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Key Findings:

EFInA Access to Financial Services in Nigeria 2020 Survey

June 3, 2021

Contents

A Background – Objectives & Methodology

B Nigeria at a Glance

C Impact of COVID-19

D Financial Inclusion and Drivers

E Beyond Financial Inclusion

F Financial Inclusion Indicators (Financial Access Strands)

G National Financial Inclusion Strategy (NFIS) Targets

H Excluded Population

I Conclusion/Key Take Outs

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Background

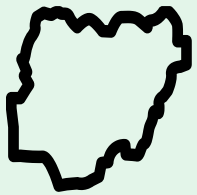
Objectives of A2F 2020 Survey

- 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 Nigeria
- Understand Nigerians' financial behaviours, including various products/services used to meet their financial needs
- Understand financial health of Nigerians
- 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

Design

- Provided by the National Bureau of Statistics (NBS)
- Sampling of respondents was based on equal representation (around 750 respondents) per state
- Allows for statistically robust headline indicators of financial access at the state, regional and national level



Coverage

- Nationally representative sample of Nigerian adults (18+) across all 36 States and FCT Abuja
- Achieved 27,938 interviews (99% of target sample (28,380)), slightly high compared to 2018
- The survey also includes 2 booster samples for Kaduna state (4600 respondents) and the teen (15-17) population which are not covered in this report
- Household listing and data collection was conducted from November 2020 to February 2021 by the Research Firm - Ipsos Nigeria, with supervision from the National Bureau of Statistics (NBS)

Questionnaire

- 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
- Also benchmarked to national population estimates for verification

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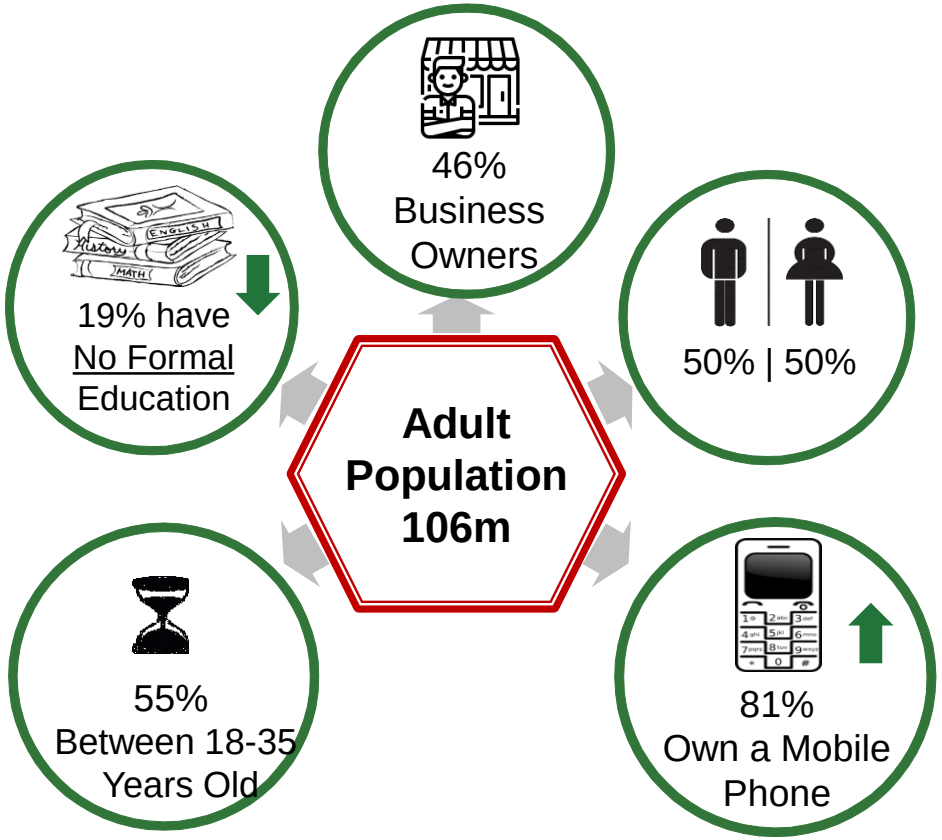
Nigeria at a Glance

Nigeria's high rural, female, youth, and dependent adult population has implications for financial inclusion

The Nigerian adult population (18 years and above) is 106 million

Of this adult population:

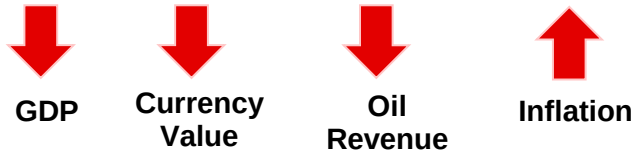
- **About two thirds (70m) live in rural areas**
- **59m (55%) are 35 years and younger**
- **20m adults (19%) have no formal education**
- **4.9 average household size**
- **1.6 average income earners per household**



Source: EFInA Access to Financial Services in Nigeria 2020 survey

Nigerian economy remains under strain

Economy



- Growth rate for the first half of 2020 was lower by 4.3 percentage points than in 2019
- Sharp GDP contractions are as a result of the collapse in oil prices and pandemic-induced lockdowns
- Inflation is on the rise and there is tight forex liquidity

Population

- Real household (HH) consumption expenditure is on a contractionary trend from 2019
- Unemployment continues to be on a sharp rise. The rate rose from 22.7% in second quarter of 2018 to 27.1% in the same quarter of 2020
- This reflects the difficulties that consumers faced in 2020, with rising unemployment, and high inflation resulting in eroded purchasing power

Source: NBS - Nigerian Gross Domestic Product Report (Expenditure and Income approach) Q2, 2020

As the ailing economy continues to negatively impact on livelihoods, the *pandemic seems to be turning retrenchment into entrepreneurship*

	Formal sector	Own business (non-farming)	Rely mainly on farming	Own business (farming)	Own business (other services)
2020	7%	16.3%	20.3%	11.5%	14.7%
2018	8%	16.7%	23.4%	11.2%	11.9%
	-1.0%	-0.4%	-3.1%	+0.2%	+2.8%

Source: EFInA Access to Financial Services in Nigeria 2020 survey

Economic challenges and retrenchments could have resulted in more micro business owners, mainly within the service sector

75.3% — 37.1m individual entrepreneurs

22.1% — 10.4m business owners with employees

Important contribution to employment

Employing **33.2 million** people (excluding owners)

- Micro enterprises (less than 10 employees) = 96%
- Small enterprises (10 – 49 employees) = 1%

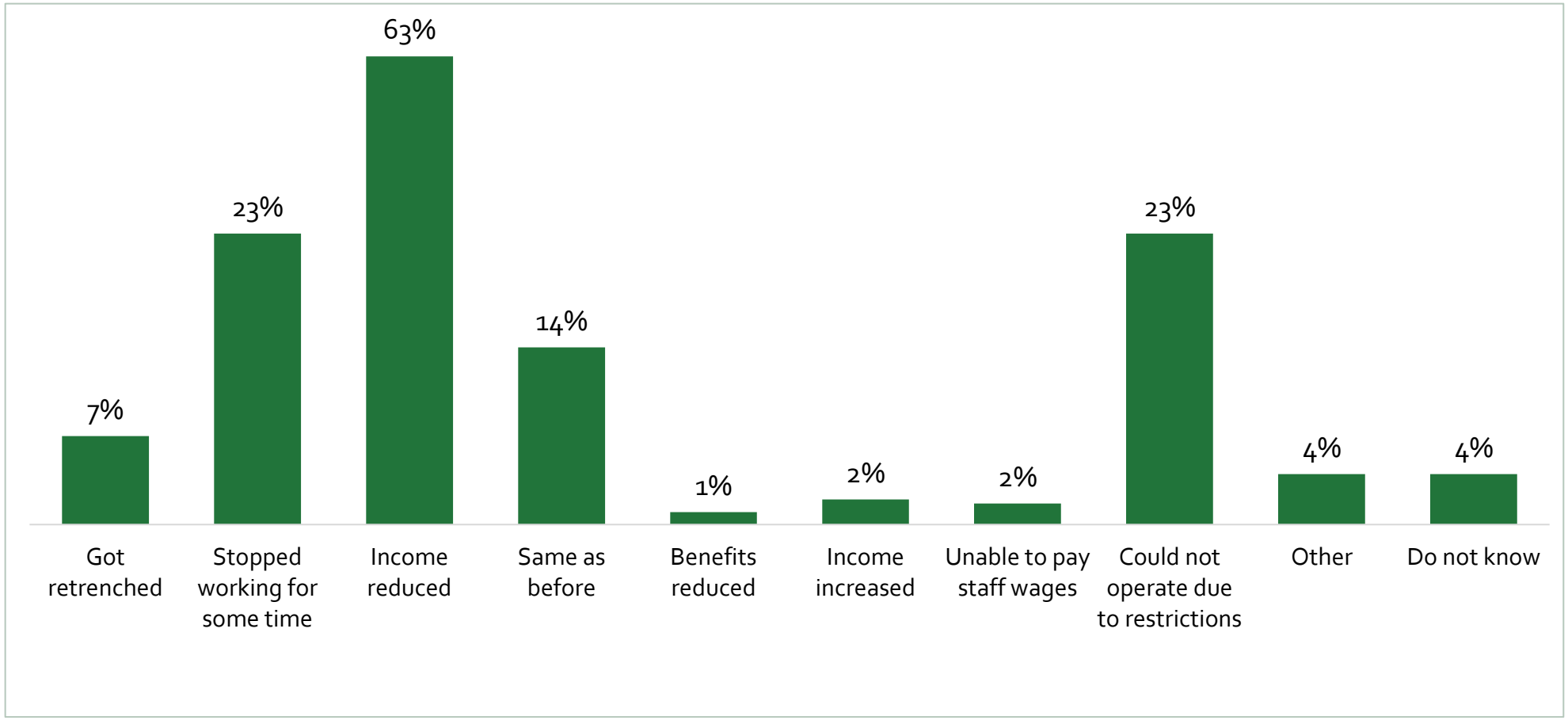
Driven by:

1. Service (42.1%)
2. Trade (33.0%)
3. Agriculture (28.3%)
4. Industrial (6.2%)

Creating about **70.3** million jobs including owners

Source: EFInA Access to Financial Services in Nigeria 2020 survey

86 million (80%) adults' livelihoods were negatively affected by the pandemic



Source: EFInA Access to Financial Services in Nigeria 2020 survey

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Financial Inclusion

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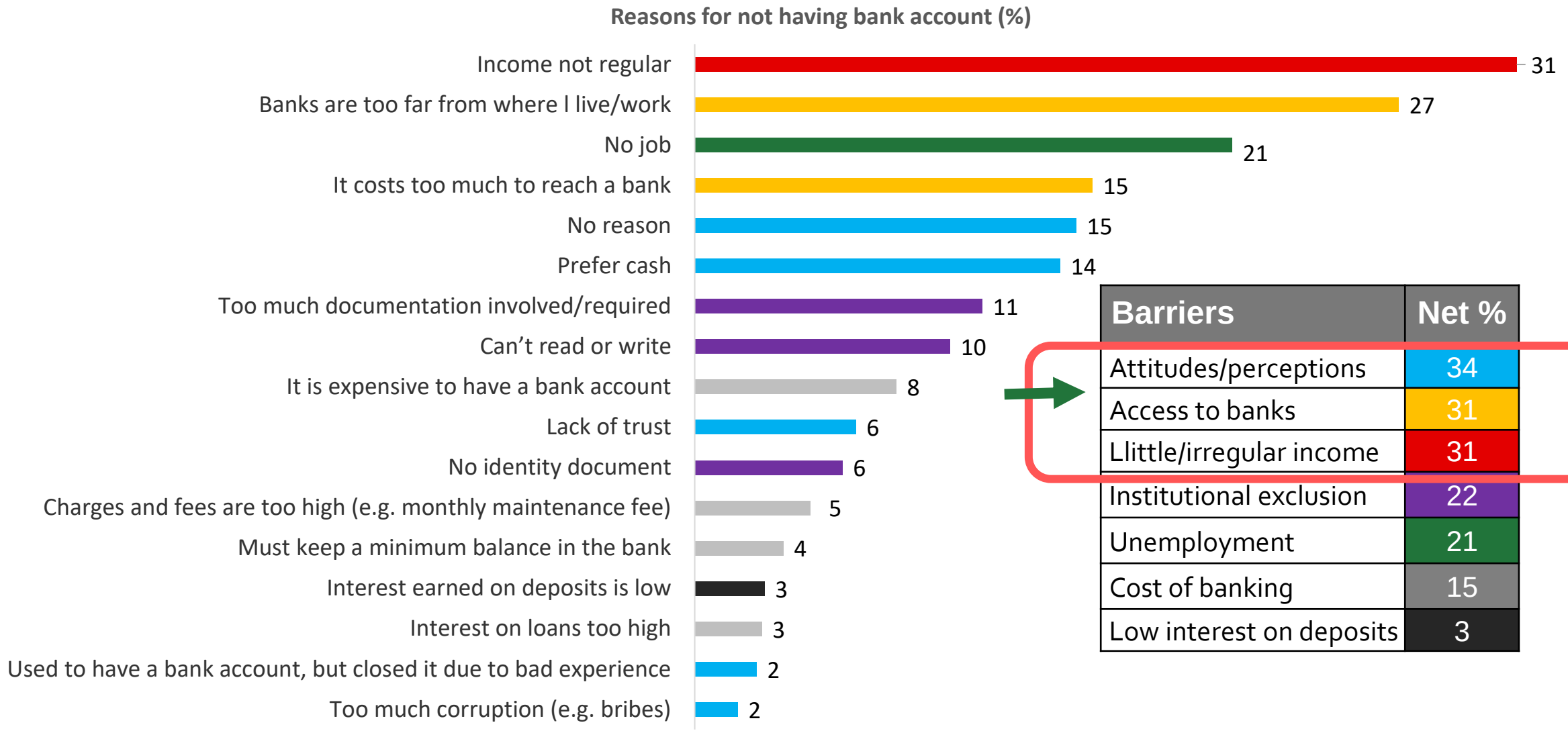
1. Banking sector: Uptake and Usage

Bank growth is driven by use of digital financial services, savings, remittances, and agents

	Total population 96 million	Total population 100 million	Total population 106 million	
	2016	2018	2020	% DIFF (2018-2020)
Banked population	**38%**	**40%**	**45%**	**+5%**
Remittances	24%	22%	25%	+3%
Savings account	28%	21%	27%	+6%
Payments	12%	16%	29%	+13%
Receive income	8%	10%	12%	+2%
Loan with a bank	3%	1%	2%	+1%
Banking agents	3%	3%	19%	+16%

Source: EFInA Access to Financial Services in Nigeria 2020 survey

Banking: Access to banks, perceptions about banking, and low/irregular income are the biggest obstacles to having a bank account



Barriers	Net %
Attitudes/perceptions	34
Access to banks	31
Llittle/irregular income	31
Institutional exclusion	22
Unemployment	21
Cost of banking	15
Low interest on deposits	3

Source: EFInA Access to Financial Services in Nigeria 2020 survey

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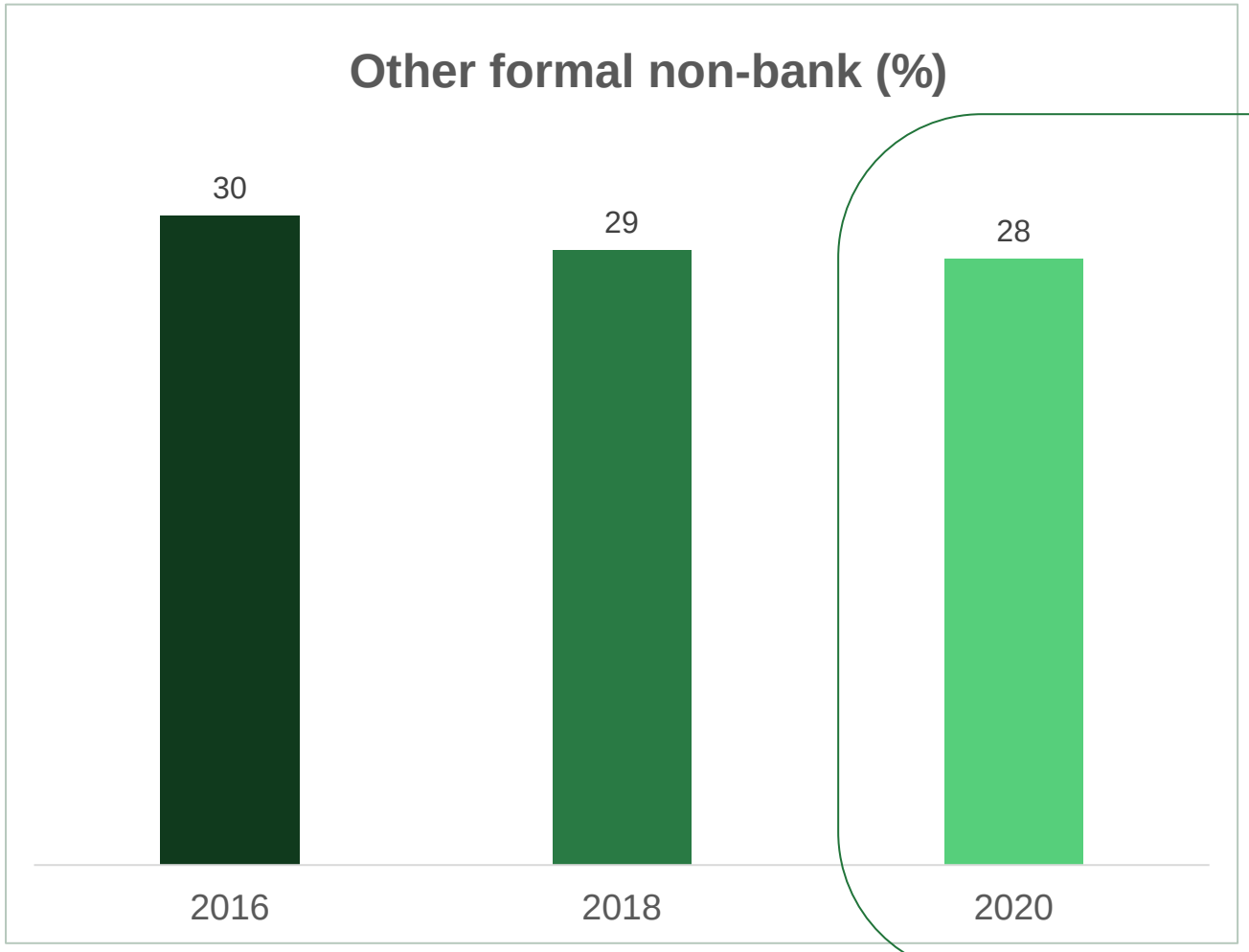
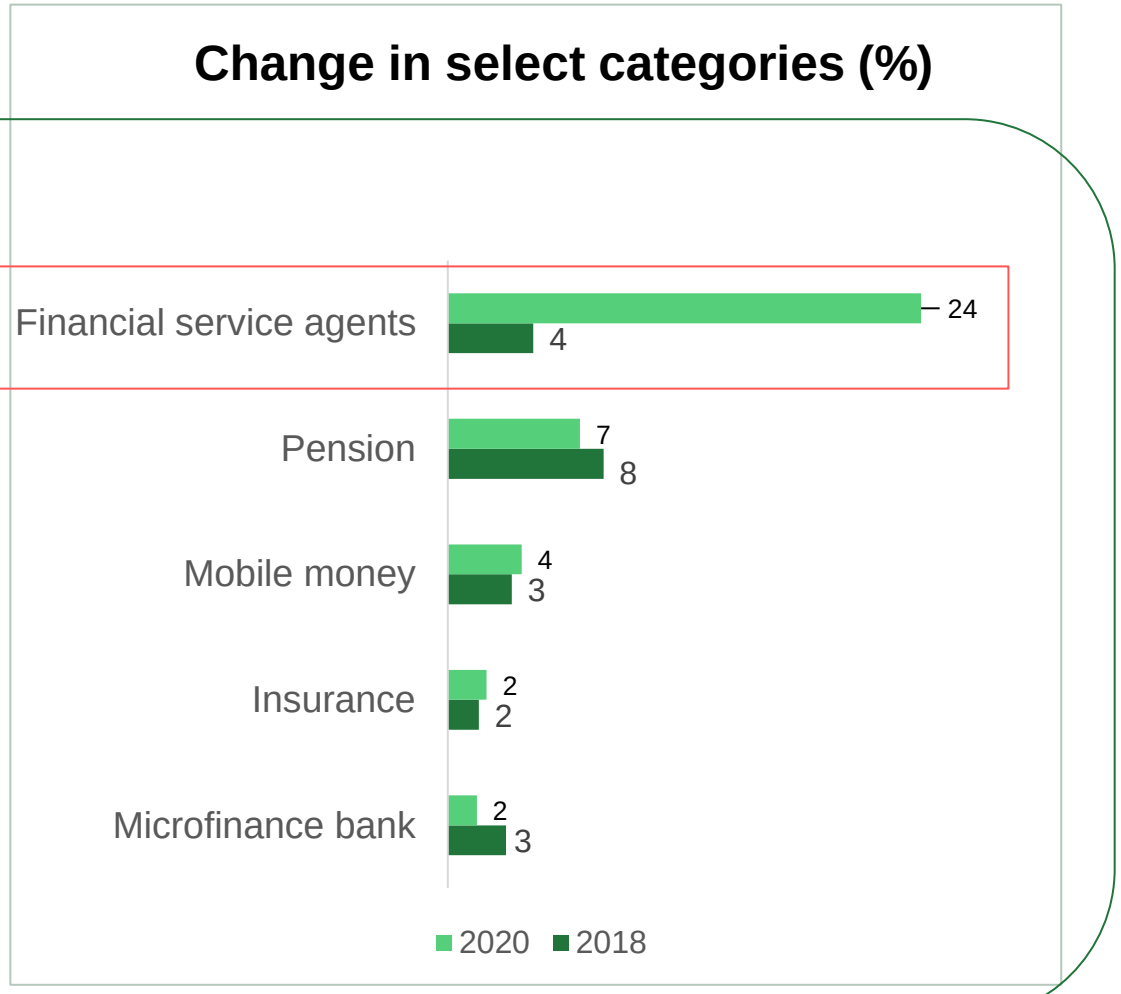
2. Other Formal Financial Products / Services: Uptake and Usage

