



Capital Market as a vehicle for driving inclusion

21st JUNE, 2022



How can the Capital Market enable Financial Inclusion?

- By Providing investment opportunities for people at the low-income segment of the economy
- Driving financial literacy on capital market products
- Providing consumer protection mechanisms for those who invest in these products
- Creating awareness on the existence of capital market products tailored to the low-end segments
- Bridging the gap of capital market inclusion between Rural/Urban, North/South, Youth/Adult, Women/Men, etc
- Accelerating digital financial services around Capital Market products to drive widespread adoption
- Enabling product innovation and customization for customers (one product may not be suitable for all segments, even within the CIS).

The Collective Investment Scheme

The Investments and Securities Act (ISA) No. 29 of 2007 (Section 153) defines Collective Investment Scheme as “a scheme in whatever form, including an open-ended investment company, in pursuance of which members of the public are invited or permitted to invest money or other assets in a portfolio, and in terms of which:

Two or more investors contribute money or other assets to and hold a participatory interest;

The investors share the risk and benefit of investment in proportion to their participatory interest in a portfolio of a scheme or on any other basis determined in the deed, but not a collective investment scheme authorised by any other Act”.

Types of Collective Investment Schemes:

- Unit Trusts
- Venture Capital Funds
- Open-ended Investment Companies
- Real Estate Investment Schemes
- Specialized Funds



INTRODUCTION TO FINANCIAL INCLUSION

DEFINITION: “Financial inclusion is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at an affordable cost” (NFIS).

1 ‘Easy access’



Financial products must be within easy reach of all segments of the population and should not have onerous requirements.

2 ‘Broad Range’



Availability of a full spectrum of financial services including, but not limited to payments, savings, credit, insurance, investment schemes, and pension products

3 ‘Meets Needs’



Products must be designed to meet the needs of clients and should consider income levels, as well as access to distribution channels

4 ‘Affordability’



Financial services should be affordable even for low-income groups.



INTRODUCTION TO FINANCIAL INCLUSION



Financial Inclusion enables unbanked and underserved people and communities to have access to financial services that would:



