

SEC Investor/Issuer Education Outreach Programme

Port Harcourt, Rivers State

28 July 2011

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- Enhancing Financial Innovation & Access (EFInA), is a financial sector development organization that promotes financial inclusion in Nigeria
- EFInA is funded by the UK Government Department for International Development (DFID) and The Bill & Melinda Gates Foundation
- Our vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system
- EFInA's holistic approach to expanding access to finance is based on three pillars:
 - **Research:** The provision of credible market information on the Nigerian financial sector
 - **Innovation:** Through our Innovation Fund, we catalyze the development of innovative inclusive financial services for the unbanked and under-banked population in Nigeria
 - **Advocacy:** We advocate for the development and implementation of policies that create an enabling environment for financial inclusion

EFInA Access to Financial Services in Nigeria 2010 Survey

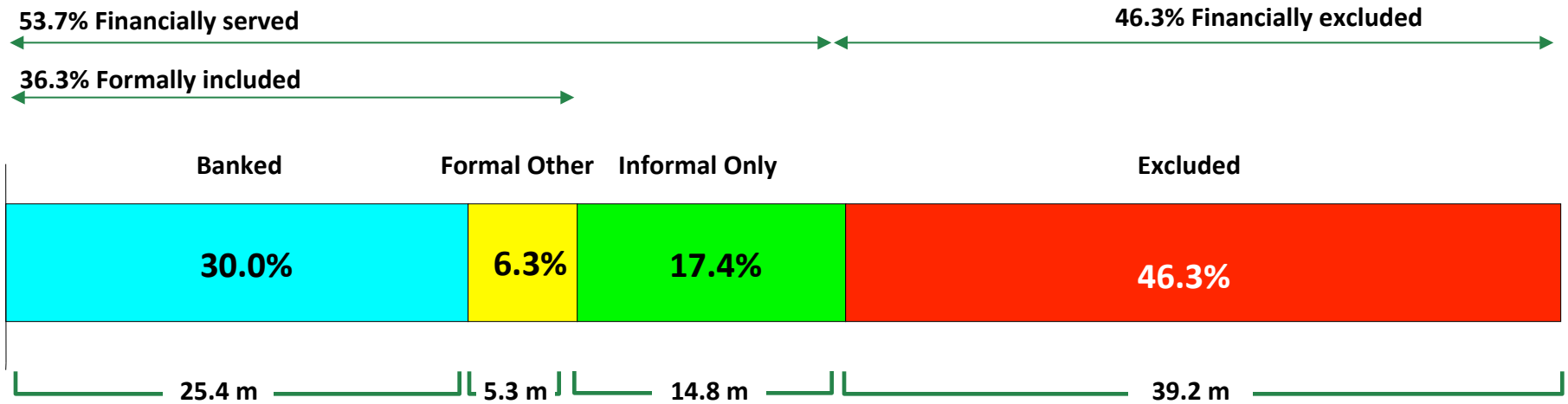
Key Findings

- Many Nigerian, for numerous reasons are unbanked and lack access to formal financial services
- Billions of Naira circulates through the informal sector and this has a negative impact on the country's economic growth and development
- Financial inclusion is the provision of a broad range of high quality financial products (such as savings, credit, insurance, payments and pensions) which are **relevant, appropriate and affordable**, to serve the needs of the entire adult population and especially the low income segment
- Access to a range of affordable, safe and reliable financial services provide the necessary lubricant for economic growth and contribute to wealth creation and reduction in poverty
- Financial Inclusion is therefore key to tackling the 'poverty trap' in Nigeria

- Our flagship research tool is the EFInA Access to Financial Services in Nigeria survey. The survey provides relevant and reliable data on the demand for and use of financial services by the adult population in Nigeria
- The survey is conducted every two years
- The EFInA Access to Financial Services in Nigeria survey is nationwide and covers over 20,000 consumers
- The survey aims to:
 - Establish benchmarks and indicators of financial penetration in Nigeria
 - Identify the financial needs of the adult population and thereby give service providers the opportunity to develop innovative products to serve them
 - Provide credible data that can support evidence based financial inclusion policies and highlight opportunities for policy reform

Financial Access Strand

- 30.7 million adults are formally included
- 39.2 million adults are financially excluded