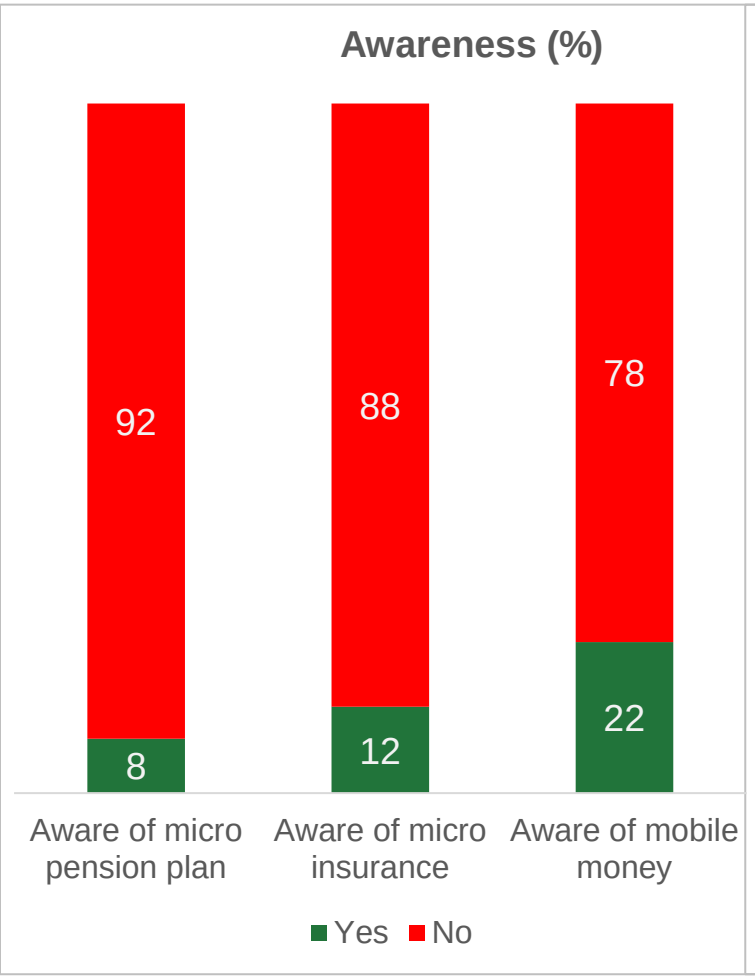
Less than 30% of adult Nigerians have or use products or services from non-bank formal financial institutions

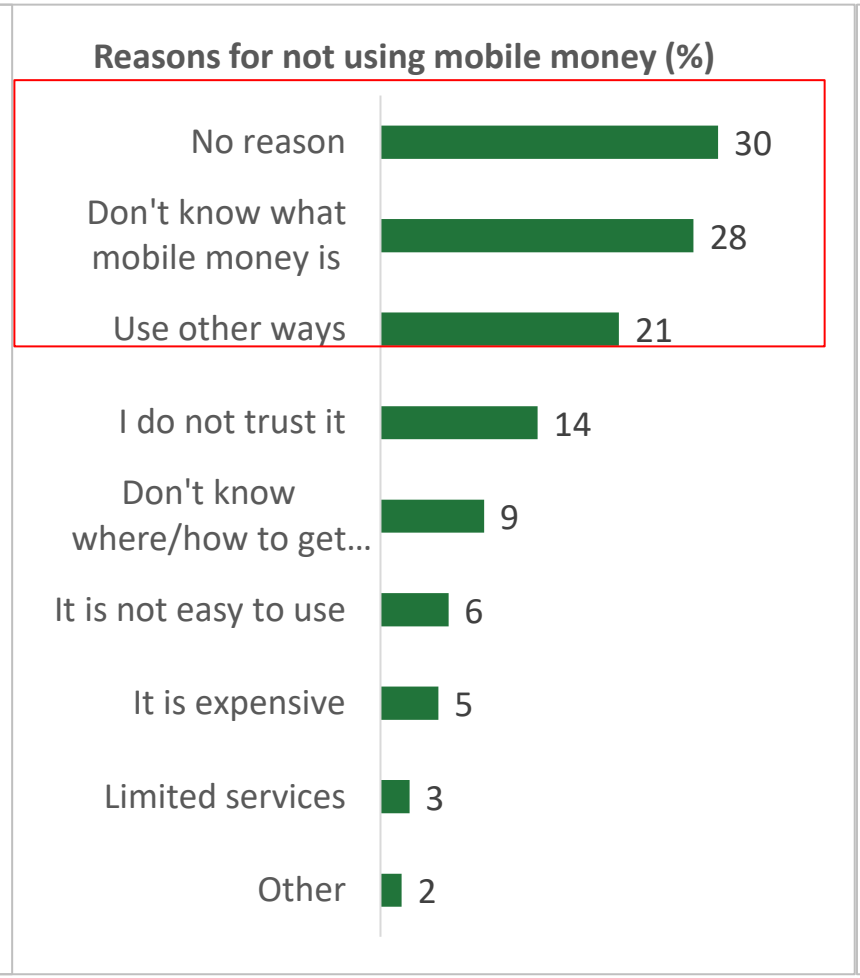


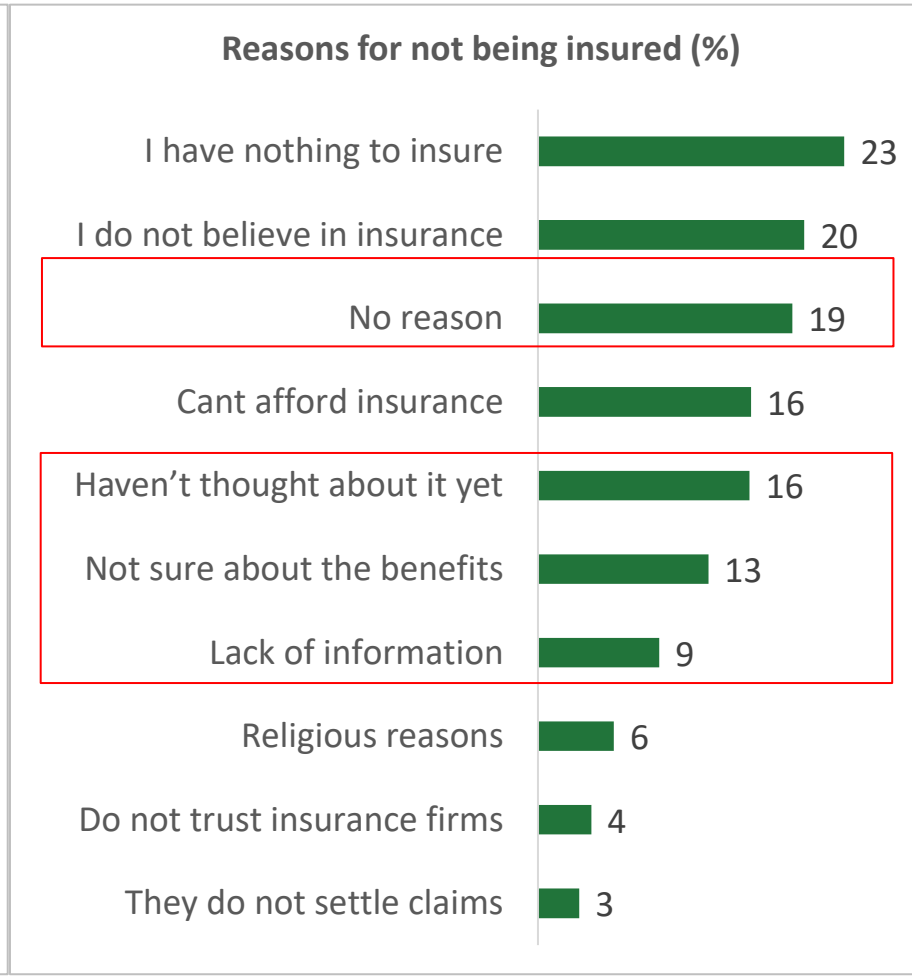


Source: EFInA Access to Financial Services in Nigeria 2020 survey

Lack of awareness and suitability of products are main barriers to non-bank formal financial services







Source: EFInA Access to Financial Services in Nigeria 2020 survey

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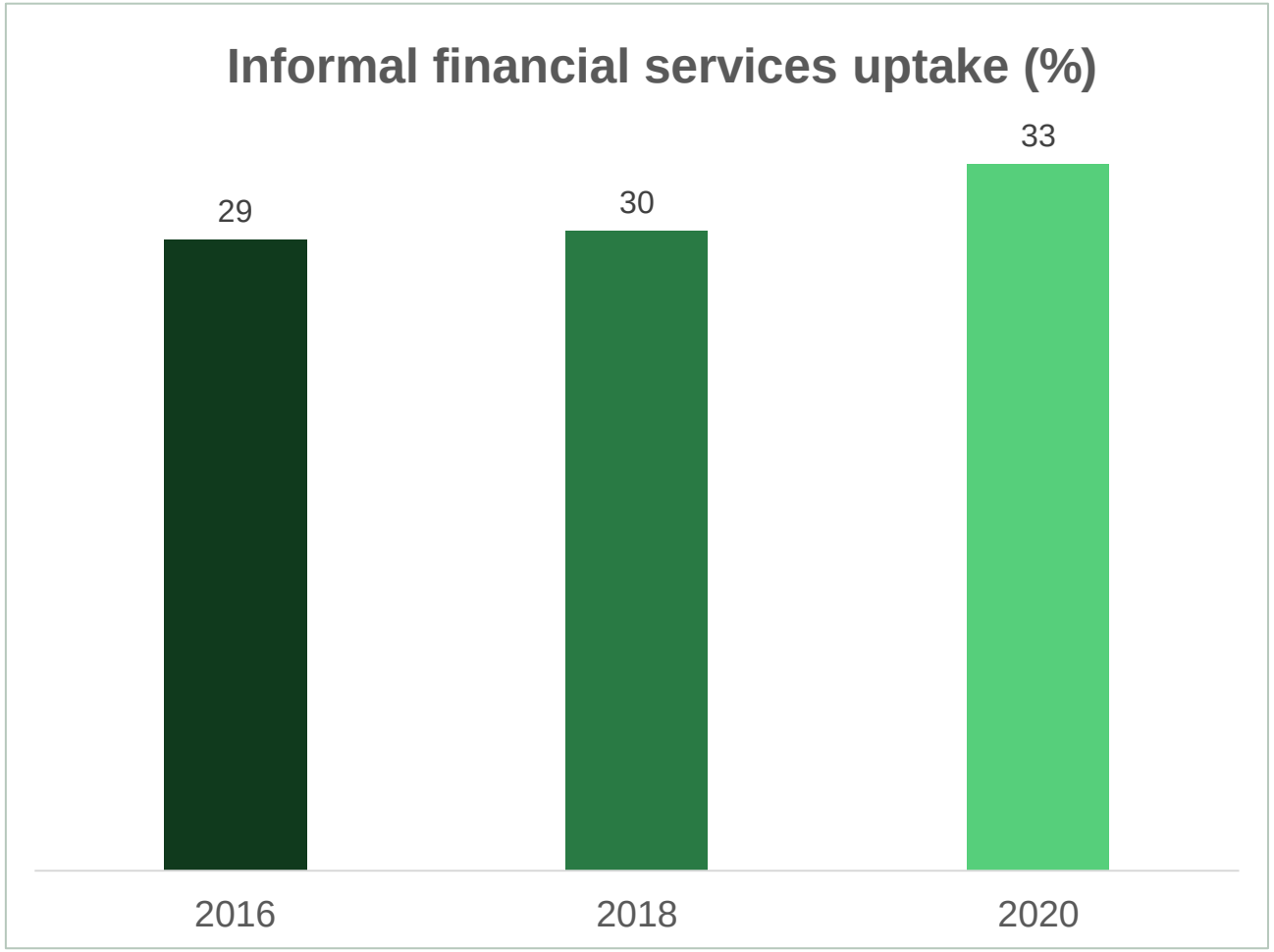
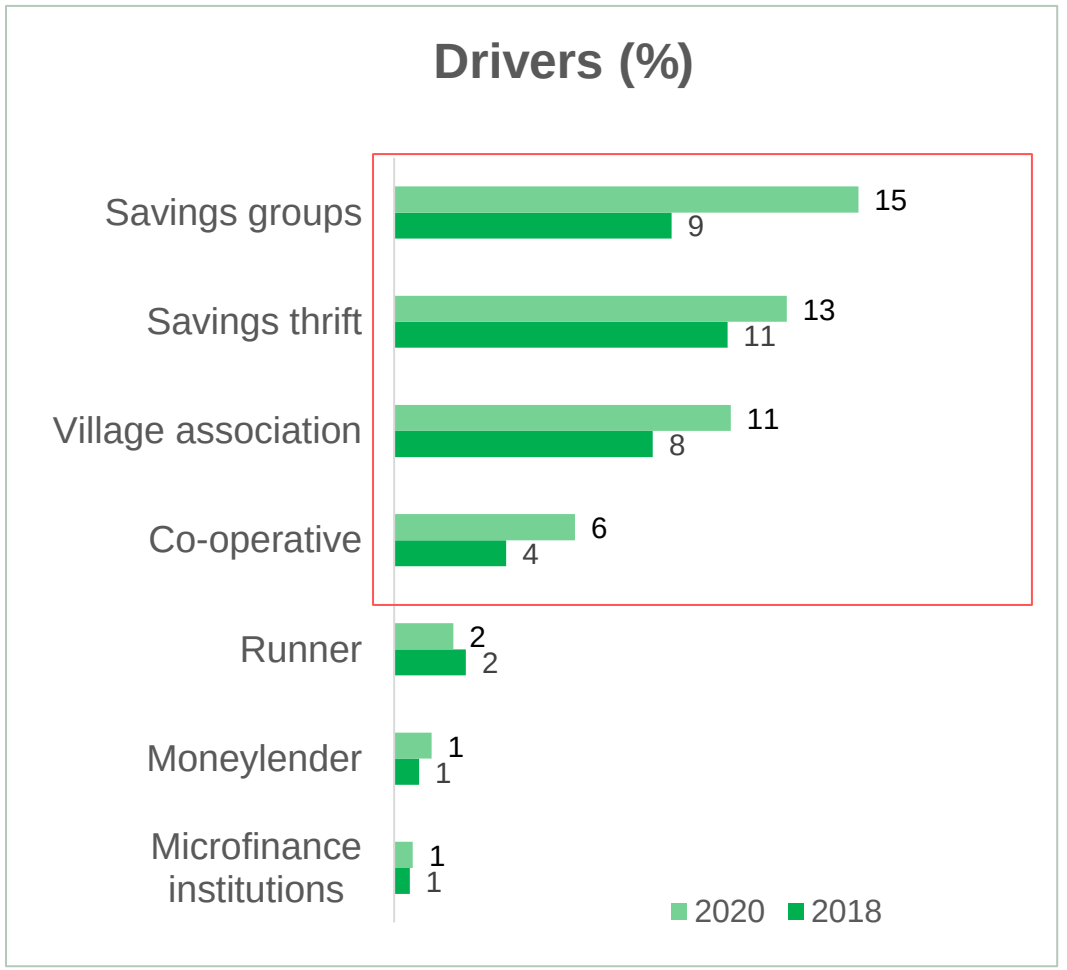
3. Informal Financial Products / Services: Uptake and Usage

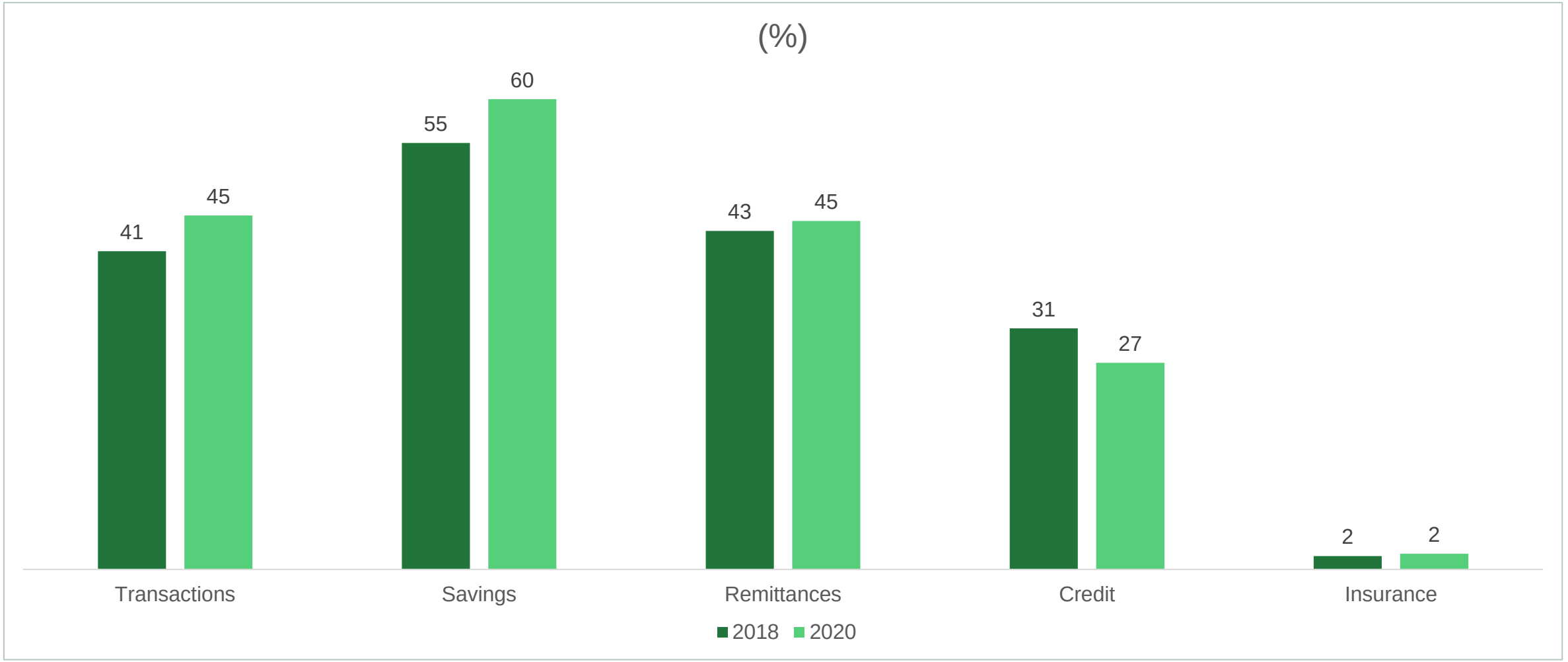
A third of Nigerians use informal financial services to manage some of their financial needs. The number of adults using informal services increased by 5.3 million between 2018 and 2020