✓ *Enhance their economic opportunities;*



✓ **Boost productivity in various sectors and,**

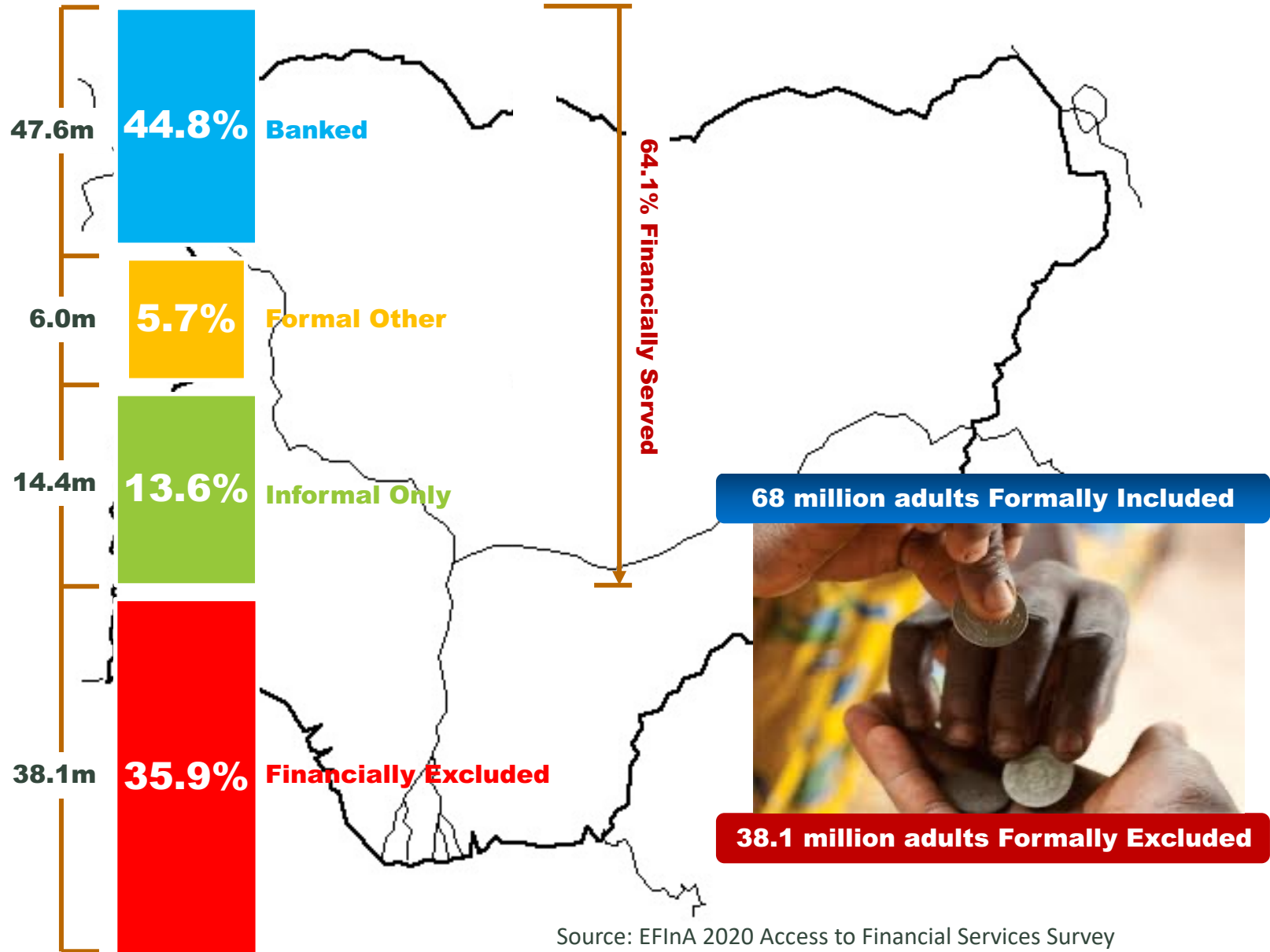
✓ *Contribute to economic development.*





INTRODUCTION TO FINANCIAL INCLUSION

Current status of Financial inclusion in Nigeria;



Source: EFINA 2020 Access to Financial Services Survey



NATIONAL FINANCIAL INCLUSION STRATEGY

NATIONAL FINANCIAL INCLUSION STRATEGY

Target
80% Financial Inclusion by 2020



- **Launched in 2012**
- **Targets for Payments, Savings, Credit, Pension, Insurance**

Payments	70%
Savings	60%
Credit	40%
Insurance	40%
Pension	40%

Key strategies to achieve targets;

- Agent Banking
- Mobile Banking/Payments
- Tiered KYC regulations
- Linkage models
- Client empowerment
- National Financial literacy strategy
- Consumer protection

NATIONAL INCLUSION STRATEGY 2.0 >

No New Targets set in Revised NFIS

- **Revised in 2018**
- **Demography of Excluded Groups:** Gender Gap (Women), Urban-Rural Gap (Rural), Age Gap (Youth), Regional Gap (Northern region), Formality Gap (MSMEs)