DEFINITION OF FINANCIAL ACCESS

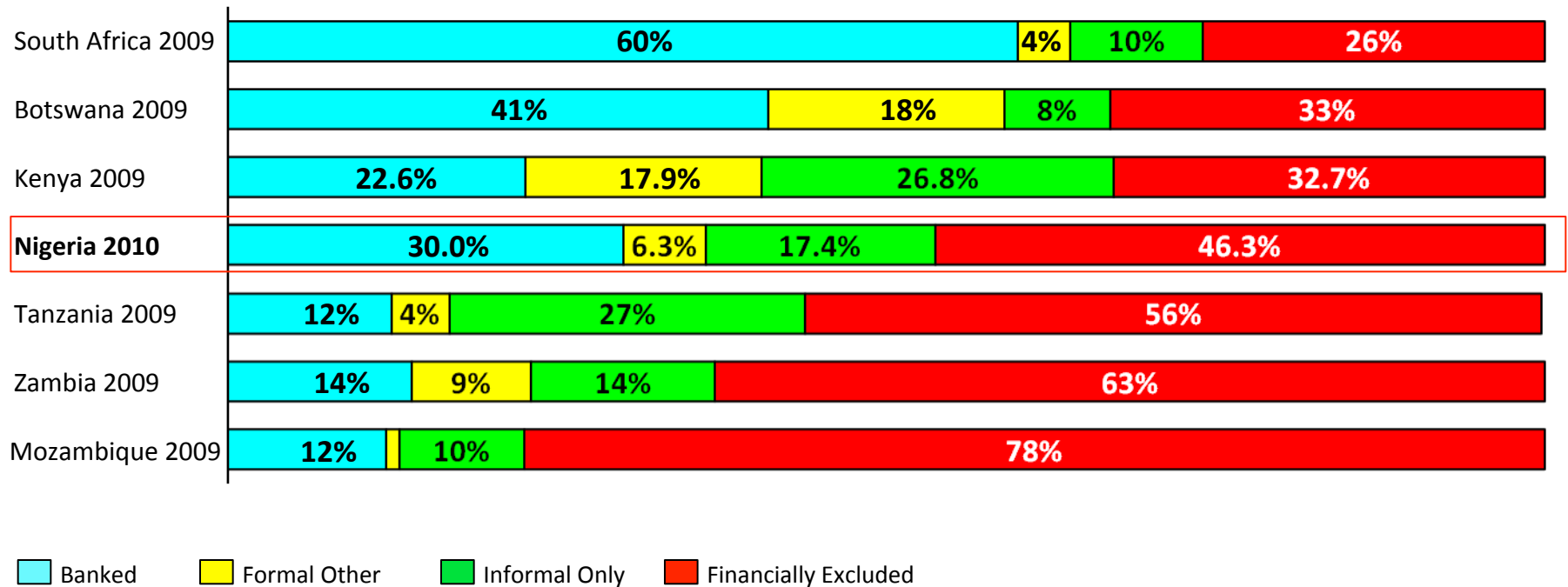
- ❑ **Banked:** all adults who have access to or use a deposit money bank, in addition to having/using a traditional banking product, including ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, or Islamic banking product
- ❑ **Formal Other:** all adults who have access to or use other formal institutions and financial products not supplied by deposit money banks, including Insurance companies, microfinance banks, pension schemes or shares. It also includes remittances (through formal channels)
- ❑ **Informal Only:** all adults who do not have any banked or formal other products, but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo, or moneylenders; as well as remittances (through informal channels such as via a transport service or recharge card)
- ❑ **Financially Excluded:** adults not in the banked, formal other or informal only categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers, as well as remittances via a friend/family member