Source: EFInA Access to Financial Services in Nigeria 2020 survey

Use of savings, remittances and ownership of transactional accounts has increased since 2018



Savings includes saving at home and with family and friends.
Credit includes borrowing from family and friends.
Transaction captures those who have access to/use formal transactional accounts-commercial banks, microfinance banks, mobile money accounts

Source: EFInA Access to Financial Services in Nigeria 2020 survey

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Beyond Financial Inclusion

Financial needs, health & capabilities

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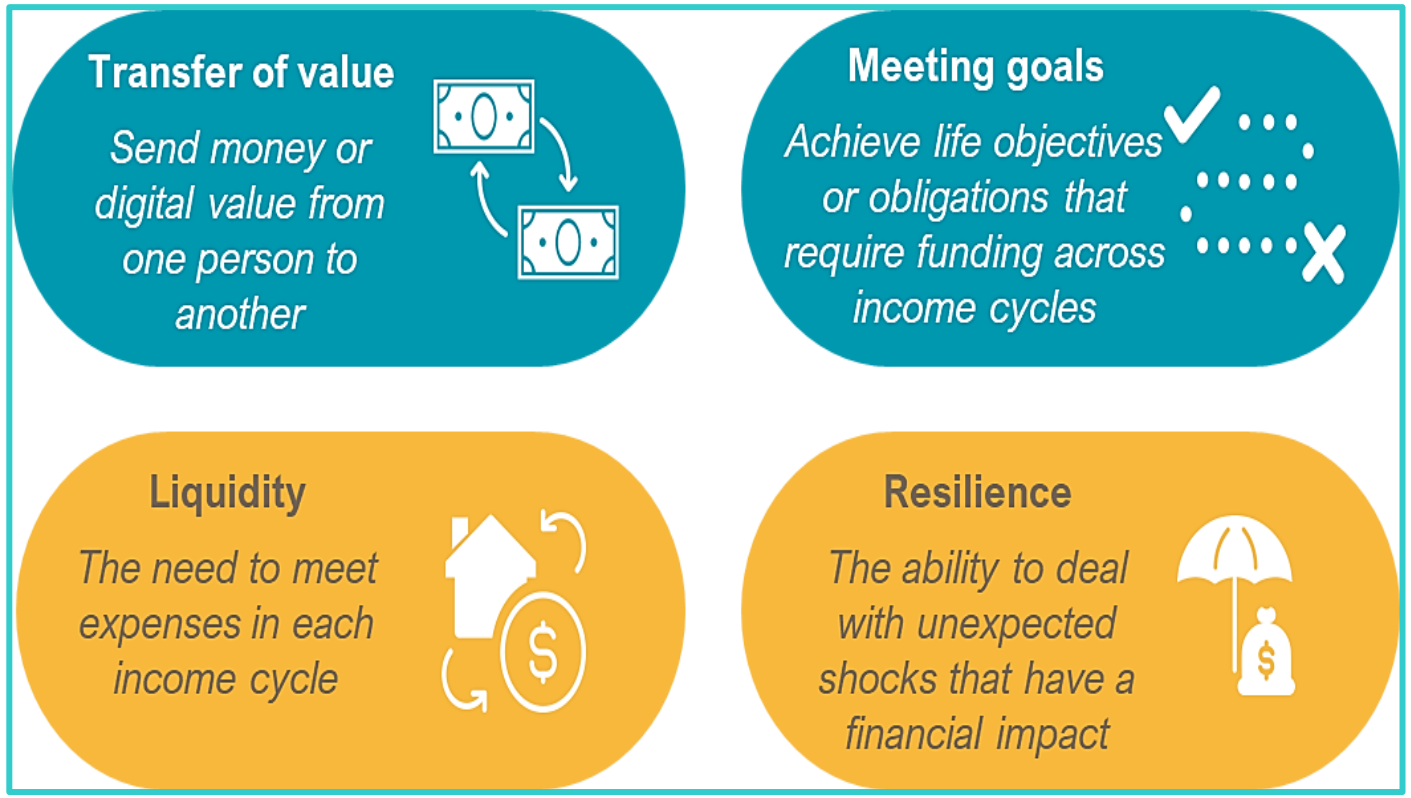
Financial Needs

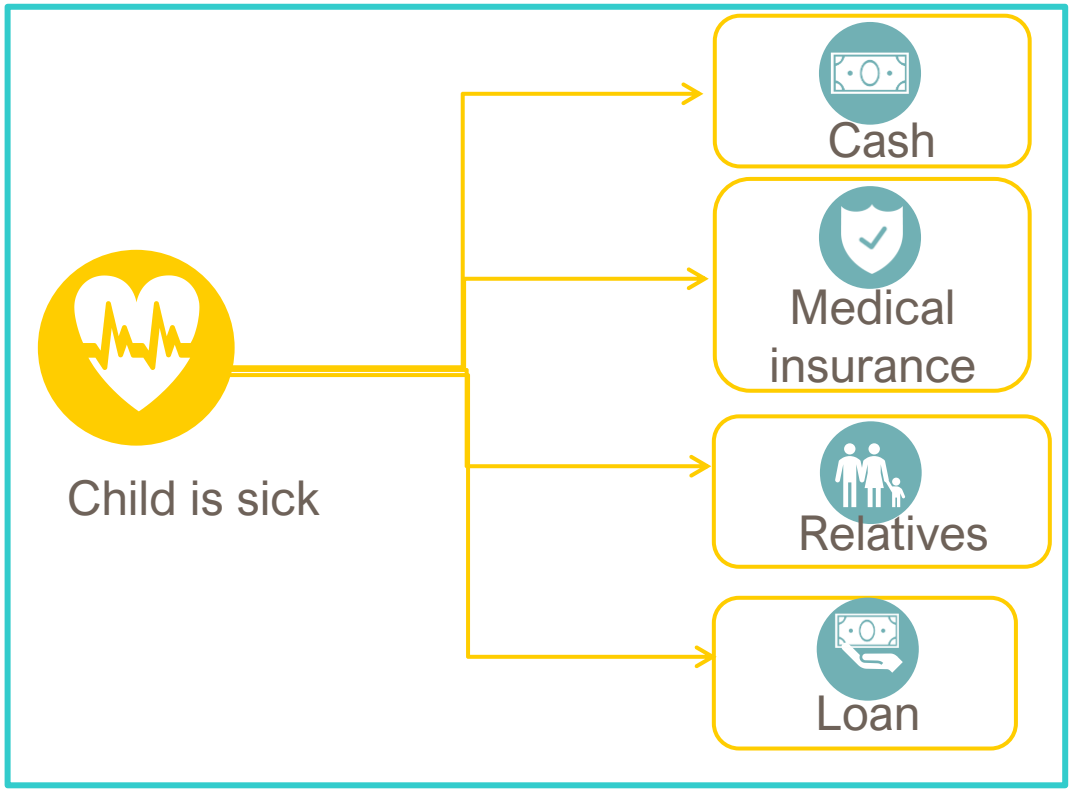
1. Digital use
2. Meeting goals
3. Liquidity
4. Resilience

Financial needs framework

Need: A collection of use cases that can be fulfilled by financial services



For an example: Everyone expresses financial **use cases,** pursued through **financial devices**



Source: EFInA Access to Financial Services in Nigeria 2020 survey

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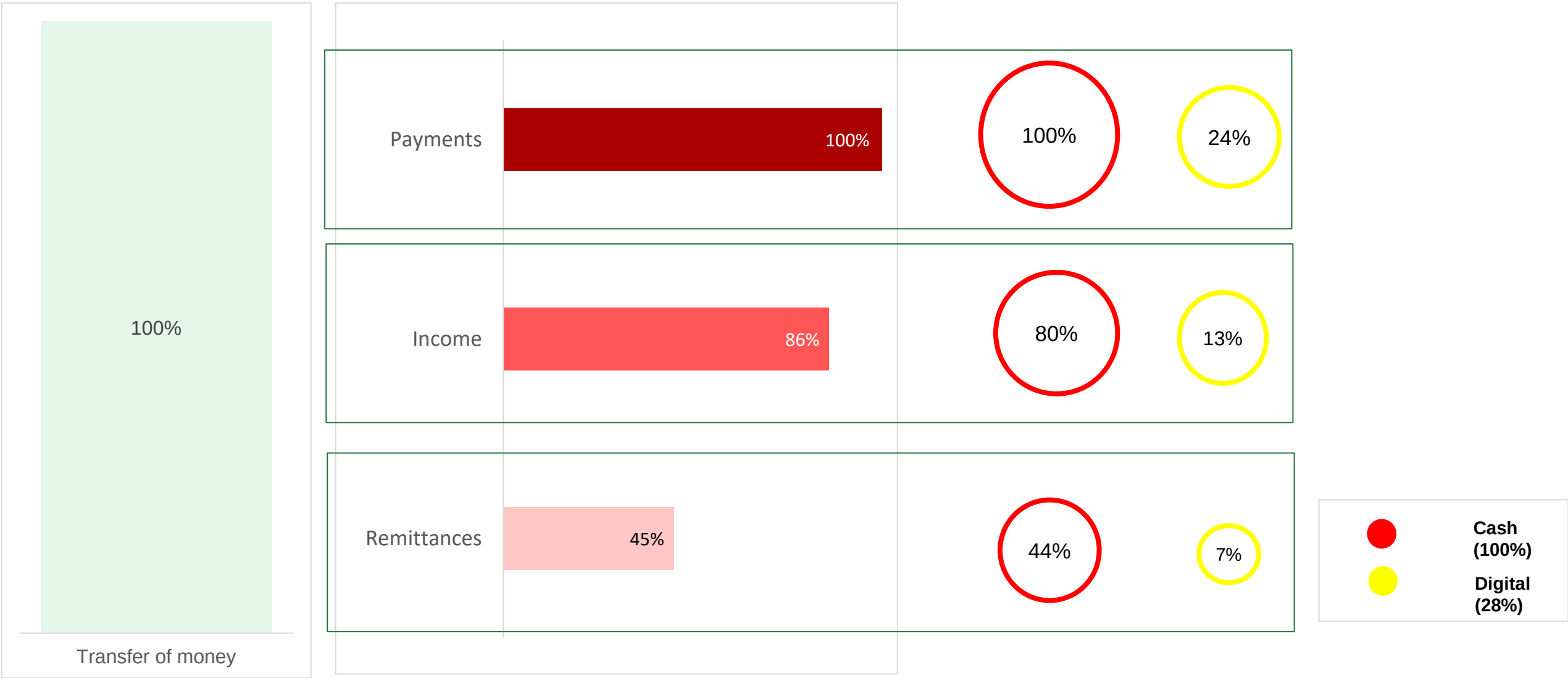
Transfer of value/Digital usage

How do people receive and make payments?

100% of the adult population expressed had experienced at least one of the use cases categorised as transfer of value in the past 12 months

Adult population (106 million)



Source: EFInA Access to Financial Services in Nigeria 2020 survey

Significant increase in digital usage shows positive moves in embracing digitization. About 60% of adults with digital accounts use digital services

	2018 100M	2020 106M
Have access to mobile phone (own or borrow)	**85%**	**89%**
Ever accessed a digital stored value account	**39%**	**46%**
Own a phone	**69%**	**81%**
Active digital stored-value account users	**41%**	**45%**
Active digital financial services users	**16%**	**28%**

Source: EFInA Access to Financial Services in Nigeria 2020 survey

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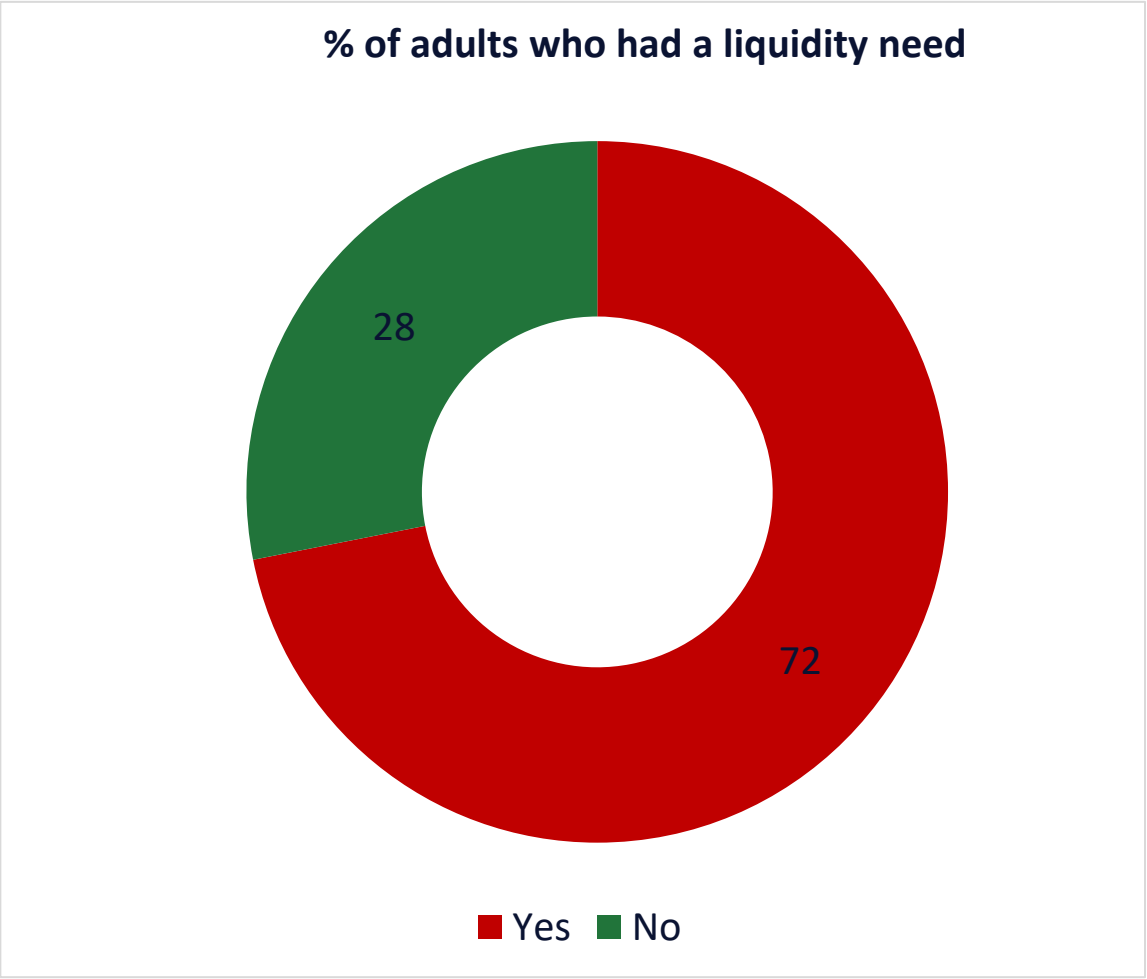
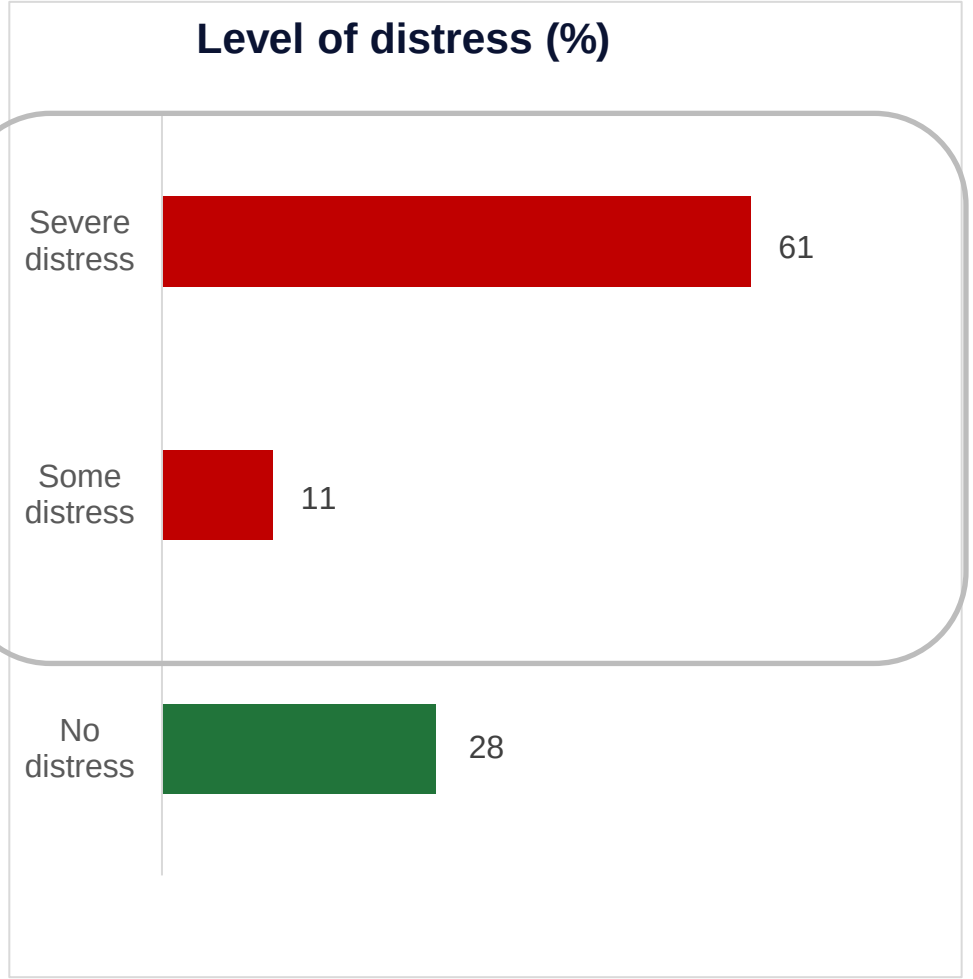
Liquidity

How do people manage liquidity?