5 Priority actions to address barriers/achieve targets:

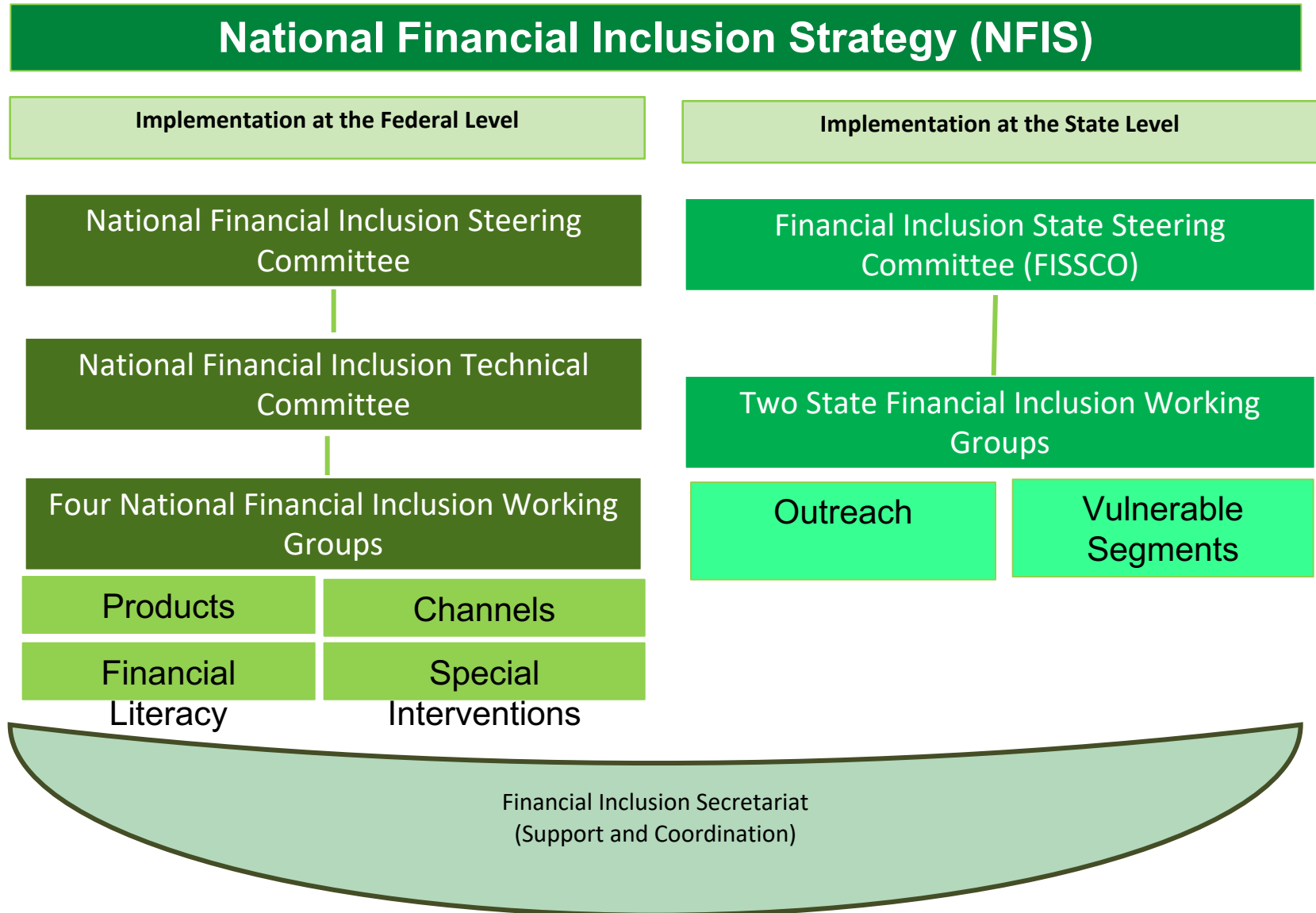
- Create an enabling environment for the expansion of DFS
- Enable the rapid growth of agent networks with nationwide reach
- Harmonise KYC requirements
- Create an enabling environment to serving the most excluded
- Improve the adoption of cashless payment channels

FINANCIAL INCLUSION TARGET POST 2020; 95% BY 2024 – As pronounced by the Governor in 2019



NATIONAL FINANCIAL INCLUSION STRATEGY 2.0 (Revised)

The Financial Inclusion Governance Structure;





NATIONAL FINANCIAL INCLUSION STRATEGY – KEY MILESTONES

The targets for Financial Inclusion were defined along specific, measurable, achievable, realistic and time bound time lines (SMART)