These four strands are mutually exclusive

Source: EFInA Access to Financial Services in Nigeria 2010 survey

Financial Access - Cross Country Comparisons

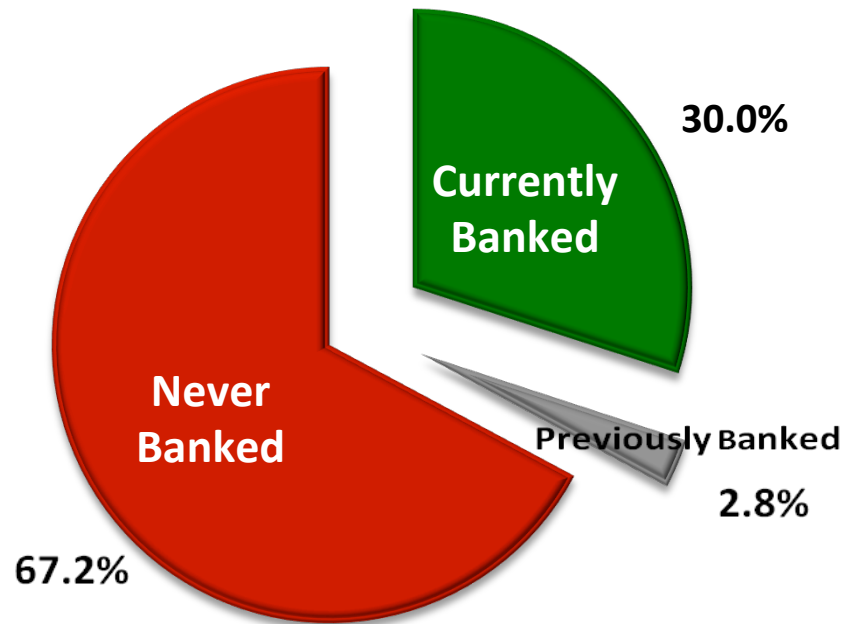
- Nigeria lags behind South Africa, Botswana and Kenya in terms of the percentage of the population who are financially served
- The growth in the financially served population in Kenya is mainly attributable to their mobile payments offering (M-PESA - which is classified in the Formal Other sector)



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

Banking Profile of the Adult Population

- 63.5% of adult males are unbanked
- 76.8% of adult females are unbanked
- 78.8% of the rural population is unbanked



■ Never Banked
 ■ Currently Banked
 ■ Previously Banked

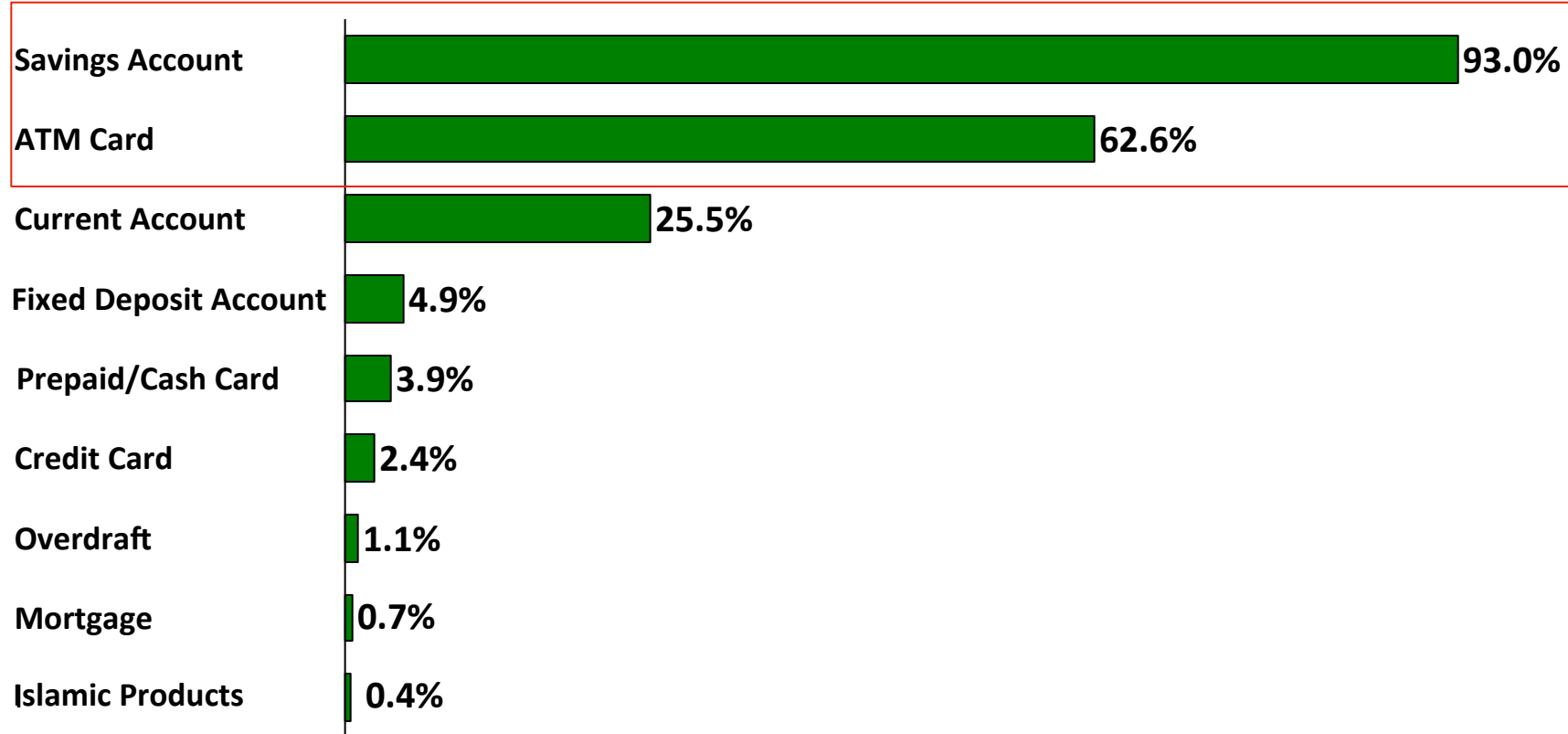
- Only 30% of the adult population currently has a bank account, which is equivalent to 25.4 million people
- 67.2% of the adult population have never been banked, which is equivalent to 56.9 million people
- 2.4 million adults were previously banked