72% of the adult population experienced an episode of liquidity distress in the past 12 months





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

Source: EFInA Access to Financial Services in Nigeria 2020 survey

About 40% of distressed adults did nothing or readjusted their expenses to manage liquidity issues

24% used financial mechanisms when they couldn't meet their regular spending needs

33.9% used physical and social mechanisms

Source: EFInA Access to Financial Services in Nigeria 2020 survey

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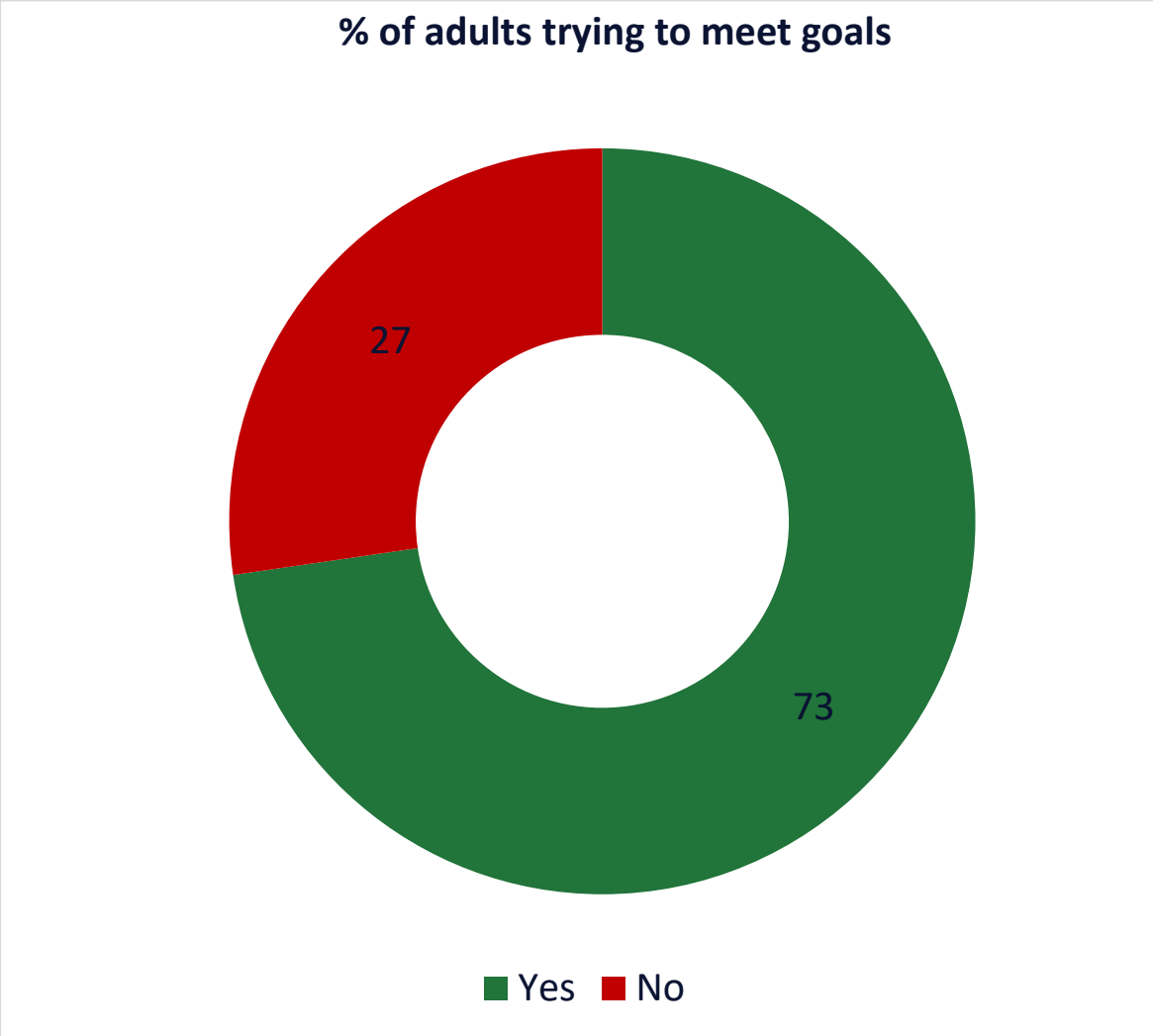
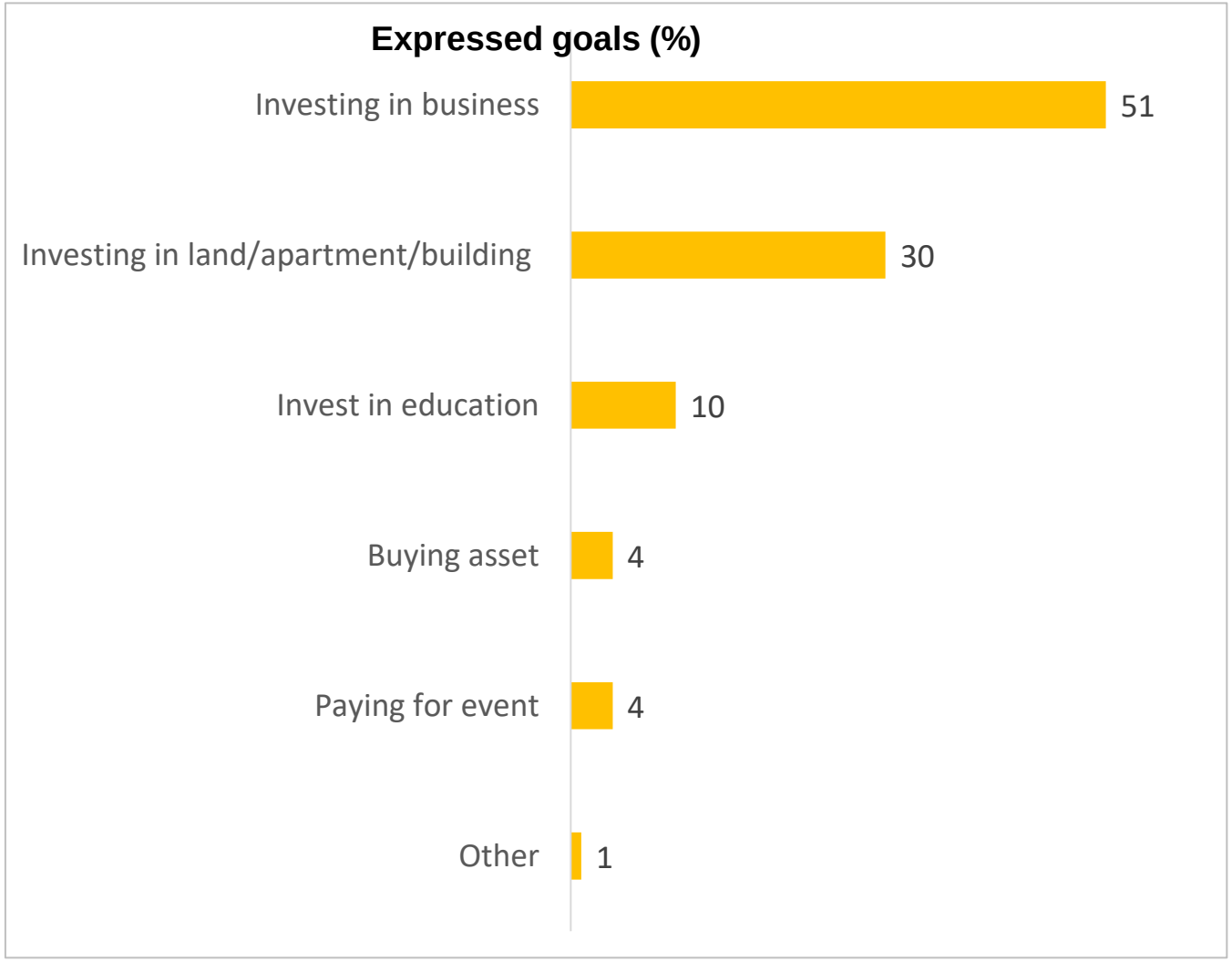
Meeting goals

How do people meet goals?

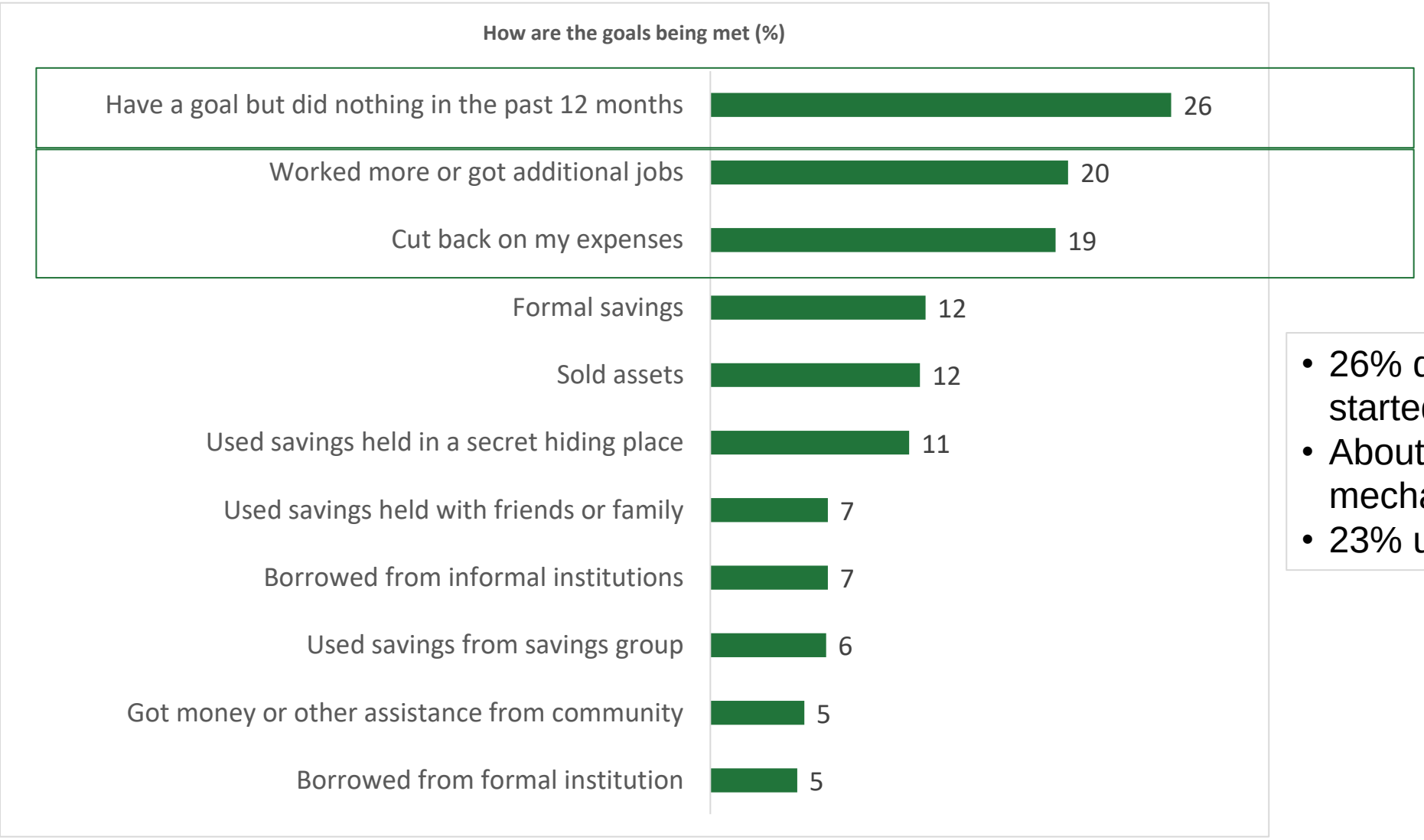
About 73% of adults have specific life goals they are currently trying to meet





Source: EFInA Access to Financial Services in Nigeria 2020 survey

Only 12% of Nigerians report using formal savings to meet goals



- 26% do not have a plan or have not started to work towards their goals
- About 40% use non-financial mechanisms
- 23% use some sort of savings

Source: EFInA Access to Financial Services in Nigeria 2020 survey

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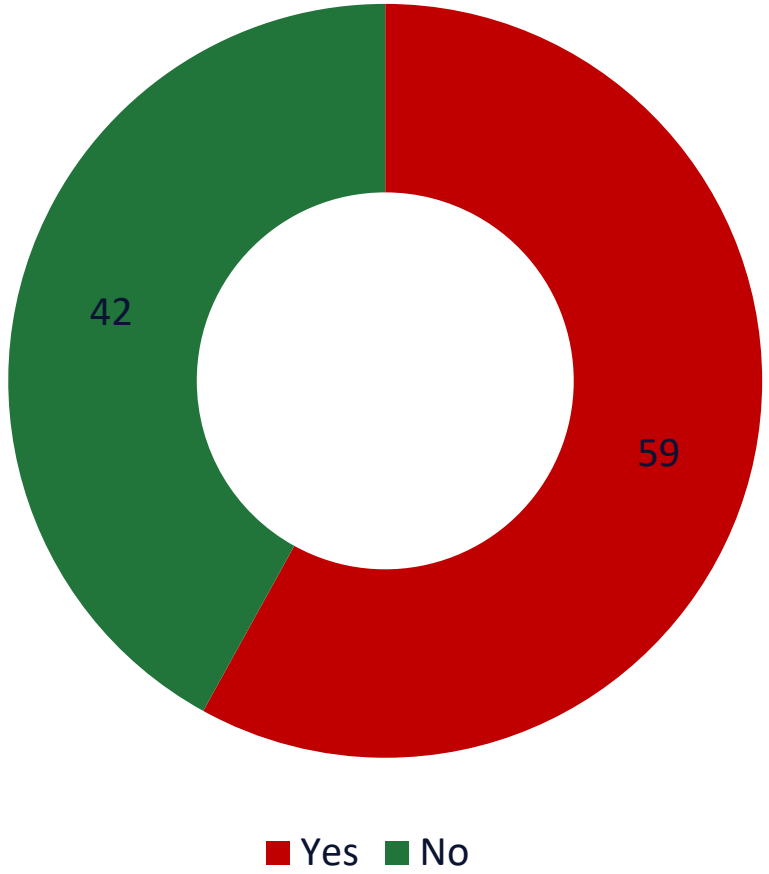
Resilience

How do people manage/cope with risks?

About 3 out of 5 adults experienced a financial shock or an event that had a large negative impact on their finances in the past 12 months, mainly driven by economic and health related shocks

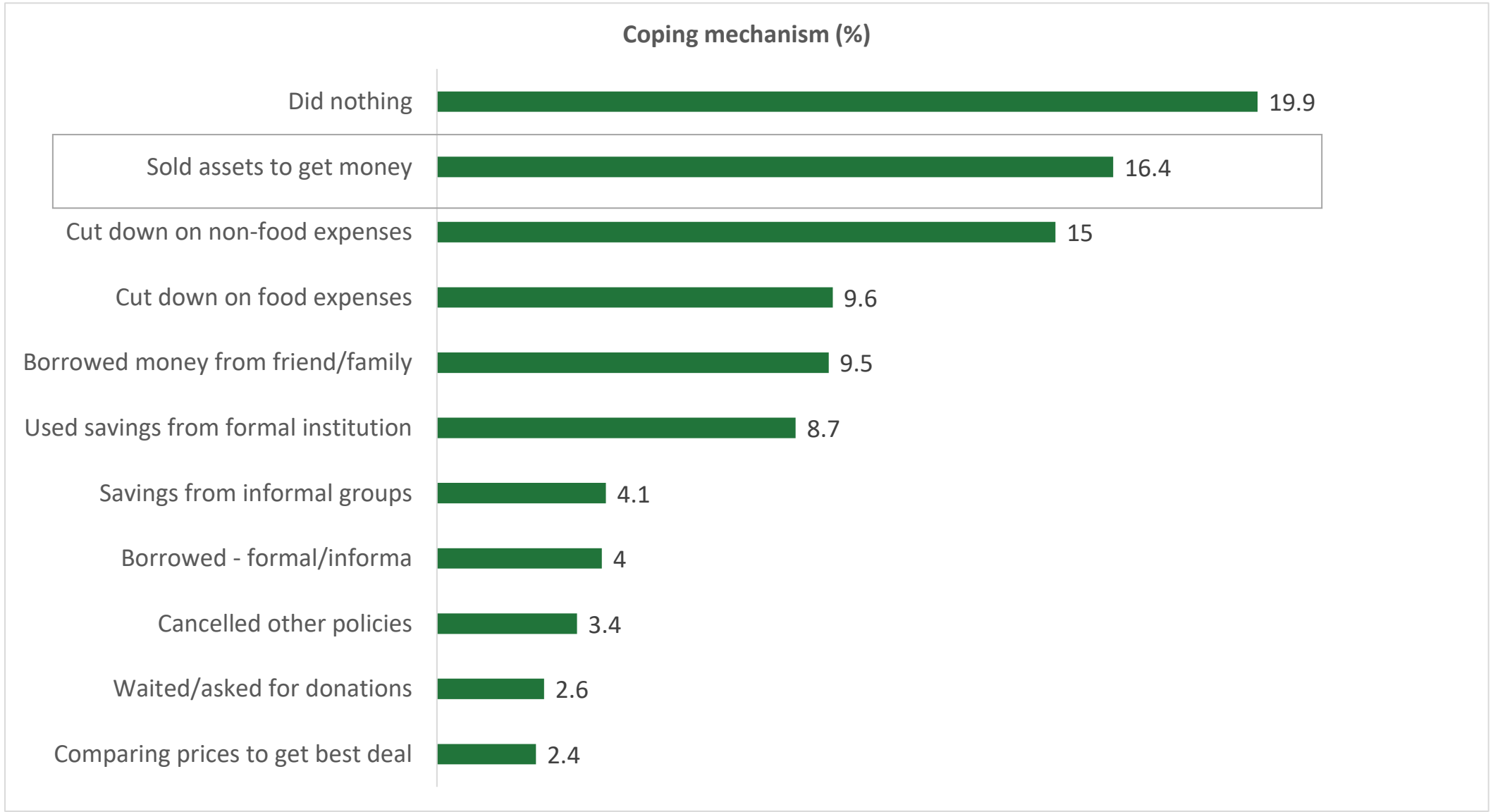
% of adults who experienced financial shocks



Risks experienced (%)

Source: EFInA Access to Financial Services in Nigeria 2020 survey

Nigerians were more likely to do nothing, sell assets, or cut down on expenses than to use savings to cope with these crises



Source: EFInA Access to Financial Services in Nigeria 2020 survey

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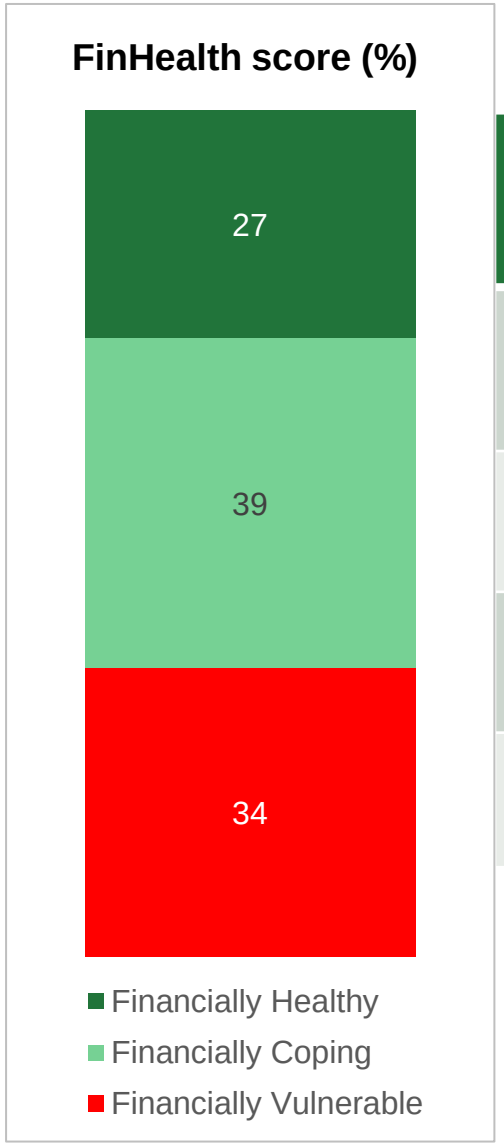
Financial Health

1. Spend score
2. Save score
3. Plan Score
4. Ability to cope with risk score
5. FinHealth Score (overall)

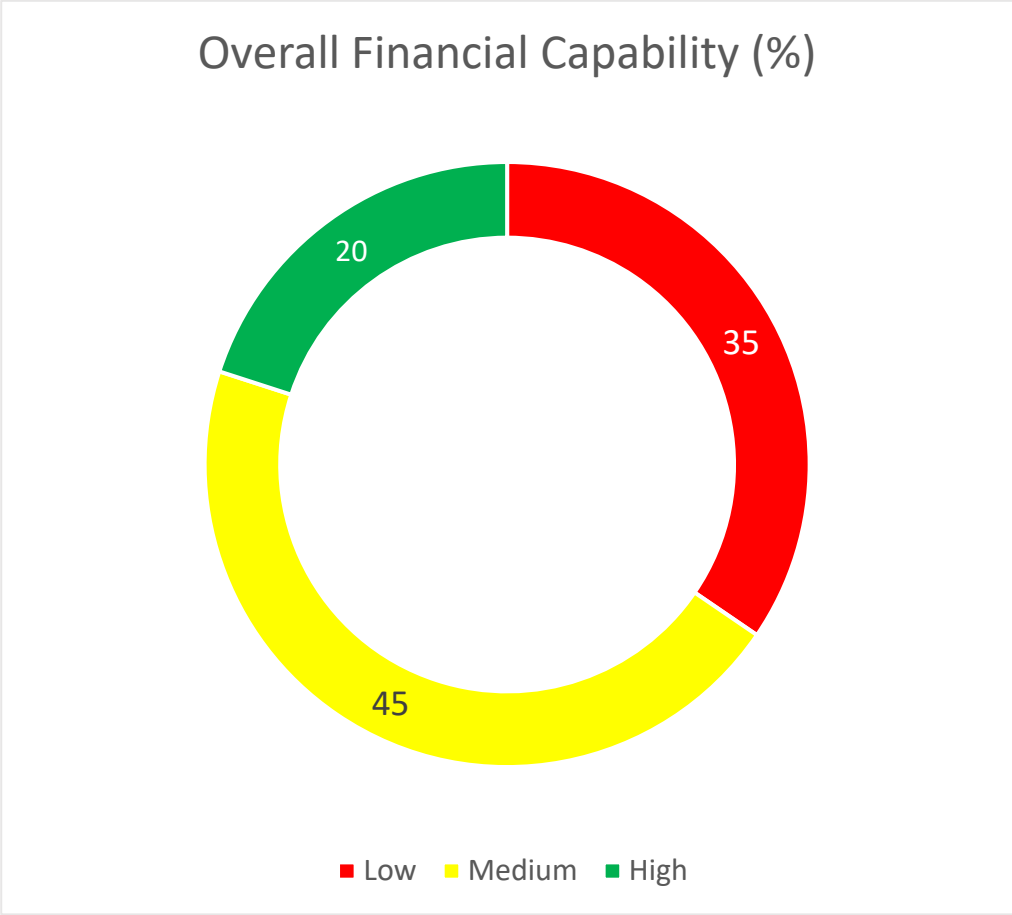
Only about 1 in 4 Nigerian adults (27%) are considered "financially healthy"