National Financial Inclusion Strategy (NFIS) Targets

	Strategy Targets	2010 Baseline	2015 Target	2020 Target
% of total adult population	Payments	21.6%	53%	70%
	Savings	24%	42%	60%
	Credit	2%	26%	40%
	Insurance	1%	21%	40%
	Pensions	5%	22%	40%
	Capital Market Investments	Pending	Pending	Pending
	Number per 100,000 adults	Bank Branches	6.8	7.5
Microfinance bank branches		2.9	4.5	5.0
ATM		11.8	88.5	203.6
POS		13.3	442.6	850.0
Mobile Agents		0	31	62
KYC ID (National ID)		18%	59%	100%

NFIS-KEY MILESTONES



Agent Network Expansion*



2020

561,044 Agents
529.29 Agents/100K adults

2019

236,940 Agents
228.8 Agents/100K adults

2018

38,416 Agents
38.6 Agents/100K adults



Point of Sale (POS) machines



2020

303,349 machines
286.18 POS/100K adults

2019

186,774 machines
180.4 POS/100K adults

2018

217,283 machines
218.0 POS/100K adults



Automated Teller Machines (ATM)



2020

18,939 ATMs
17.87 ATM/100K adults

2019

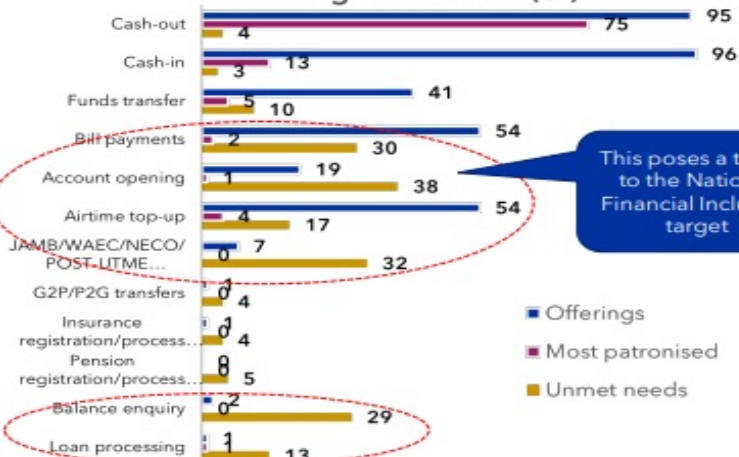
17,518 ATMs
16.92 ATM/100K adults

2018

18,910 ATMs
19.0 ATM/100K adults

Challenges with the platform is key to driving usage and adoption of agent services

Agent Services (%)



This poses a threat to the National Financial Inclusion target

- Most recent SANEF estimate is 1 million agents, 75% active - however there is significant double counting
- Agent network still suffers a lack of equitable spread, High agent attrition rates, Limited product offering and low incentive to set up in hard-to-reach areas
- Challenge is to increase usage and cover gaps:
 - Wider range of services e.g. PSB, sought after services e.g. account opening & Study registration
 - Data analytics to address usage, dormancy, and coverage into unserved LGAs where it is practical to do so
 - Potential for some market based pricing given difficulty to enforce price guidelines



NFIS – KEY MILESTONES

From inception, progress against set targets has been recorded as follows;