Banked definition:

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

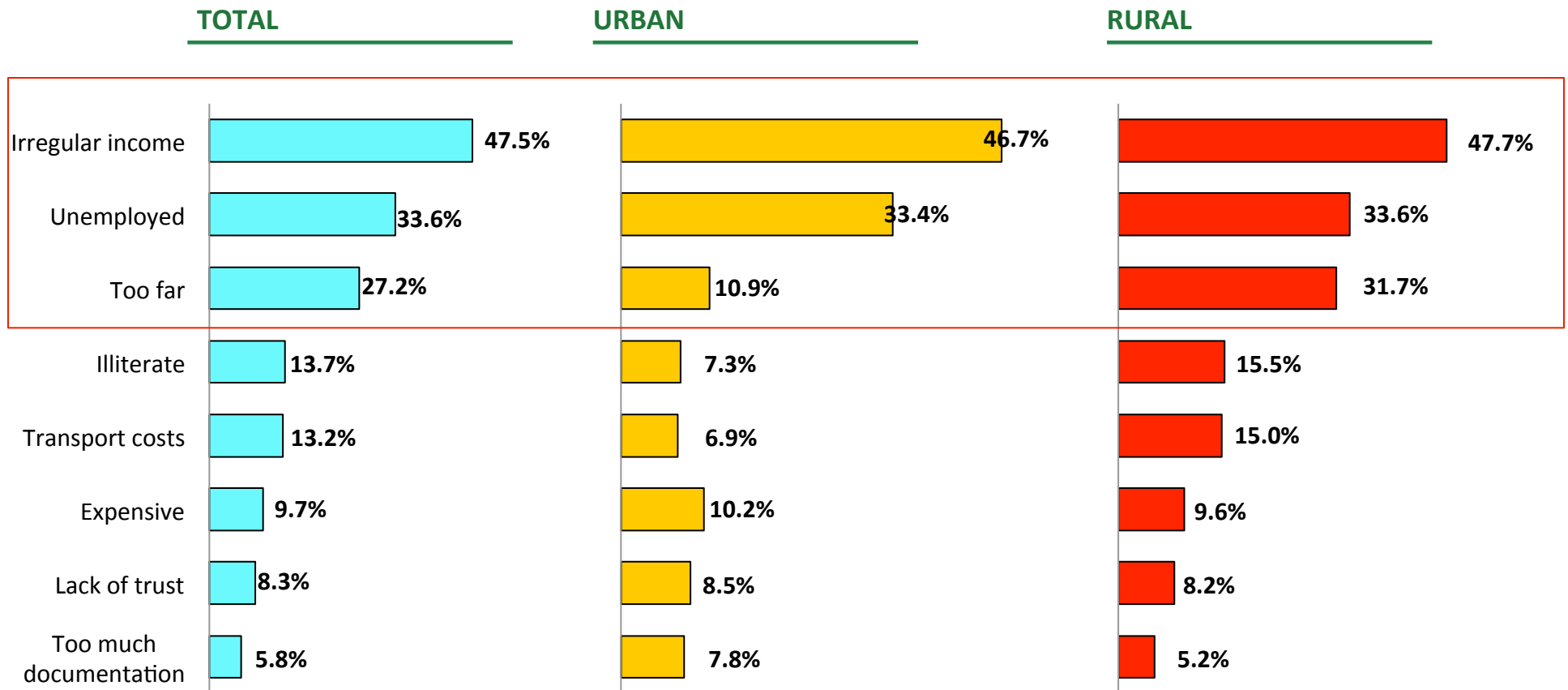
Current Usage of Bank Products (Have it now and use it)