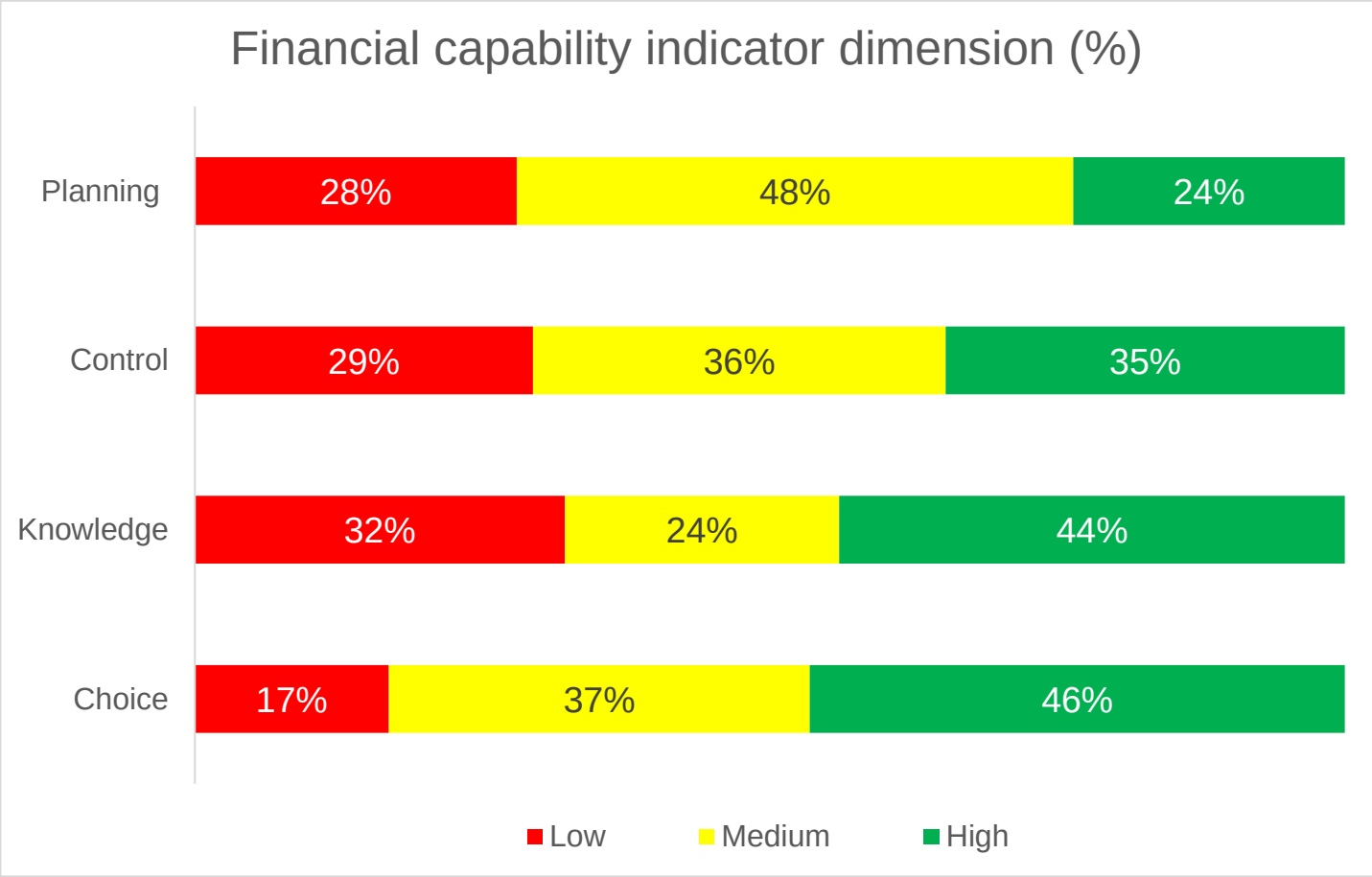


FinHealth dimensions	Low score	Medium	High score
Ability to manage day to day (spend score) No trouble making money last, plan for allocating money, never went without food	61%	11%	28%
Build and maintain reserves (save score) Save money, invest in assets	23%	59%	18%
Planning and prioritising (Plan score) Plan ahead financially	33%	46%	22%
Ability to manage risks Never went without medicine, could raise N45,000 for emergency in 7 days, could recover from financial shock	44%	25%	31%

Source: EFInA Access to Financial Services in Nigeria 2020 survey

A third of Nigerians have low financial capability

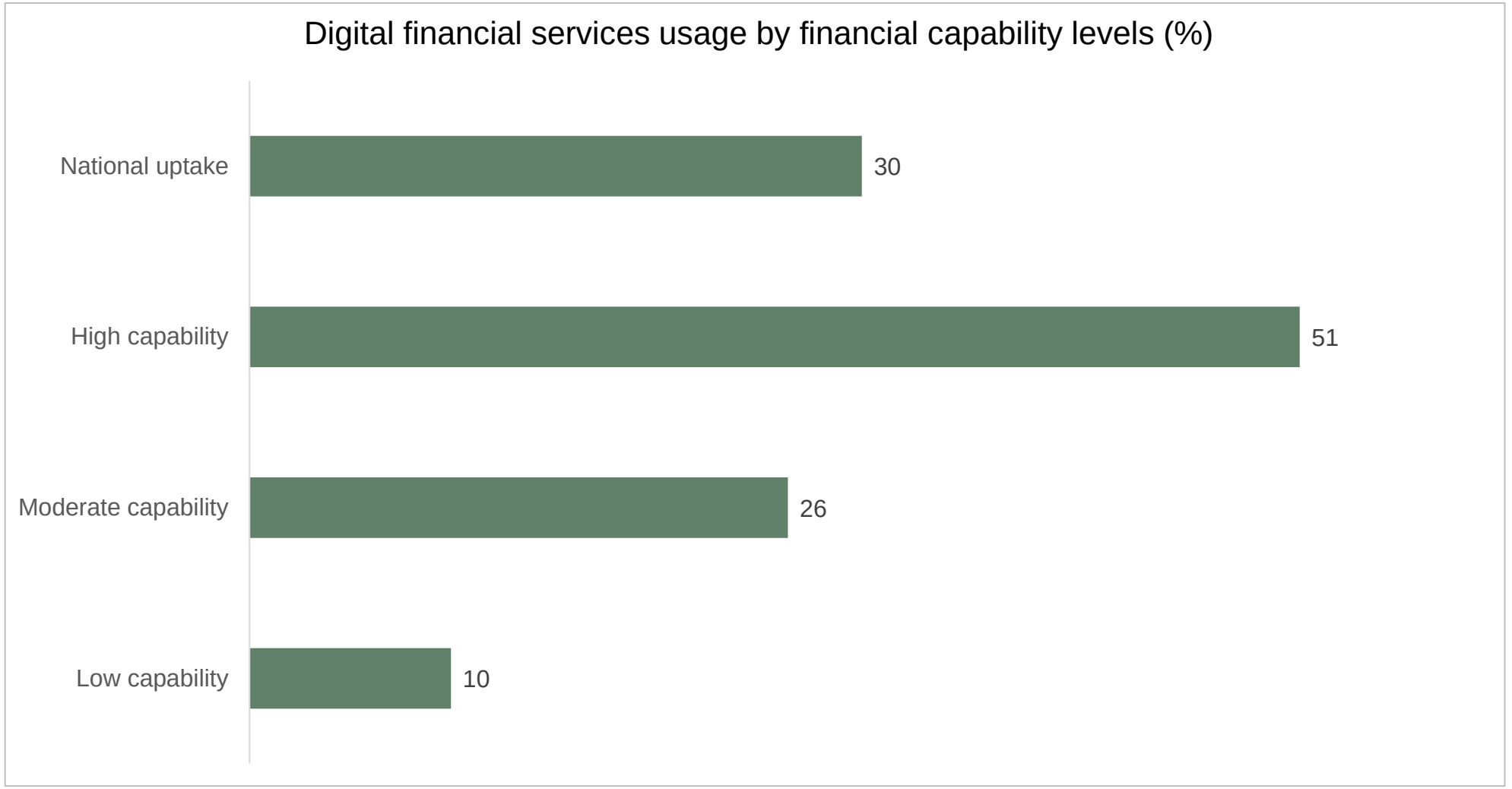




Financial capability is an average of the financial planning, financial control, knowledge and skills and making financial choices dimensions.

Source: EFInA Access to Financial Services in Nigeria 2020 survey

There is a positive correlation between digital financial services and financial capability



Source: EFInA Access to Financial Services in Nigeria 2020 survey

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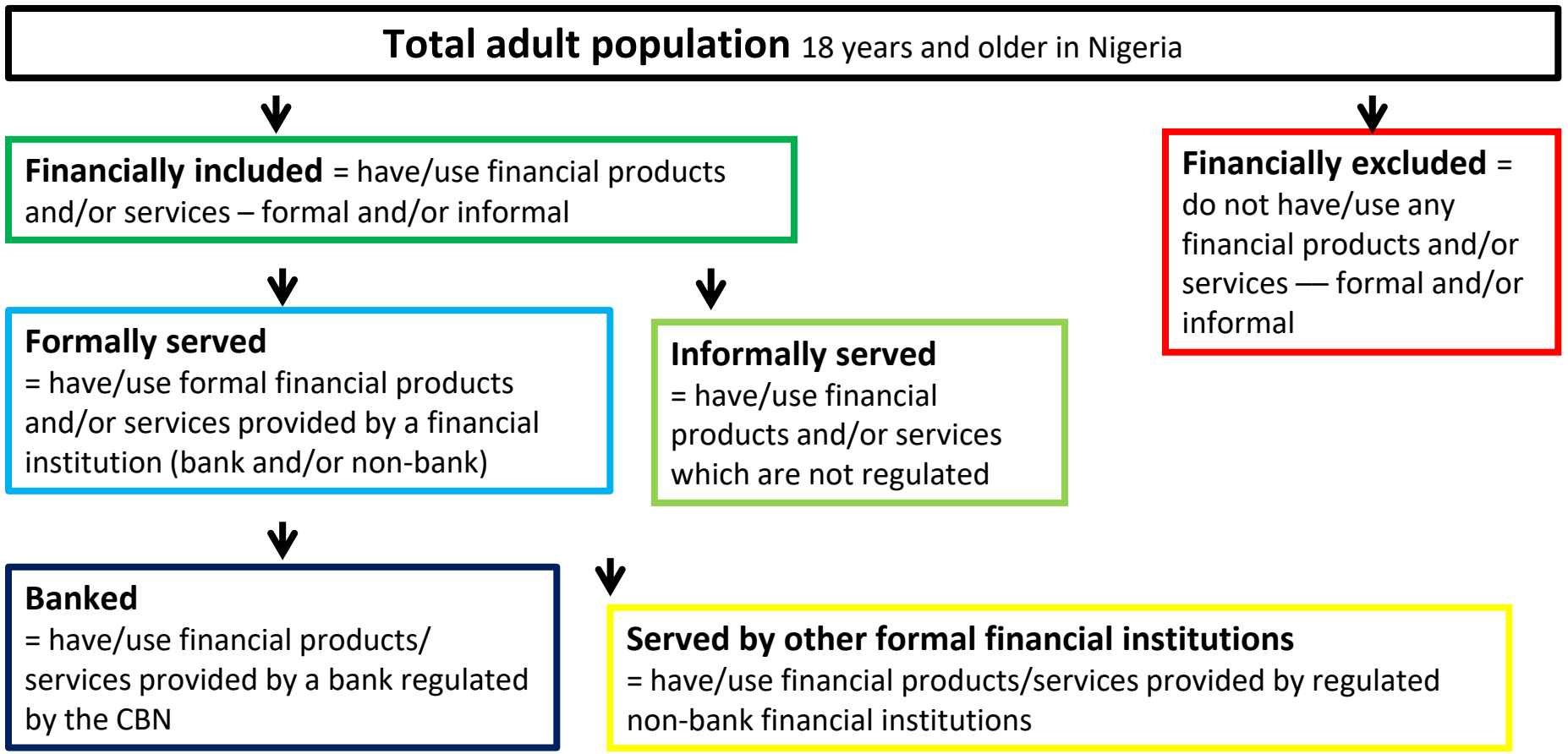
Levels of Financial Inclusion (Financial Access Strands)

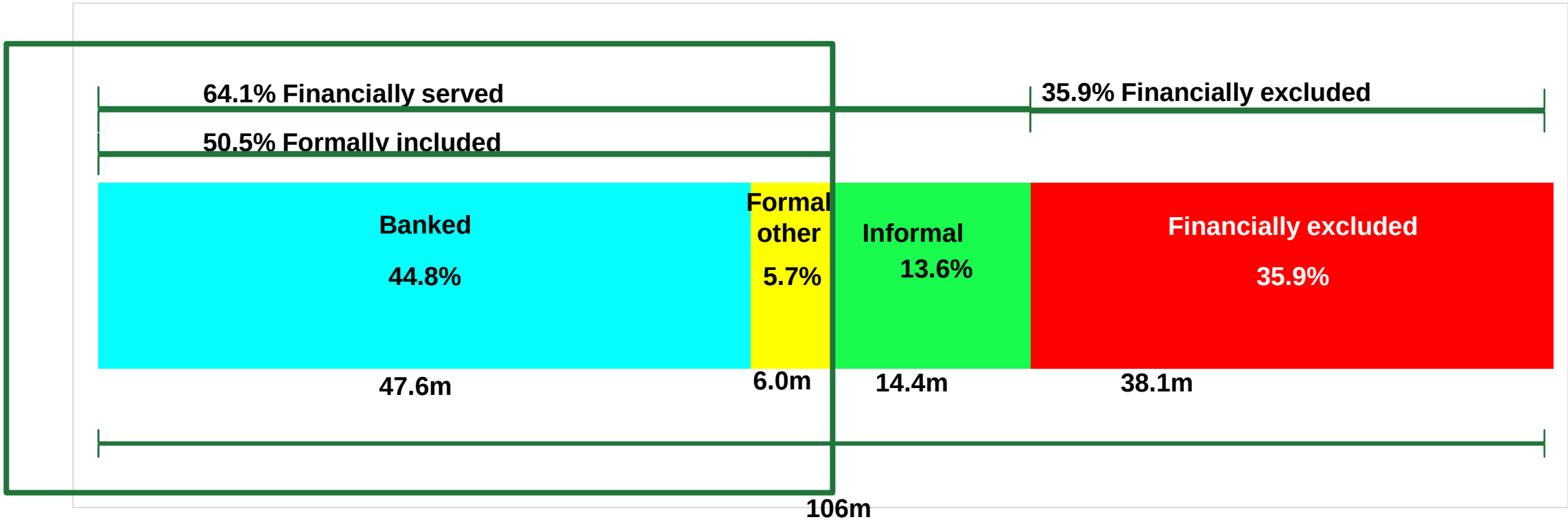
Defining financial inclusion



Source: EFInA Access to Financial Services in Nigeria 2020

Just above half of adults (50.5% of adults, or 53.6 million adults) now use formal financial services, up from 48.4 million

- Nearly 1 in 2 Nigerian adults do not use any formal (regulated) financial services
- More than 1 in 3 Nigerian adults remain completely financially excluded

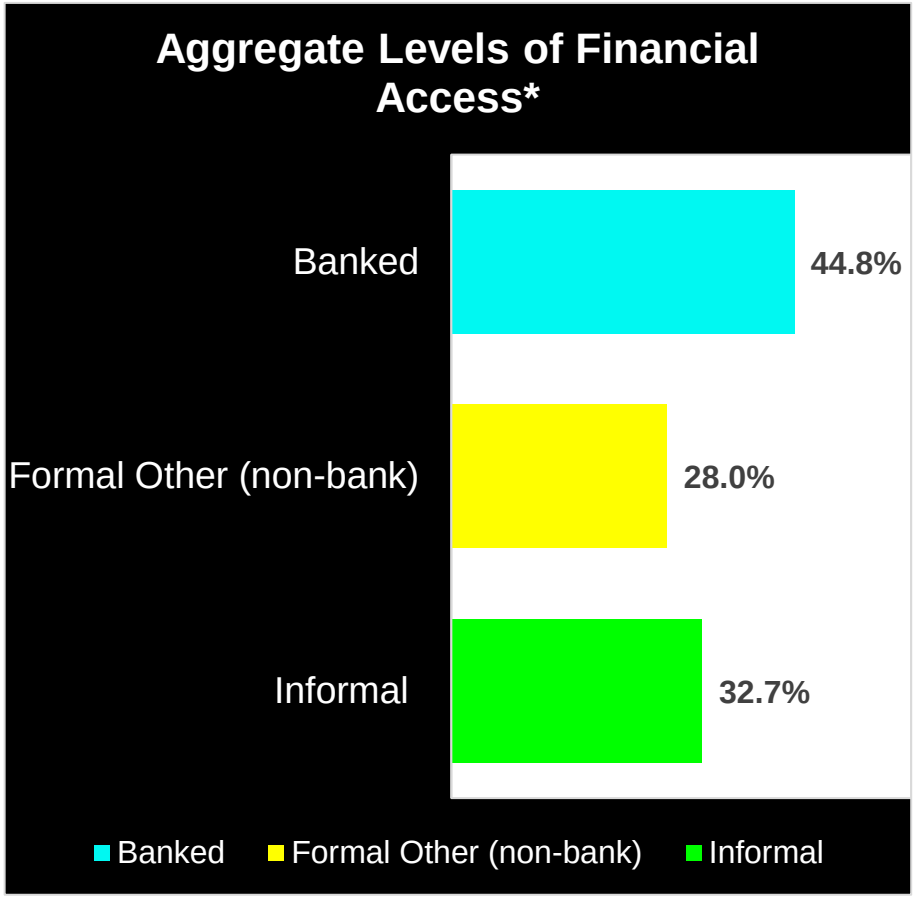


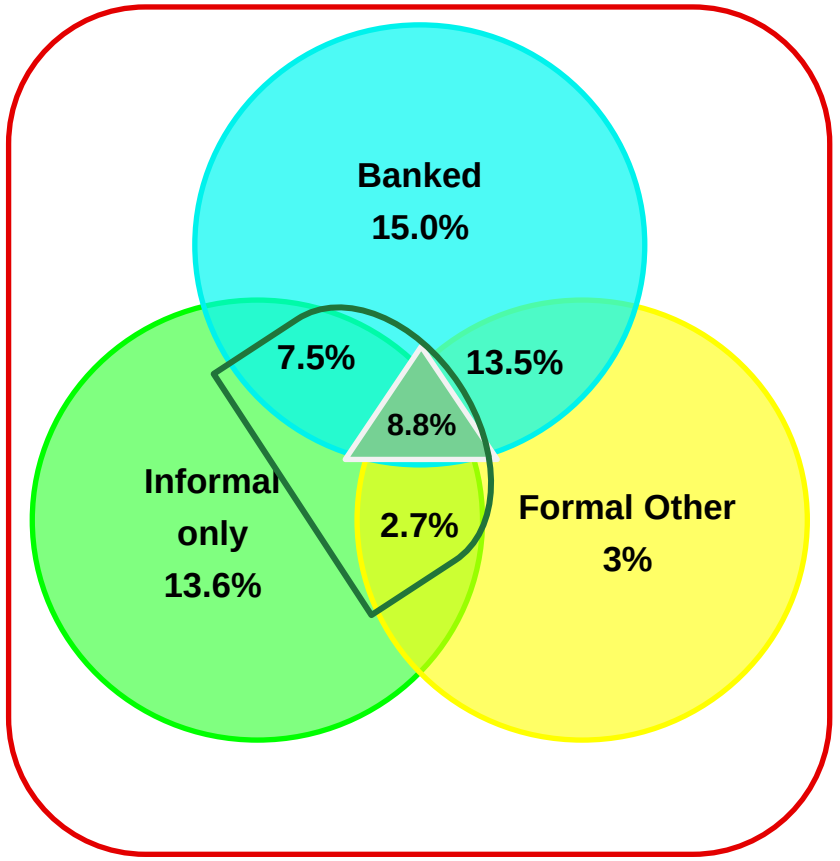
These four strands are mutually exclusive