* 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%

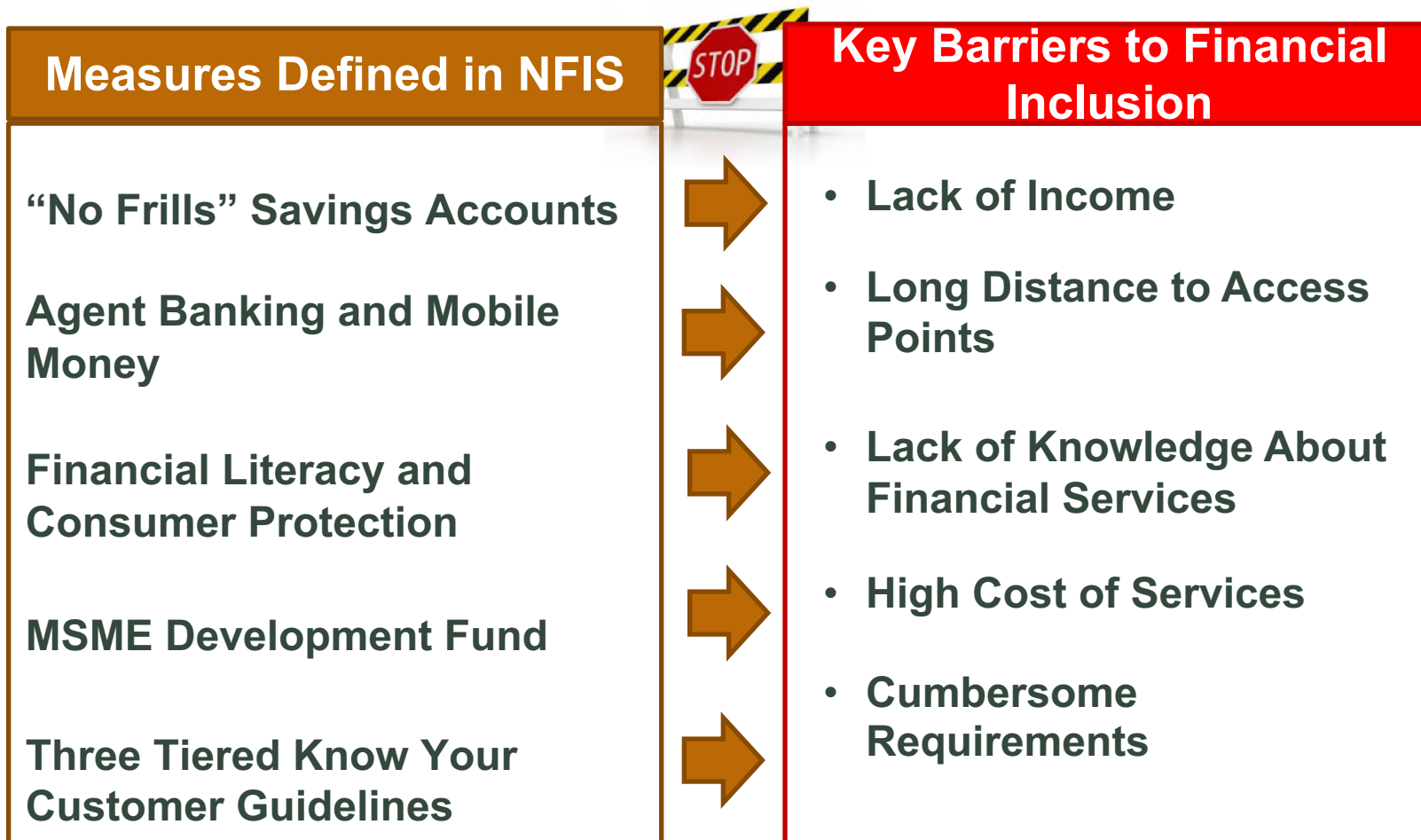
DEFINITION OF INDICATORS

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



CRITICAL CHALLENGES TO FINANCIAL INCLUSION

Critical barriers to Financial inclusion in Nigeria;