- Of the 25.4 million adults who are banked – 23.6 million have a savings accounts, 15.9 million have ATM cards and 6.5 million adults have current accounts
- Of those that have a savings account, 2.2 million of them opened it because of a savings promotion



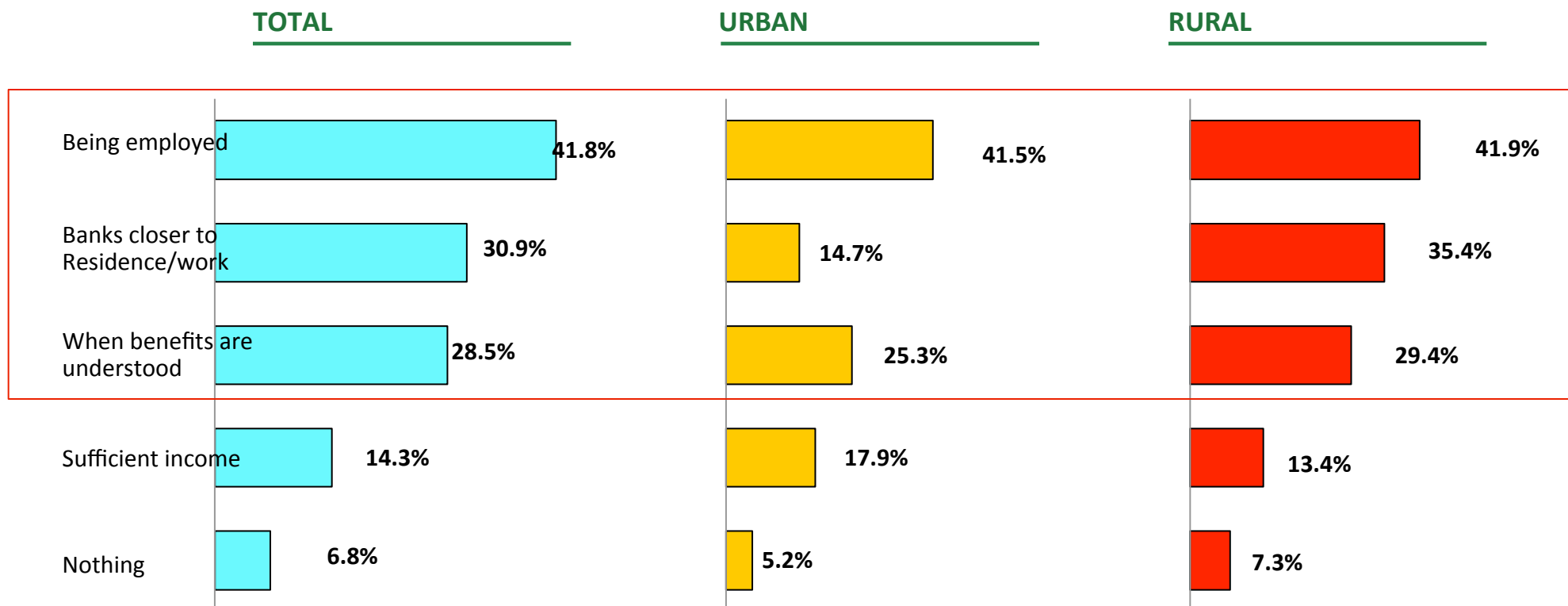
Reasons for not Having a Bank Account

- The main barriers to having a bank account are irregular income, unemployment and distance to the bank branch
- Bank proximity is of greater concern to the rural population