Source: EFInA Access to Financial Services in Nigeria 2020

Nigerian adults continue to use a combination of financial services to meet their needs

- Consumers generally use a combination of financial products and services to meet their financial 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

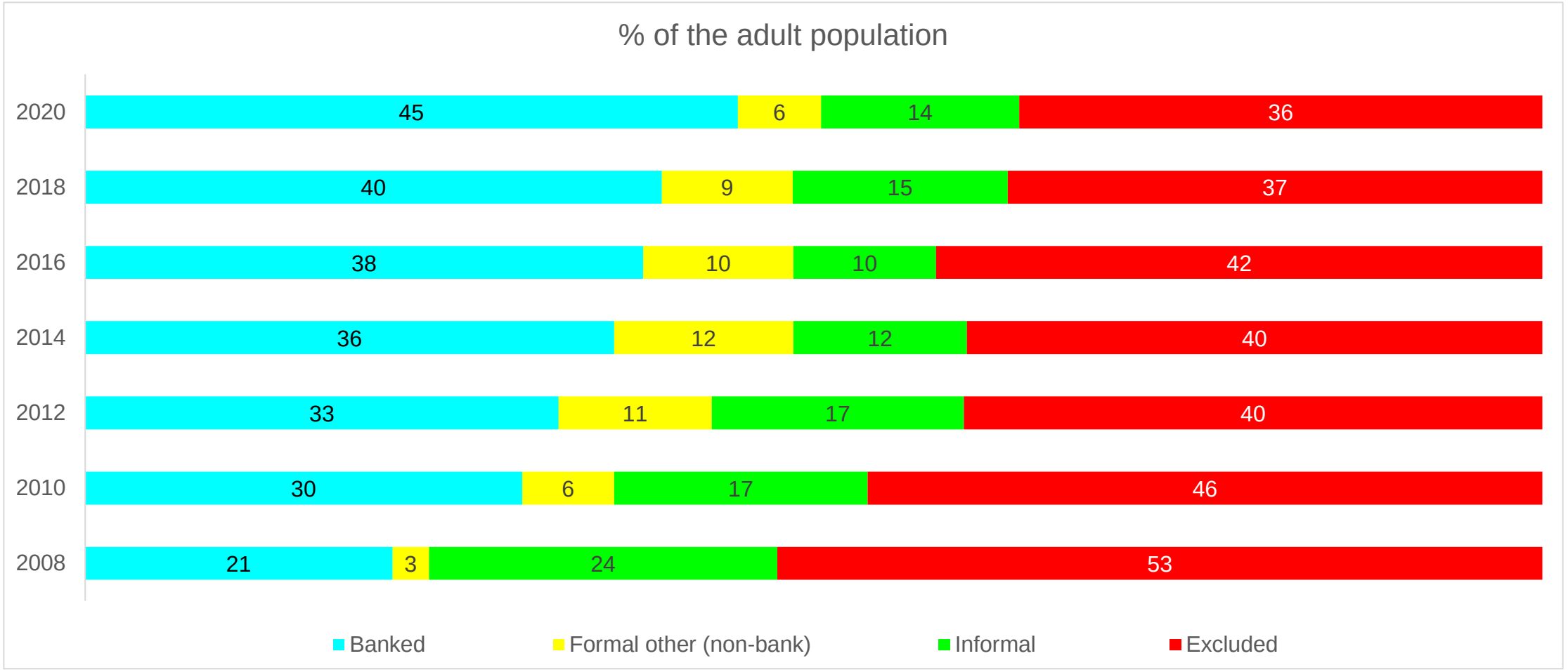




Source: EFInA Access to Financial Services in Nigeria 2020 survey

Financial inclusion progress continues to be incremental

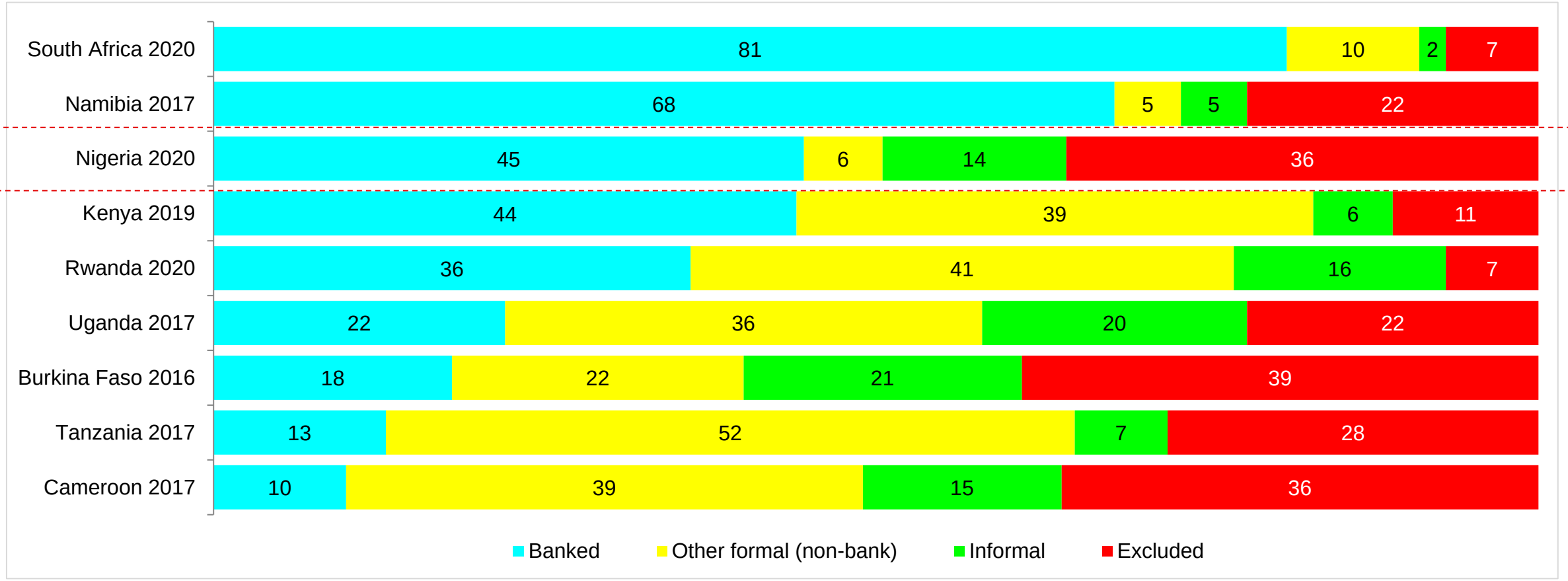
- The proportion of formally served adults increased for the first time since 2014
- While the percentage of financially excluded adults decreased slightly between 2018 and 2020, the actual number of financially excluded adults increased from 36.6 million to 38.1 million, as population growth outpaces the rate of financial inclusion growth



Source: EFInA Access to Financial Services in Nigeria 2008 / 2010 / 2012 / 2014 / 2016 / 2018 / 2020

Nigeria has a higher rate of financial exclusion than many other countries in Sub-Saharan Africa

- Although Nigeria has a higher proportion of banked adults than many comparator countries, it also has a high proportion of financially excluded adults at 36%
- Several countries have expanded financial inclusion via non-bank mobile money (reflected in yellow sections)

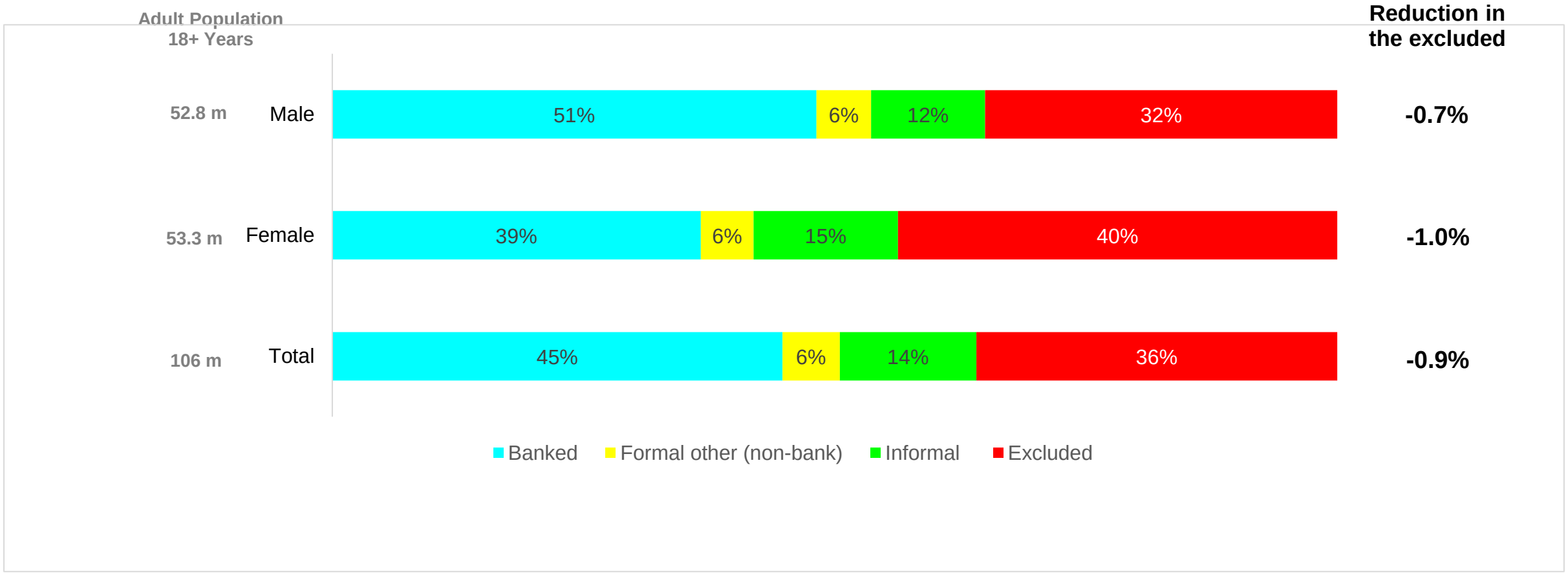


Note: *There are some slight differences in the classification of products/services in the categories of the access strand between the countries*

Source: EFInA Access to Financial Services in Nigeria 2020 survey and countries implemented FinScope surveys

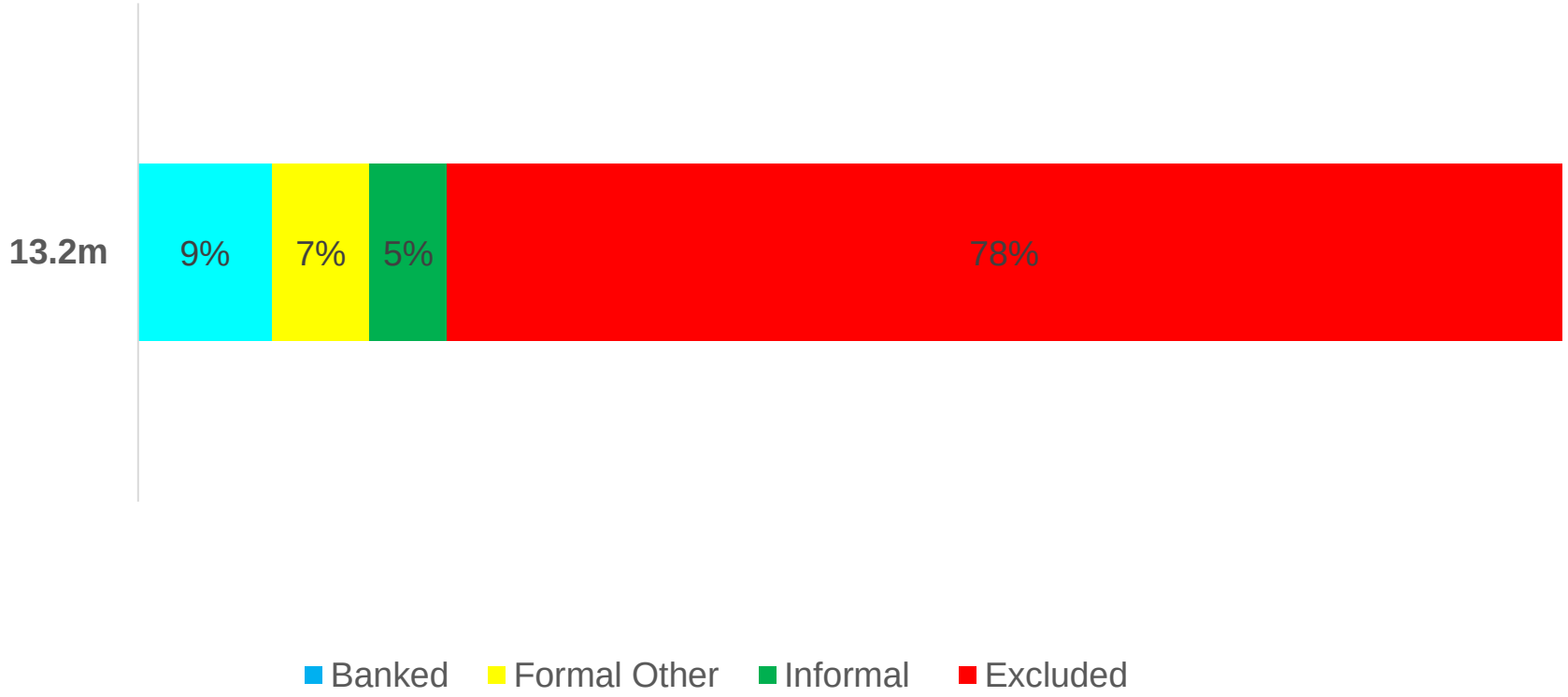
The financial inclusion gender gap has persisted

- Adult men are more likely to be banked than adult women
- Adult women tend to use more informal financial services than adult men
- Women remain significantly excluded compared to men



Source: EFInA Access to Financial Services in Nigeria 2020 survey

Most Nigerians between the ages of 15-17 are financially excluded

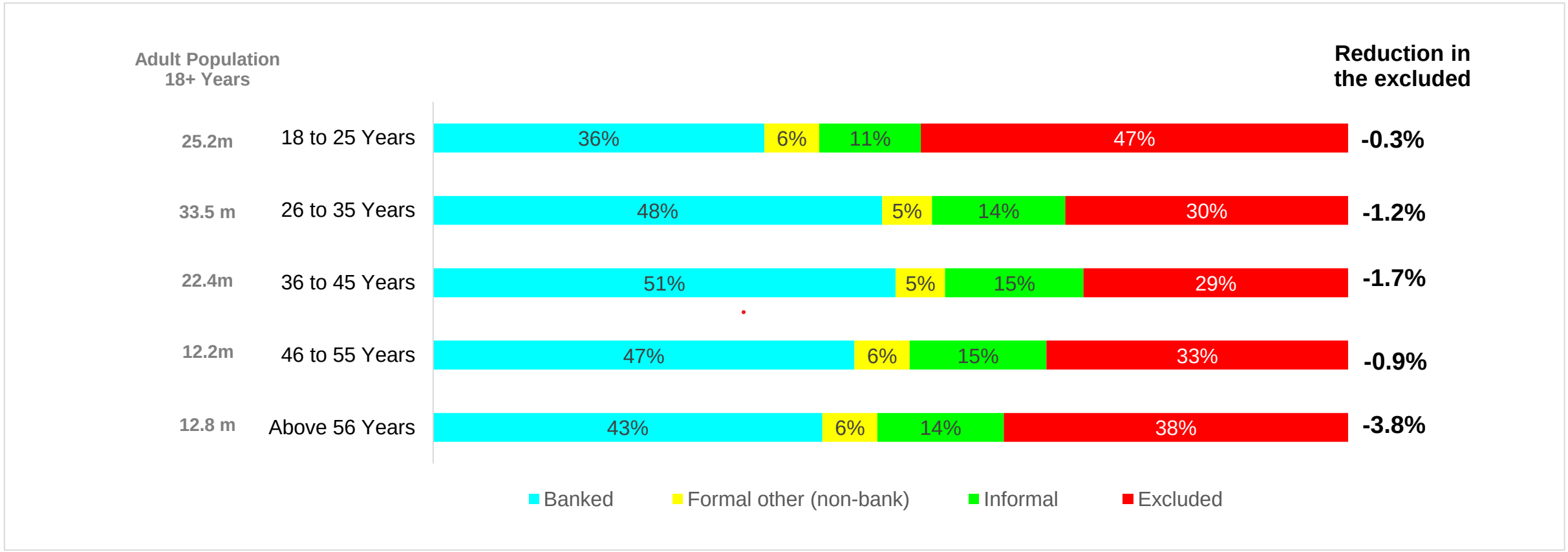


- **77%** are living in rural areas
- **43%** own a mobile phone
- **39%** are living in communities with financial access points

Source: EFInA Access to Financial Services in Nigeria 2020 survey

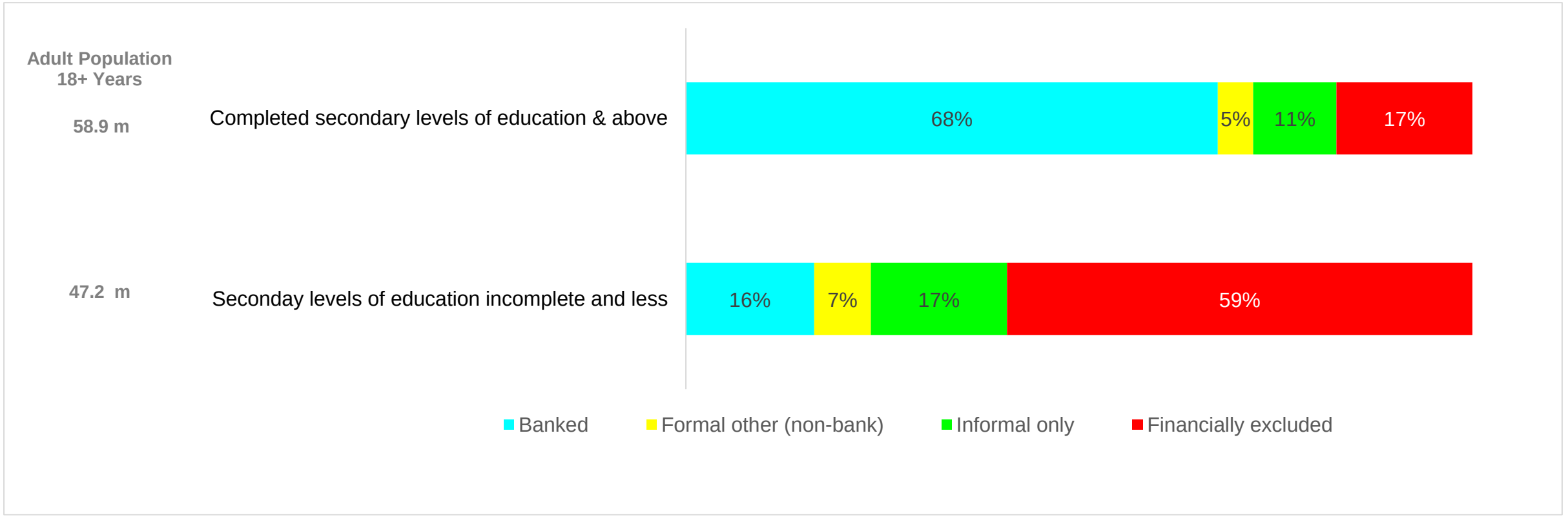
Young adults continue to be significantly more excluded than older adults