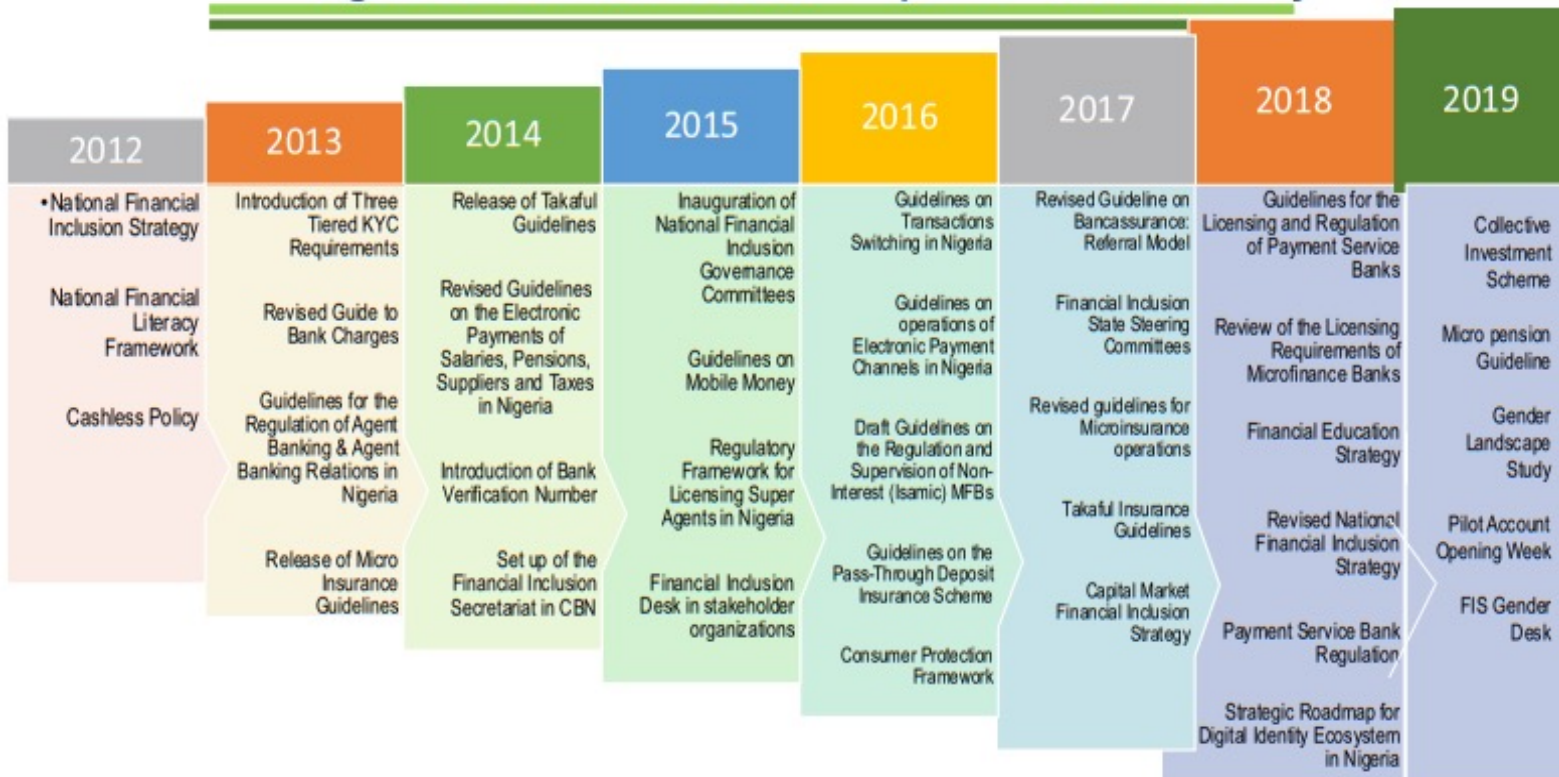




NFIS AND PAYMENTS SYSTEM IMPLEMENTATION UPDATE

From Implementation till date, the following policies and schemes have been implemented to address barriers and reach financial inclusion targets

Nigeria's Financial Inclusion Implementation Journey



2020/2021:

- Framework for Advancing women's Financial Inclusion in Nigeria.
- Open Banking Guideline
- Regulatory Framework for Sandbox Operations
- Framework for QR code payments
- Guidelines on the operation of Electronic payment channels
- E-Naira



THANK YOU