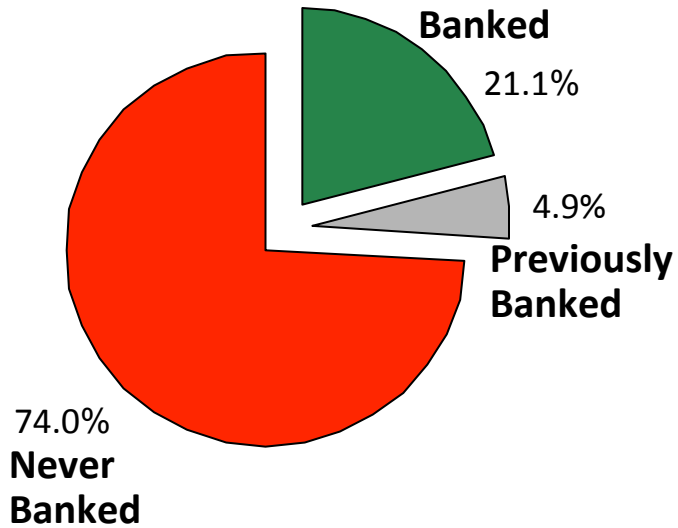
What Would Encourage the Unbanked to Open a Bank Account

- 42.4 million adults which represents 74.0% of the unbanked population would like a bank account
- The factors which would most likely encourage the unbanked to open a bank account are being employed, having a bank closer to residence/work and understanding the benefits of being banked
- Bank proximity is of greater concern to the rural population