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



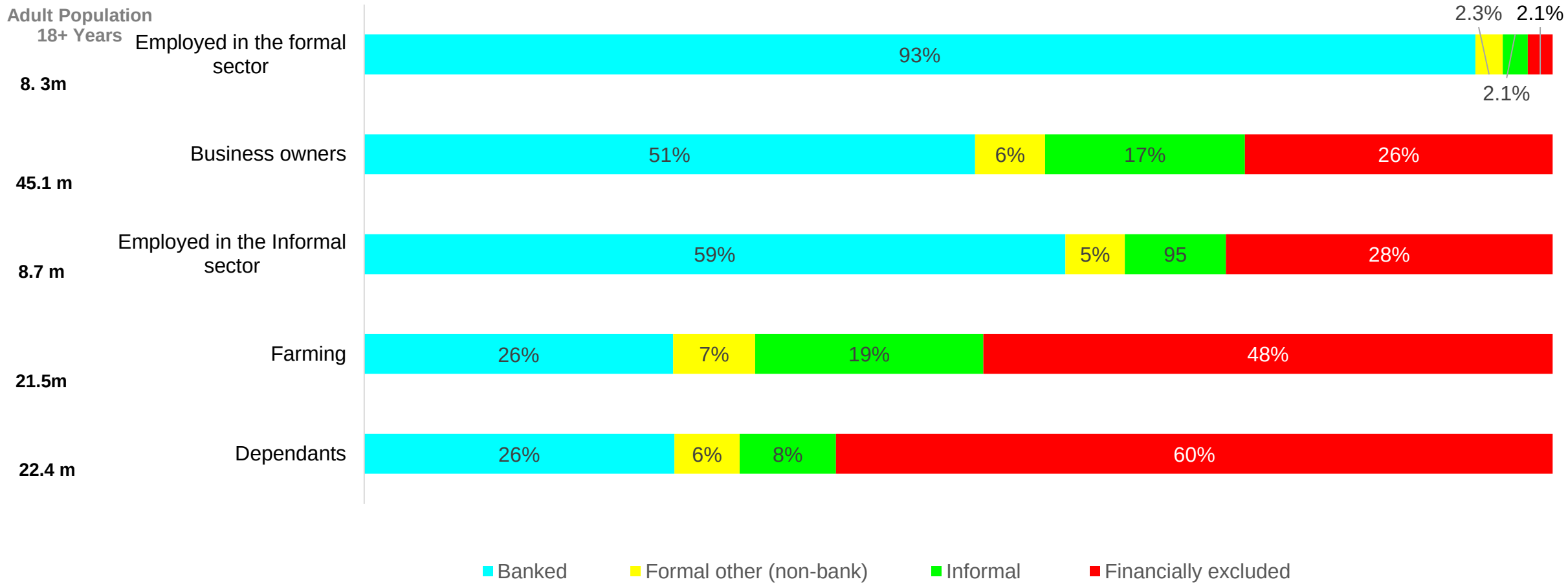
Source: EFInA Access to Financial Services in Nigeria 2020 survey

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



Source: EFInA Access to Financial Services in Nigeria 2020 survey

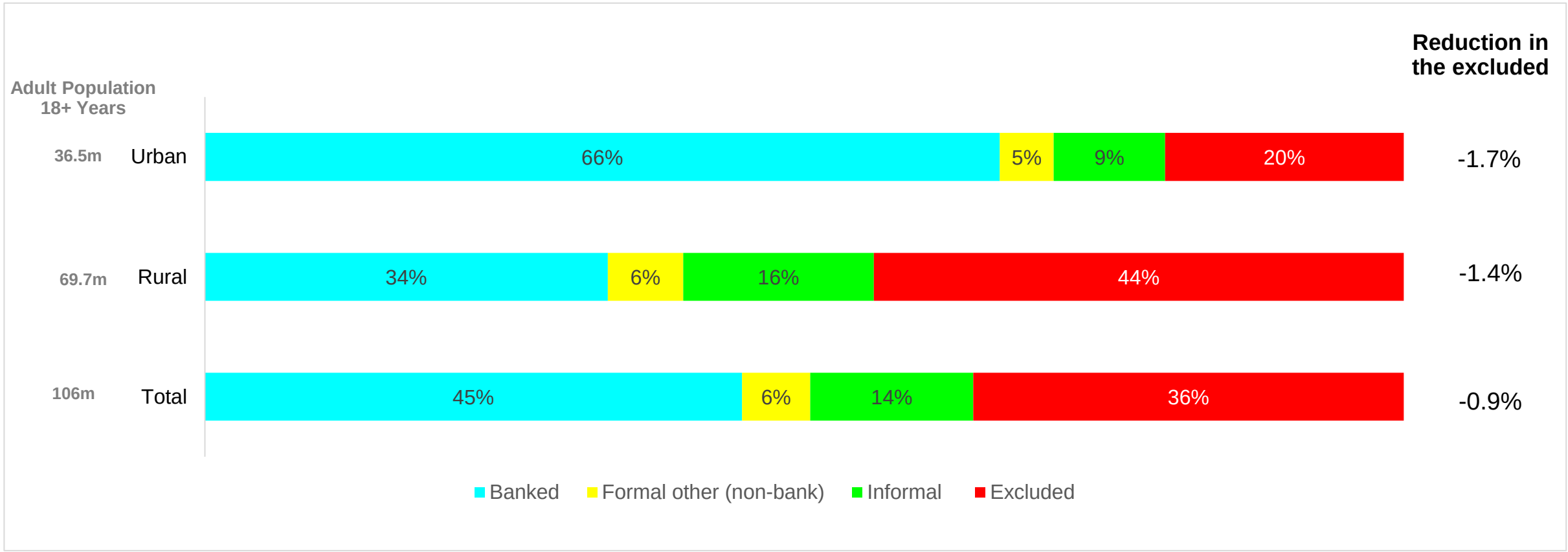
The formally employed market is nearly saturated for banks



Source: EFInA Access to Financial Services in Nigeria 2020 survey

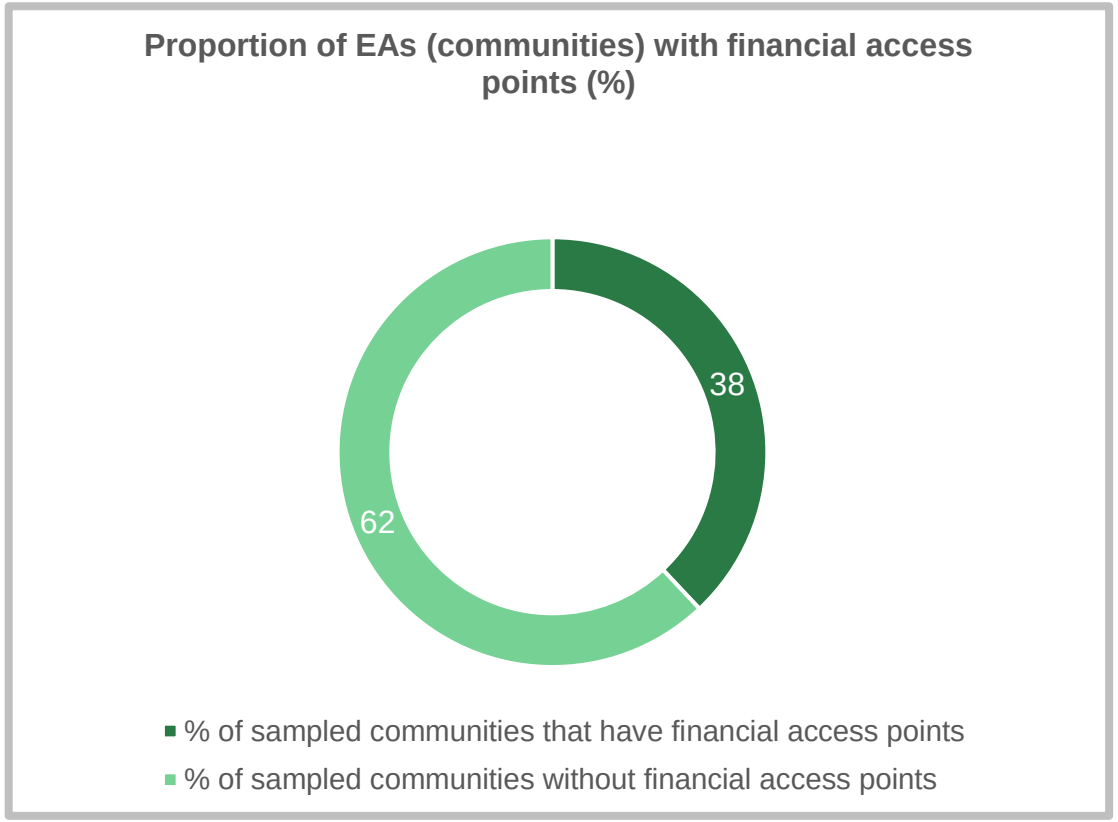
Only one third of rural adults are banked, compared to two thirds of adults in urban areas

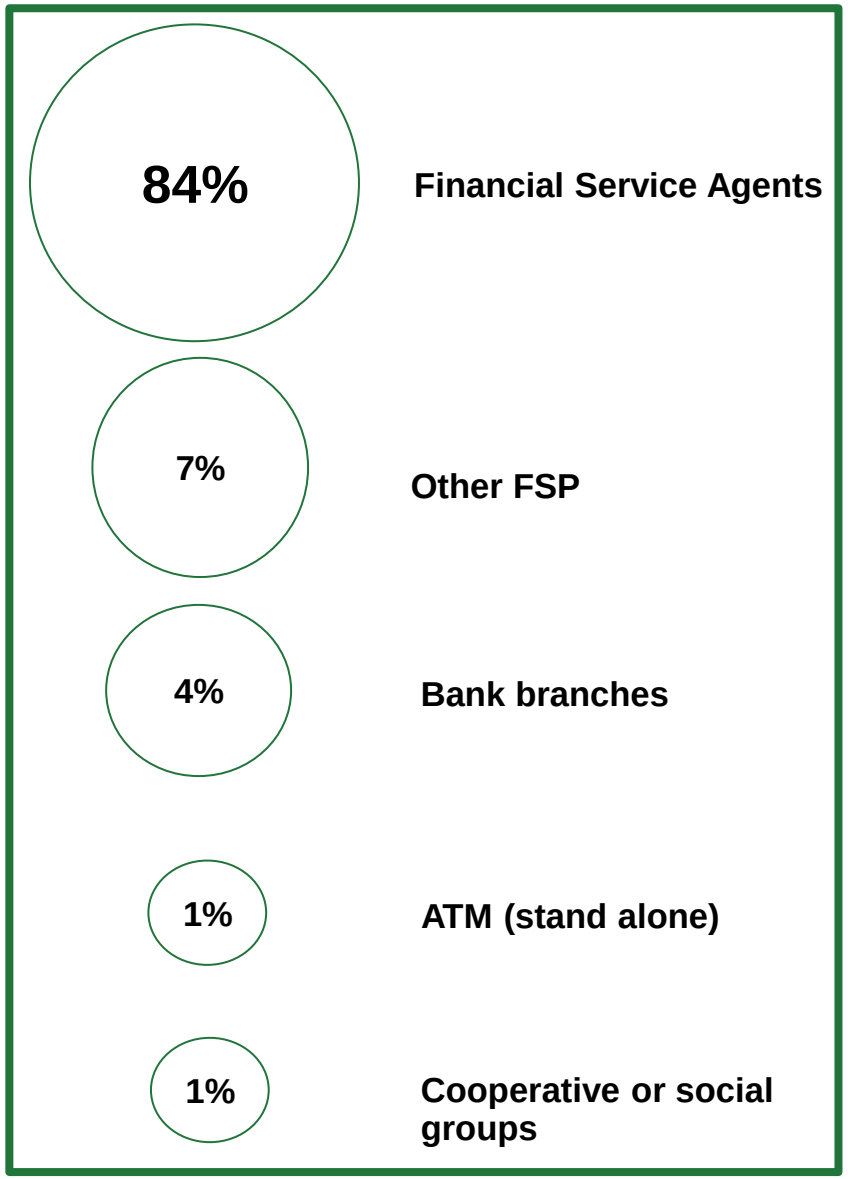
- Banking services are still not reaching all rural areas. However, the data show some increase since 2018
- Rural adults continue to be more likely than those in urban areas to rely exclusively on informal financial services



Source: EFInA Access to Financial Services in Nigeria 2020 survey

Rural population: *Only 38% of adults in rural areas are within proximity of financial access points/financial service providers. Of the 38%, 84% are Financial Services Agents.*

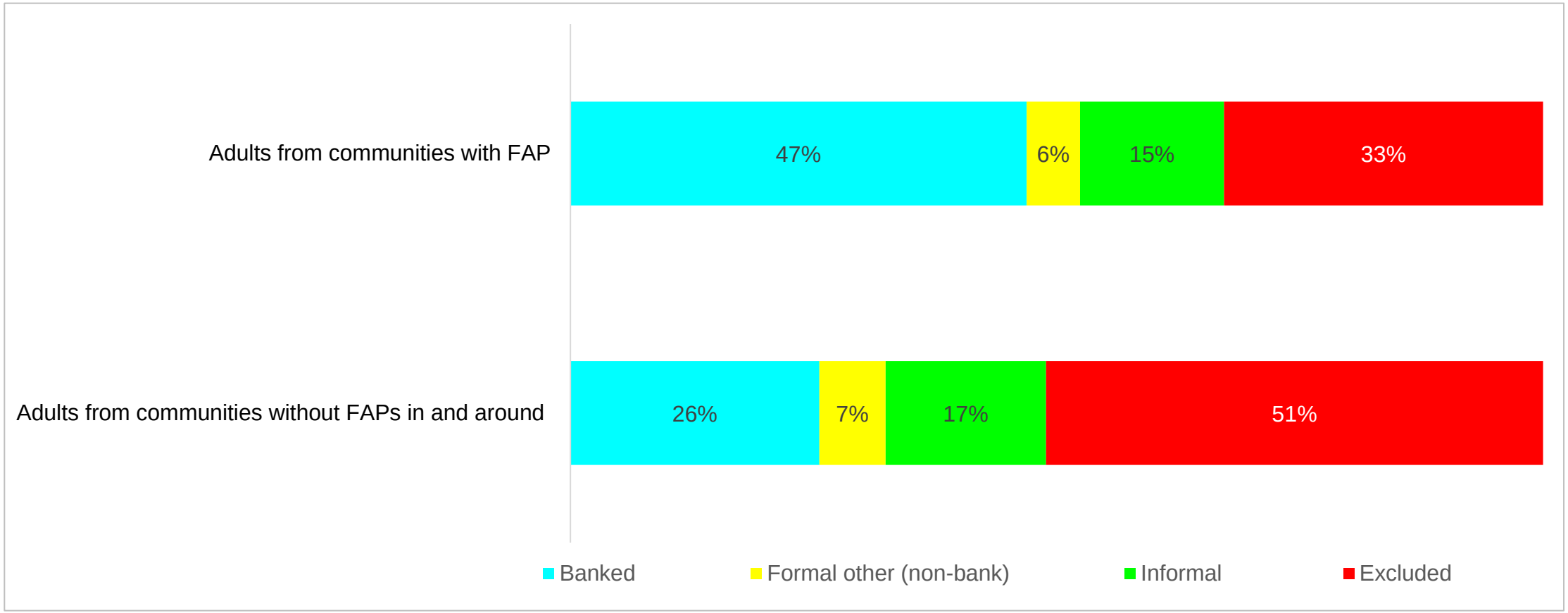




Type of financial service agent (Drivers)
Banking agents (45%)
Other formal (30%)
Other & non licensed (26%)
MNO (13%)

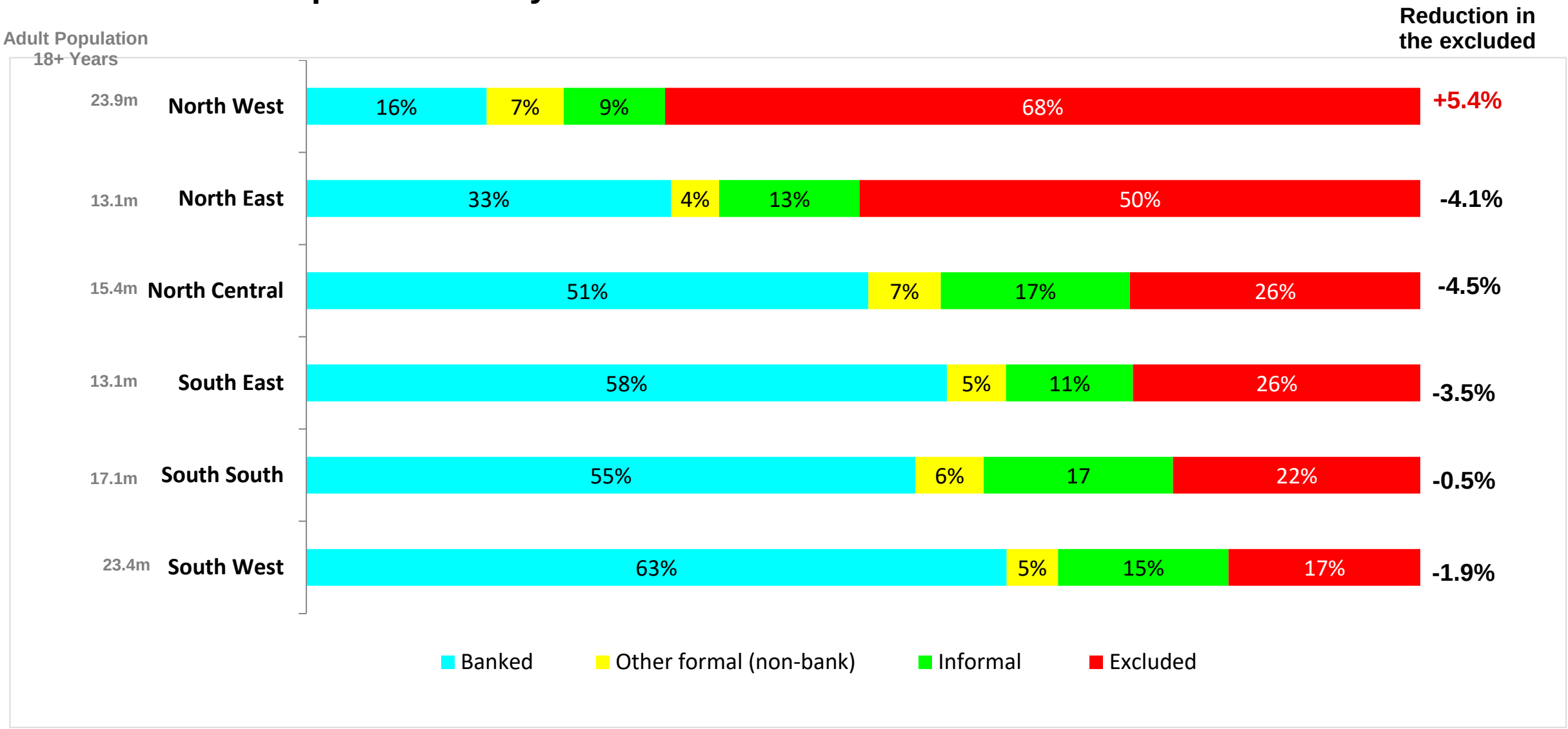
Source: EFInA Access to Financial Services in Nigeria 2020 survey

Rural populations with financial access points (FAP) in their communities are more likely to be financially included



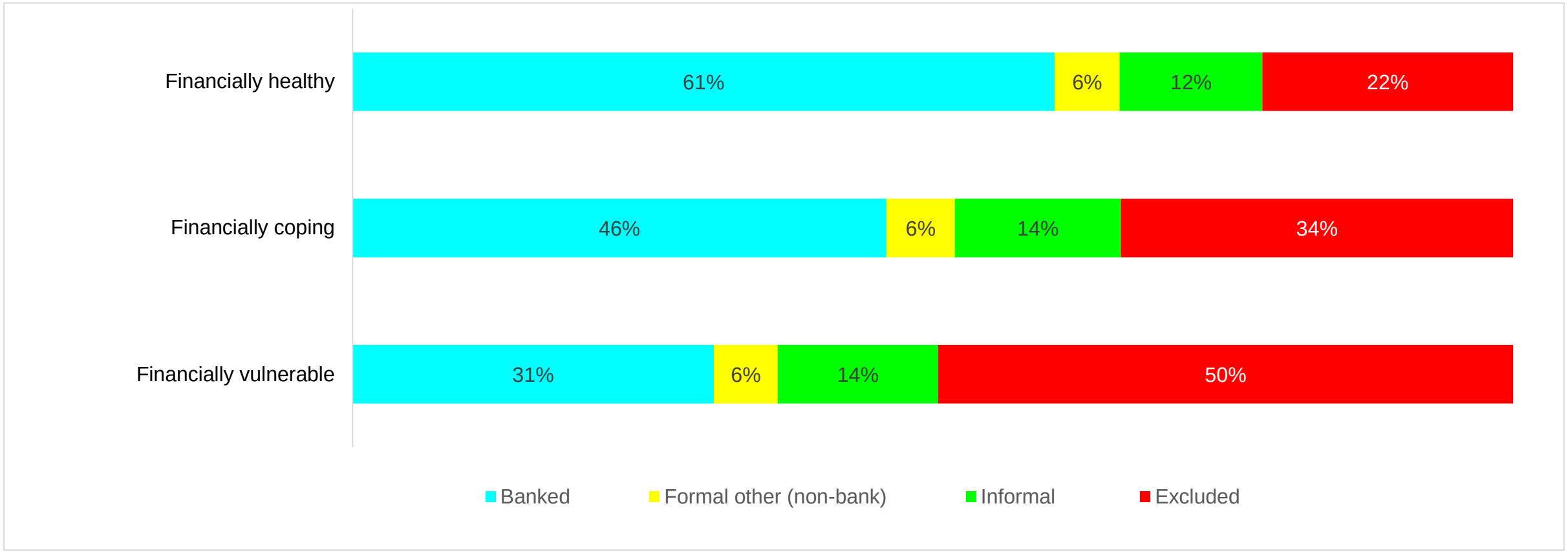
Source: EFInA Access to Financial Services in Nigeria 2020 survey

