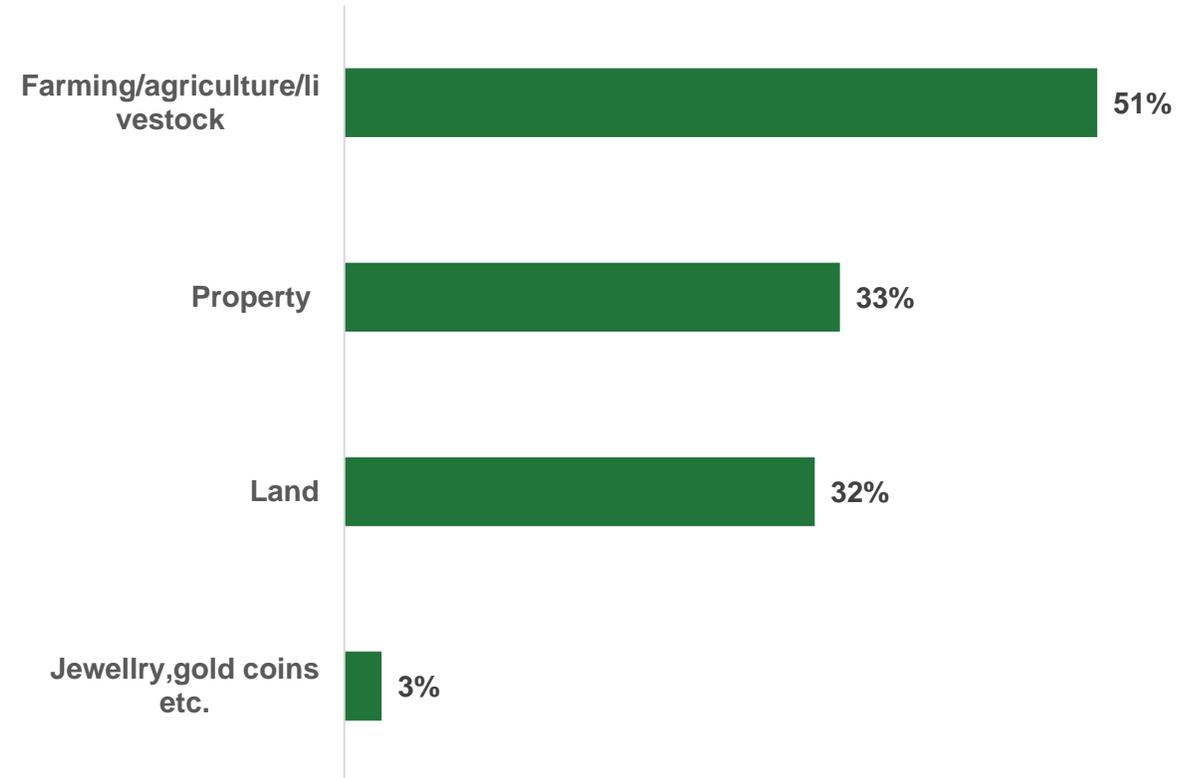
Investment in assets plays an important role for adults in Kaduna State

- At least 3 in 5 adults are making saving in non-financial assets
- 1 in 2 adults have savings in farming/agriculture/livestock assets

Have savings in non-financial assets
(% of adults)