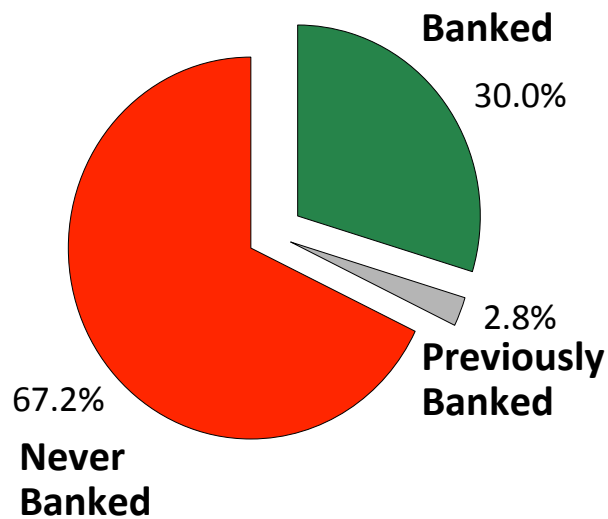


Change in Banking Status from 2008 to 2010

2008



2010



■ Currently banked
 ■ Previously banked
 ■ Never banked

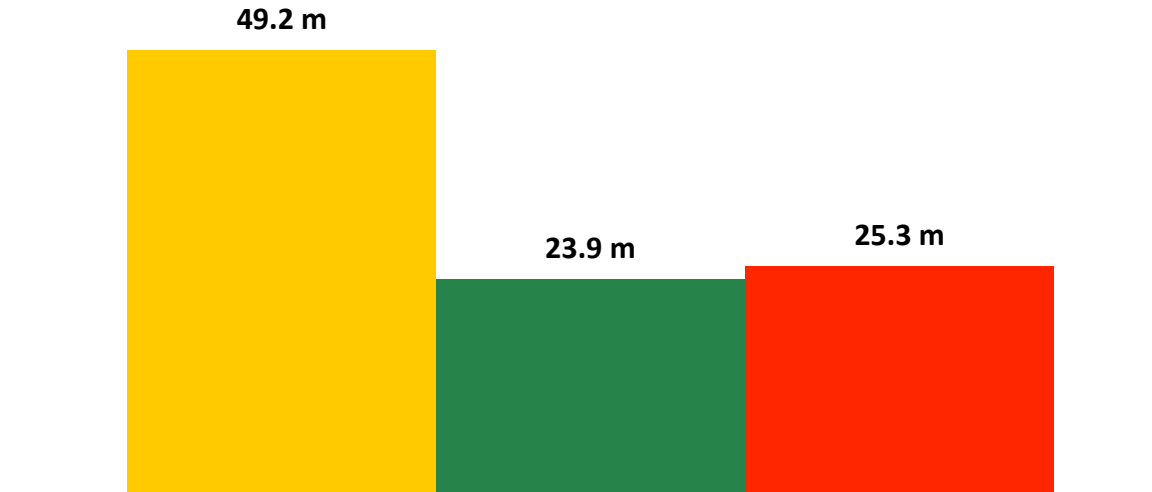
KEY COMMENTS

From 2008 to 2010:

- The percentage of the adult population who are banked increased by 8.9%, an increase of **7.7 million**
- The number of female adults that are banked increased by **3.4 million**
- The number of male adults that are banked increased by **4.3 million**

Mobile Phone Ownership vs. Banking Status

- 49.2 million adults own a mobile phone, of which:
 - **23.9 million** are banked (which represents 93.7% of the banked population)
 - **25.3 million** are unbanked (which represents 42.7% of the unbanked population)
- This clearly demonstrates the potential for using mobile phones as a distribution channel for providing financial services to the unbanked



 Total  Banked  Unbanked

Financial Capability

Key Questions:

- What is the minimum level of training/information required for consumers to gain basic financial understanding in a range of products (e.g. Savings, Insurance, Banking, Pensions, etc) in order to make safe and sound choices through their changing lifestyles?
- Who do we target (households, individuals) and at what level ?
- What is the most effective method of fulfilling their desired financial knowledge?

Why is it important in Nigeria?

Knowledge of Key Financial Terms

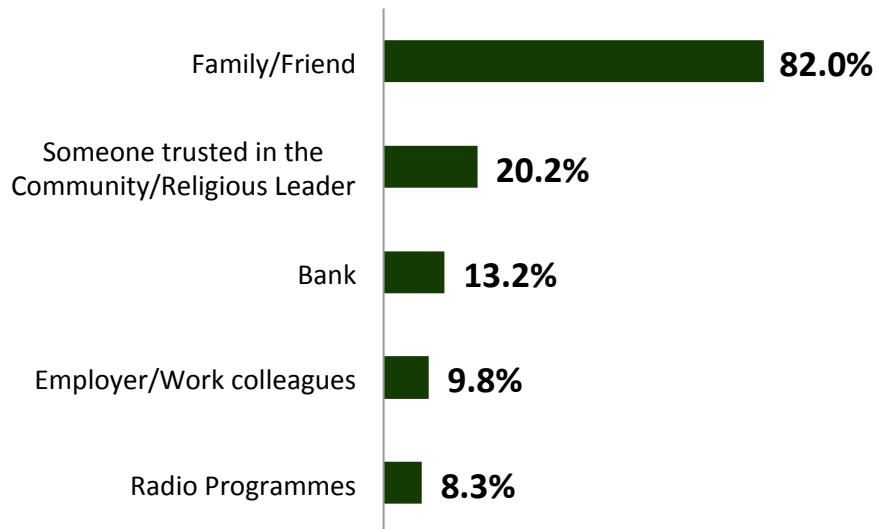
	Heard and know what it means	Heard but don't know what it means	Never Heard
Bank	84.6%	7.5%	7.9%
Interest	71.5%	10.5%	18.0%
Loans	69.9%	13.1%	17.0%
Savings Accounts	59.5%	12.9%	27.6%
Pension	55.1%	17.8%	27.1%
Cheque	54.5%	15.7%	29.8%
ATM Cards	45.7%	16.2%	38.1%
Current Accounts	44.1%	18.5%	37.4%
Insurance	35.9%	21.3%	42.8%
Microfinance	35.5%	19.8%	44.7%
Shares	27.5%	18.0%	54.5%
Mortgages	17.6%	17.1%	65.3%
Credit Cards	15.6%	15.8%	68.6%

- **65.3%** of the adult population have never heard of **Mortgages**
- **54.5%** of the adult population have never heard of **Shares**
- **44.7%** of the adult population have never heard of **Microfinance**
- **42.8%** of the adult population have never heard of **Insurance**
- **38.1%** of the adult population have never heard of **ATM cards**