The North West and North East zones continue to be most excluded. While progress has been made in the NE, the large population in the NW is predominantly excluded



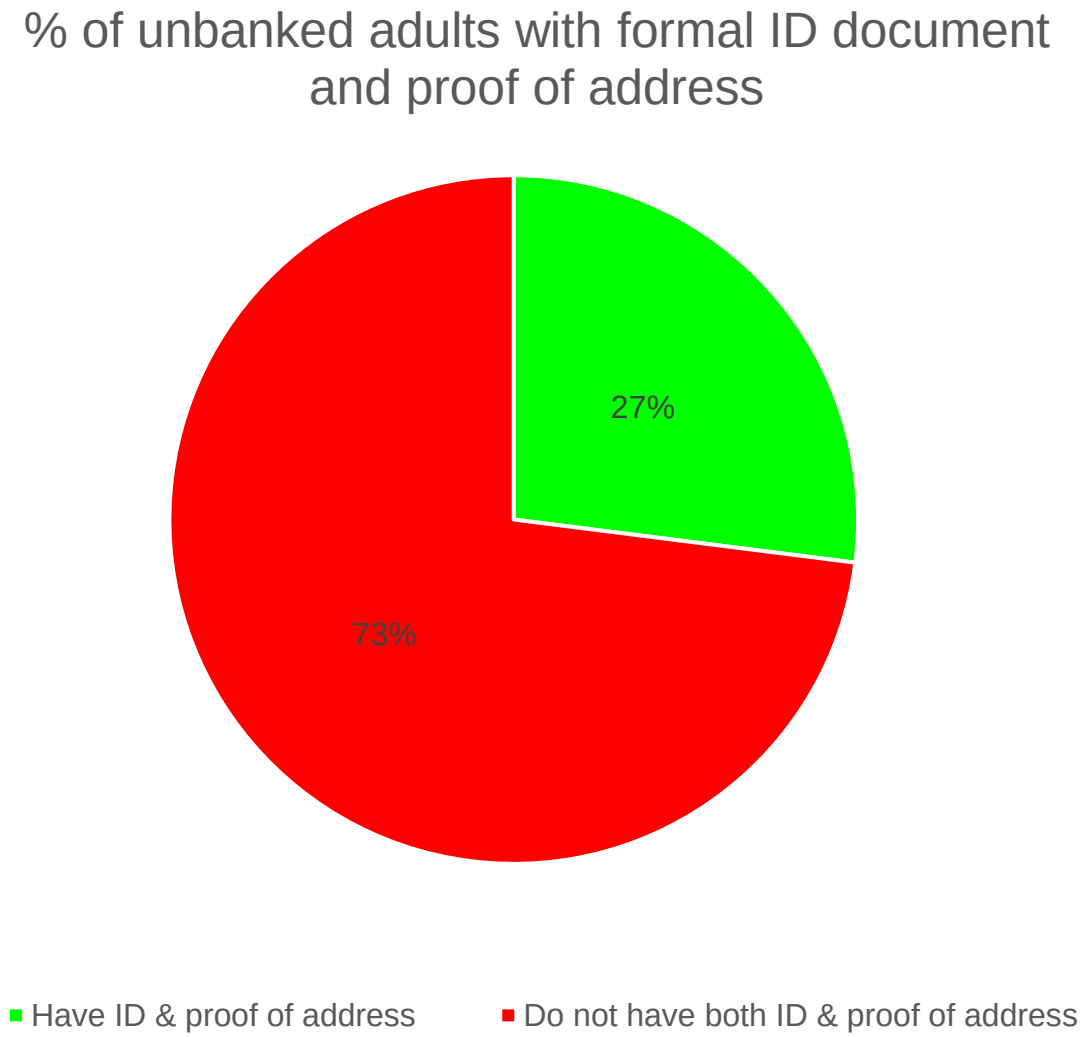
Source: EFInA Access to Financial Services in Nigeria 2020 survey

There is a direct correlation between financial health and financial inclusion



Source: EFInA Access to Financial Services in Nigeria 2020 survey

Out of the 59 million unbanked adults, 43m (73%) do not have the required documents to open a Tier 3 bank account



Source: EFInA Access to Financial Services in Nigeria 2020 survey

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National Financial Inclusion Strategy (NFIS) Targets

While overall financial inclusion continues to grow incrementally, progress has been too slow to meet National Financial Inclusion Strategy targets

*** The NFIS target is*: Reduce financial exclusion rate of adults to 20% by 2020***

			Status as at						
	Focus Areas	**Target by 2020**	**2010**	**2012**	**2014**	**2016**	**2018**	**2020**	**Variance to 2020 Target**
% of Total Adult Population	**Payments**	**70%**	22%	20%	24%	38%	40%	**45%**	-25%
	Savings	**60%**	24%	25%	32%	36%	24%	**32%**	-28%
	Credit	**40%**	2%	2%	3%	3%	2%	**3%**	-37%
	Insurance	**40%**	1%	3%	1%	2%	2%	**2%**	-38%
	Pension	**40%**	5%	2%	5%	7%	8%	**7%**	-33%
	Formally served	**70%**	36.3%	43.0%	48.6%	48.6%	48.6%	**50.5%**	-19.5%
	Financial Exclusion	**20%**	46.3%	39.7%	39.5%	41.6%	36.8%	**35.9%**	-15.9%

DEFINITION OF INDICATORS

Payments:	% of adult population that has a transaction account with a regulated financial institution and/or has made an electronic payment through a regulated financial institution in the last 12 months
Savings:	% of adult population that has a savings-related product at a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months
Credit:	% of adult population that has had a credit product through a regulated financial institution in the last 12 months
Insurance:	% of adult population that is covered by a regulated insurance policy
Pension:	% of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme

Source: EFInA Access to Financial Services in Nigeria 2020 survey

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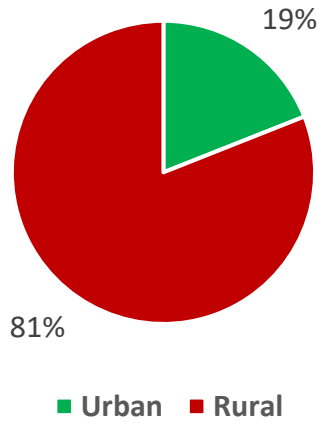
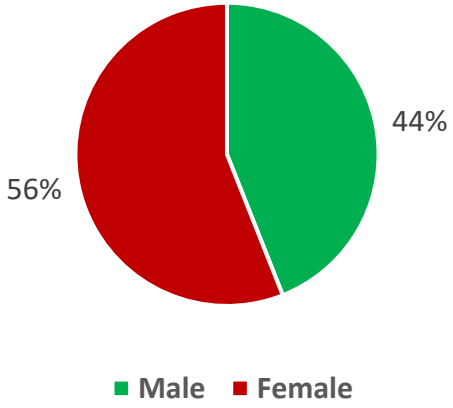
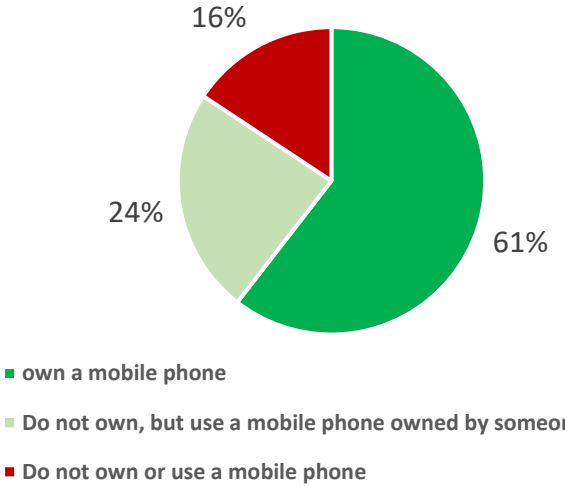
Excluded Population

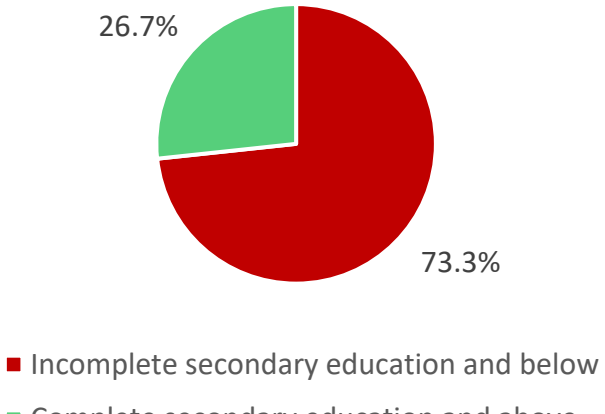
Financially excluded are predominantly dependents, reside in rural areas, have low education with and low proximity to access points

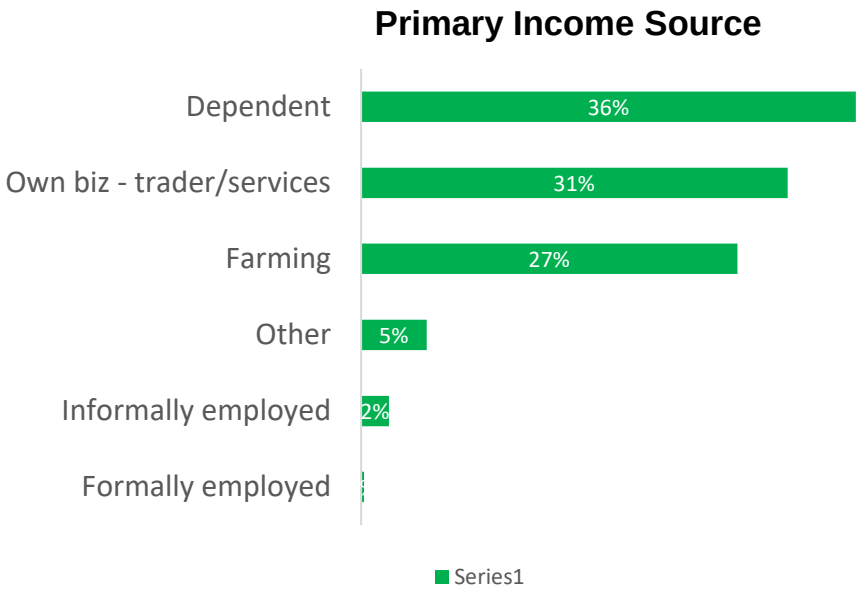
There are 38 million financially excluded adults. Of these, 43% live in the North West

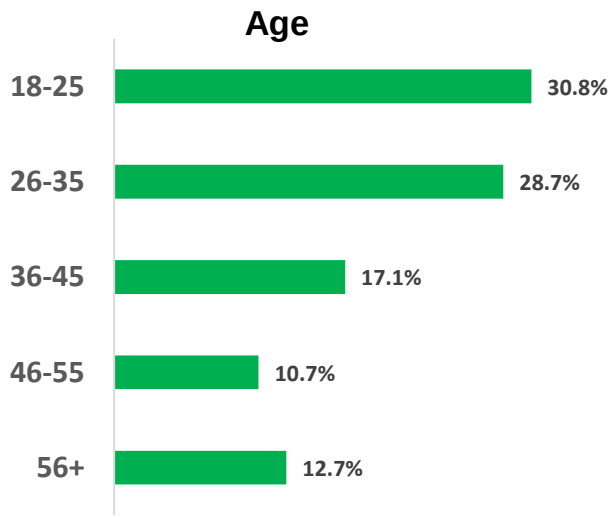


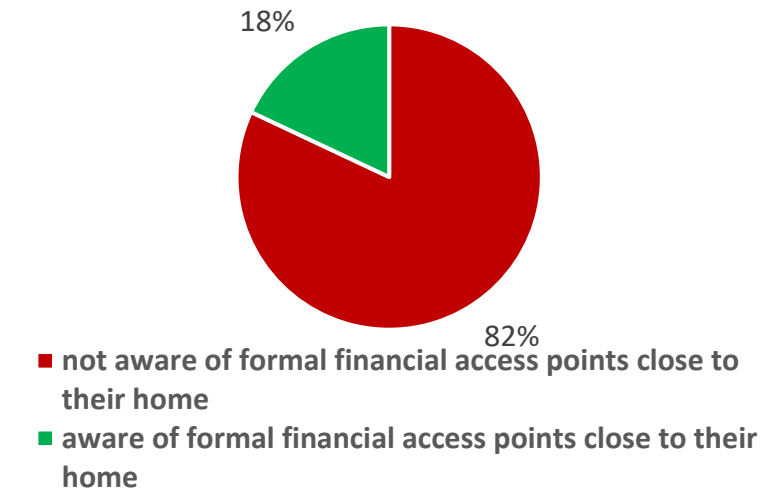












Source: EFInA Access to Financial Services in Nigeria 2020 survey

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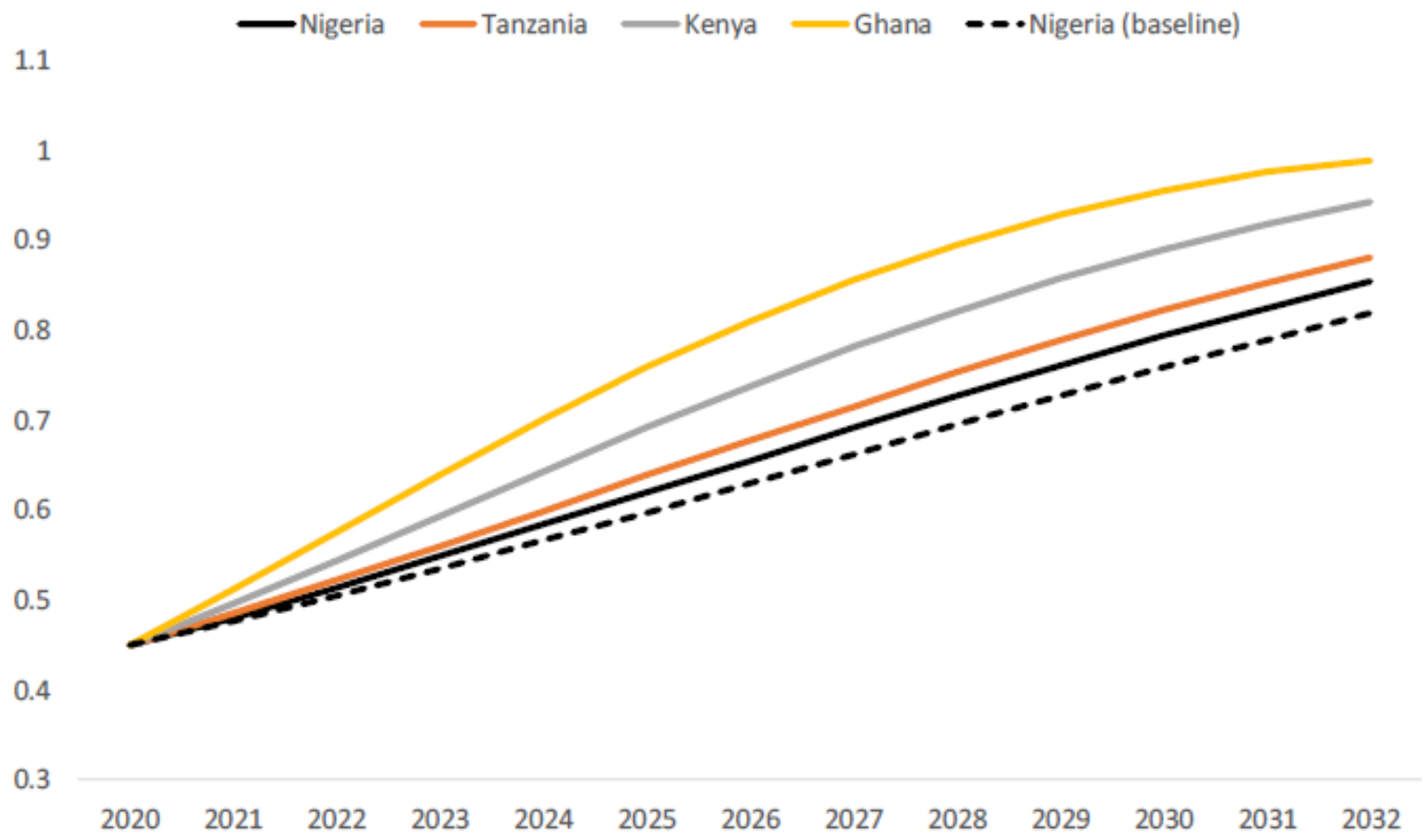
Key Findings

Key Findings

- Despite challenging economic circumstances, financial inclusion continued to grow incrementally, with more than half of Nigerian adults using formal (regulated) financial services for the first time
- However, at the current rate of progress, the National Financial Inclusion Strategy targets for 2020 will not be met until around 2030
- Stubborn access gaps have persisted since 2008 for the most excluded groups: women, Northern Nigerians, Nigerians in rural areas, and youth
- The main barriers to financial inclusion remain institutional exclusion, affordability, access, and low awareness
- In 2020, we saw faster growth in banking, use of financial service agents, and use of digital financial services
- Use of informal financial services also grew, with many Nigerians continuing to use a combination of formal and informal financial services to meet their needs
- Only about 1 in 4 Nigerian adults are considered financially healthy (27%), while 39% are coping and 34% are financially vulnerable
- Growth in digital financial services, agent networks, and mobile phone ownership (now at 81%) highlights the opportunity to drive faster financial inclusion growth through digital financial services such as mobile money

If Nigeria experiences rapid uptake of mobile money experienced in some neighbouring countries, financial inclusion targets could be met much faster



Source: WorldData Lab and ConsumerCentrix predictive analysis of financial access trends in Nigeria
Analysis used multiple data sources including EFInA Access to Financial Services in Nigeria survey datasets

Coming Soon- Kaduna State Deep Dive

For the first time, the EFInA Access to Financial Services in Nigeria 2020 Survey includes a deep-dive sample for one state that is representative at the Local Government Area (LGA) level.

- With funding support from the Bill & Melinda Gates Foundation, EFInA conducted a deep dive survey in Kaduna State
- This survey sampled **4600** adults across 23 Local Government Areas
- The survey covers the same data as the main Access to Financial Services in Nigeria Survey, including:
    - Financial Inclusion Landscape
    - Financial behavior
    - COVID-19 impact
    - Beyond Financial Inclusion – Financial health, needs and capabilities

- This data can be disaggregated by Local Government areas and allows for in-depth analysis with multiple variables at the state level

Stay tuned for a launch of the data in June 2021

How to use the Access to Financial Services in Nigeria 2020 Survey Data

These Key Findings are just the tip of the iceberg. The A2F dataset can be used for in-depth analysis of a variety of topics.

Reports and datasets are available to the public

- Access to Financial Services in Nigeria Survey website: www.a2f.ng
- EFInA website: www.efina.org.ng

Want specific insights? Let us know

Send a request to info@efina.org.ng

Contact	Website
info@efina.org.ng	www.efina.org.ng

Acknowledgements

We would like to thank the many partners who contributed to the success of the EFInA Access to Financial Services in Nigeria 2020 Survey, including:

Delivery partners:

- National Bureau of Statistics
- Ipsos Nigeria
- FinMark Trust

Funding partners:

- UK Foreign, Commonwealth & Development Office (funding support for main survey)
- Bill & Melinda Gates Foundation (funding support for Kaduna State deep dive)

The many stakeholders and partners who provided input to the survey questionnaire, and advised on approaches for conducting fieldwork safely following COVID

And **the more than 30,000 Nigerian survey respondents** who contributed their time and information to benefit this research.