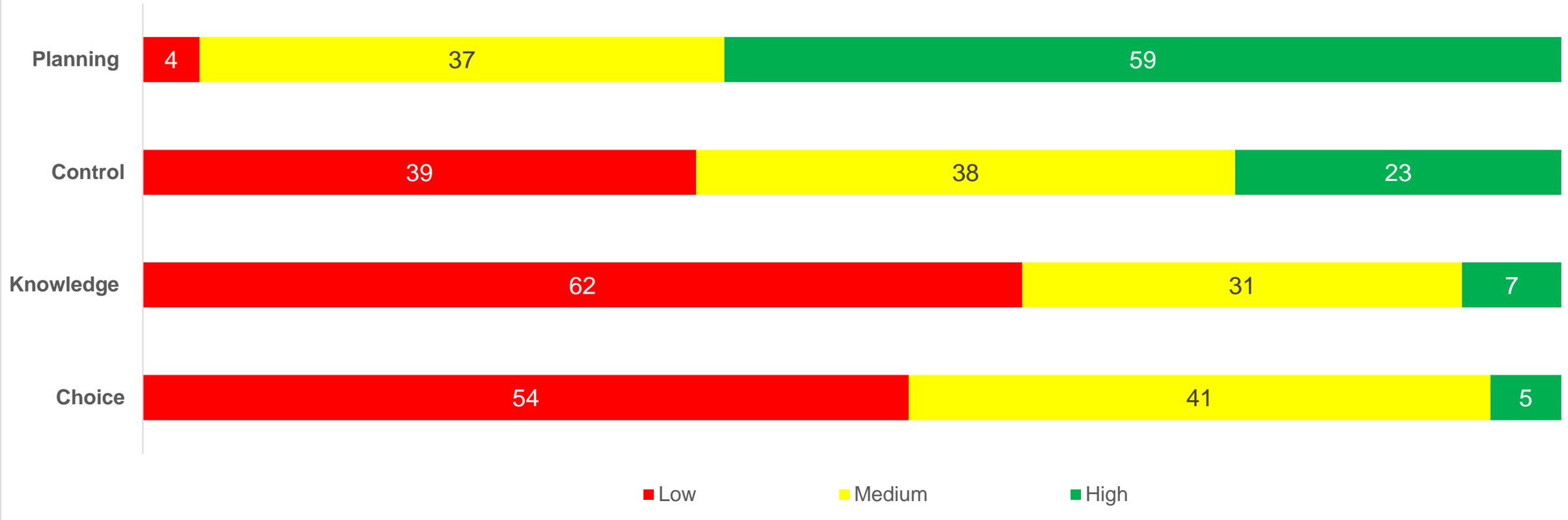


Types of savings in non-financial assets
(% of adults)



While most adults score high in planning for their finance, a concern would be the low levels of financial knowledge and control which is required to execute their financial plans

Financial capability indicator dimension (%)



Planning – plan, save & invest

Control – budget & track funds

Knowledge – numerical knowledge and understanding of financial terms & conditions

Choice – can evaluate financial products & services and lodge a complaint if not satisfied

Financial capability is an average of the financial planning, financial control, knowledge and skills and making financial choices dimensions.

Relatively low uptake of digital financial services, particularly for poor women

<p>Actively use a digital stored-value account (commercial/ microfinance bank/ mobile money)</p>	 <p>28% of adults</p>	 <p>20% of women</p>	 <p>20% of the poor</p>	 <p>13% of poor women</p>
<p>Advanced users of digital stored-value account (beyond basic wallet & P2P)</p>	 <p>17% of adults</p>	 <p>11% of women</p>	 <p>11% of the poor</p>	 <p>6% of poor women</p>

Key Take-Aways

- Only 1 in 4 adults in Kaduna State are considered financially healthy, with the biggest challenges being the ability to manage day-to-day financial needs and the ability to manage risks
- Adults that use formal (regulated) financial services are less likely than adults that do not use formal financial services to be classified as "financially vulnerable." Still, only about one quarter of this group are considered "financially healthy"
- Majority of adults rely on social and physical mechanisms in managing their finances – saving, coping with risks, managing liquidity and financing life goals

Recommendations

- With relatively lower rates of financial exclusion compared to the region, Kaduna State can emerge as a regional leader in driving financial inclusion in the North West. However, concerted efforts need to be put in place to include the significant financially excluded population
- High rates of mobile phone ownership, even among excluded groups, provide an opportunity to drive financial inclusion by expanding access to affordable, relevant digital financial services
- Support initiatives that bridge digital financial services infrastructure gaps in Kaduna – regulated non-bank institutions (such as agent network providers) can be leveraged to extend financial services to excluded populations
- Promote the development and viability of digital financial services use cases in the State – e.g. introduce procurement criteria that encourage digitization and formalization of vendors, *digitizing government payments at LGA level*
- Prioritise the financial inclusion of women so as to maximize women’s economic empowerment and other gender-oriented projects in the State

These Key Findings are just the tip of the iceberg. The dataset can be used for in-depth analysis of a variety of topics, including:

- Financial Inclusion Landscape
- Financial behavior, including usage of digital financial services
- The impact of the COVID-19 pandemic
- Beyond Financial Inclusion – Financial health, needs and capabilities
- Demographic information and progress in line with Sustainable Development Goals
- Gender and financial inclusion

Reports and datasets are available to the public at www.a2f.ng

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