Sources of Financial Advice/Desired Financial Knowledge

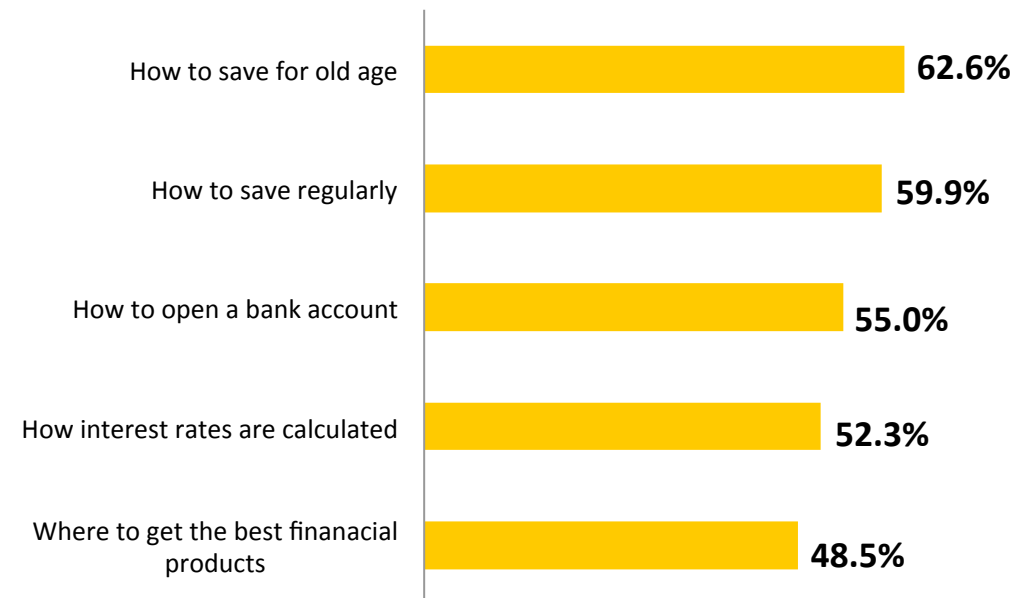
SOURCES OF FINANCIAL ADVICE

- 69.5 million adults (82.0%) get financial advice from family members or friends



DESIRED FINANCIAL KNOWLEDGE

- 53.1 million adults (62.6%) would like to know how to save for their old age
- 50.7 million adults (59.9%) would like to know how to save regularly



Consumer Protection

Typical Consumer Protection Concerns

- **Product transparency:** Consumers don't understand the service's total cost; this can be exacerbated by deceptive advertisements, excessive small print, complicated terms, inadequately trained staff, etc
- **Overcharging:** Consumers are charged extra fees and commissions that are not authorized or proper
- **Inadequate documentation:** Consumers do not receive copies of contracts, receipts, etc
- **Privacy, security, permission to share with third parties:** Consumers cannot be sure that personal data will be treated appropriately
- **Recourse:** Consumers don't know that they have the right to complain or get errors resolved; they may know they have this right, but don't know how and where to complain; they know how and where to complain, but fail to receive appropriate redress

Conclusions

Key Issues

- With over **59 million unbanked adults**, finding new ways of reaching out to this market is a major challenge for service providers. New ways of thinking and innovation in bank product and service offerings are needed to capture this market
- The key issues that need to be addressed are:
 - How can we serve the unbanked market economically and profitably?
 - Can we leverage technology and non-bank channels (such as retail stores) to increase access to a range of financial products for the unbanked, especially those in remote rural areas?
 - How do we encourage services providers (both financial and non-financial) to develop a range of financial products which are relevant, appropriate and affordable to meet the needs of the unbanked and low income population?
 - In conjunction with service providers, how do we ensure that the economically active population has regular access to high quality financial education to enable them make the best choice for their needs when selecting financial products?
 - How do we ensure the implementation of robust consumer protection policies that address transparency, fair treatment and effective redress mechanisms, and are tailored to the realities of inexperienced, low literacy consumers?



All of these challenges translate into opportunities for banking the unbanked low income population in Nigeria

THANK YOU

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