

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

NIGERIA

QUICKSIGHTS REPORT FOURTH ANNUAL FII TRACKER SURVEY

Fieldwork conducted August-October 2016

December 2016



BILL & MELINDA
GATES *foundation*

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Key definitions

Access to financial accounts – Access to a bank, mobile money or NBFIs account means a respondent may use any of these services via their own account or the account of another person.

Active account holder – An individual who has a registered account and has used it in the last 90 days.

Adults with DFS access – Adults (15+) who either own a DFS account or have access to someone else's account.

Advanced use of DFS – Advanced use of digital financial services includes activities beyond basic cash-in/cash-out and person-to-person transfers (e.g., savings, bill pay, investment, insurance).

Below the poverty line – In this particular study, adults living on less than \$2.50 per day, as classified by the Progress out of Poverty Index published by the Grameen Foundation.

Credit-only nonbank financial institutions – Nonbank financial institutions that only disburse loans to their customers.

Digital financial services (DFS) – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).

Financial inclusion – Included individuals are those who have an account with an institution that provides a full suite of financial services and comes under some form of government regulation. Services include savings, money transfers, insurance or investment. Institutions that only offer loans to consumers, such as some MFIs, are not considered to be full-service institutions.

Full-service nonbank financial institutions – Nonbank financial institutions that offer their customers at least one of the following services: savings, money transfers, insurance, or investment.

Grameen Progress out of Poverty Index (PPI) – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific survey questions are used to compute the likelihood that a household is living above or below a poverty line.

Microfinance institution (MFI) – An organization that offers financial services to low income populations. Almost all give loans to their members, and many offer insurance, deposit and other services.

Mobile money (MM) – A service in which a mobile phone is used to access financial services.

Nonbank financial institution (NBFIs) – A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated, at least to some extent, by the central bank within the country. Such financial institutions include microfinance institutions (MFIs), cooperatives, Post Office Banks and savings and credit cooperatives.

Urban/rural – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

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Country context

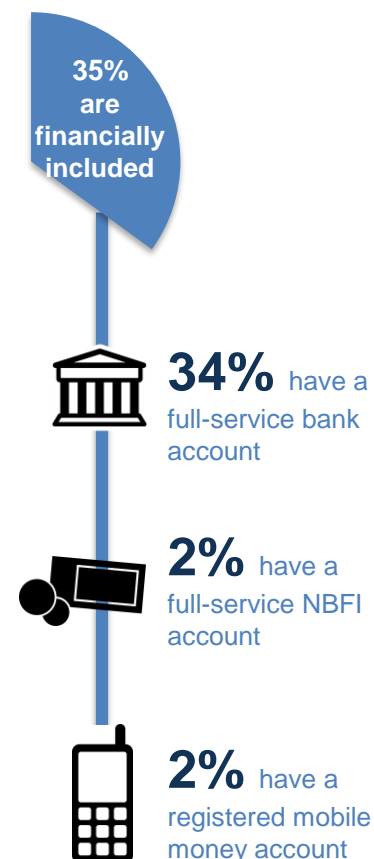
- **Nigeria remains a bank-led financial services market where mobile money has very little market share, but digital services are numerous. In January 2016, the Central Bank of Nigeria (CBN) effected regulations that imposed a stamp duty (a tax) on deposits customers receive into their bank accounts, as well as imposing new charges on ATM withdrawals. The CBN also raised its benchmark interest rate to 14 percent from 12 percent in July 2016 making loans much pricier. These new taxes and charges make financial services more expensive and have negatively affected bank account ownership, especially among females and the poor, as is indicated in this FII report.**
 - The CBN imposed a N50 (USD 0.20) charge on every check used to deposit money into any bank in Nigeria.
 - Cash withdrawals on automated teller machines (ATMs), previously free of charge, now cost N65 (USD 0.25) on the third withdrawal.
 - Customers also pay about N1000 (USD 3.20) for debit card issuance and renewals, and N105 (USD 0.40) for every online transfer; an additional N105 (USD 0.40) is charged in the form of an annual debit card maintenance fee.
- **Since January 2016, the inflation rate in Nigeria has been increasing month on month reaching the highest rate ever experienced in almost 11 years in June (16.5 percent). By November, the inflation rate reported by the National Bureau of Statistics (NBS) was even higher at 18.5 percent,**
 - The increasing inflation rates affects consumers' lifestyles and their choices of goods and services. With the increase in the cost of living, Nigerians will be forced to spend more and save less to meet their daily needs.
- **The Nigeria Interbank Settlement Scheme (NIBSS), in collaboration with all of the Nigerian money deposit banks and the four major telecommunications operators, Etisalat, MTN, Airtel and Globacom, launched a new mobile money payment solution, mCash, in October 2016.**
 - mCash facilitates low-value retail payments and grows e-payments by providing accessible electronic channels to a wider range of users. To further enhance financial inclusion in Nigeria, mCash extends e-payment benefits to payers and merchants at the bottom of the pyramid where the use of cash has been predominant.
- **In 2016, the National Association of Microfinance Banks (NAMB) began issuing bank verification numbers (BVN) to MFB customers in Nigeria.**
 - The BVN is a unique digital identity that can be verified across the Nigerian banking industry and protects customers' accounts from unauthorized access. It also serves as a standard identification across multiple accounts owned by individuals in all banks in the country.

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Notable statistics

- **Fewer Nigerians are financially included in 2016 (35 percent) vs. 2015 (37 percent), mostly driven by a decline in bank account ownership.**
 - Thirty-five percent of Nigerian adults now have a registered financial account (vs. 37 percent in 2015).
 - In 2016, bank account ownership declined to 34 percent from 37 percent in 2015 and 43 percent in 2014, with the most notable attrition from among females and the lower income groups. The decline in bank account ownership may reflect 2016 federal government regulations that imposed a stamp duty of N50 (USD 0.20) on bank customers for money received into their accounts. Also, due to the government policy on bank verification numbers (BVNs), some accounts were closed for non-compliance. In addition, some customers are facing difficulties linking their BVN to their bank accounts.
 - Despite the decline in bank account ownership, active bank account holders are more engaged in advanced activities than they were in previous years.
 - Access to any financial service in Nigeria was constant at 42 percent in 2016 compared to 2015, suggesting that Nigerians are sharing accounts more frequently as account ownership decreases due to increased cost created by new taxes.
 - NBF account access was stagnant in 2016 (3 percent) versus 2015, while registered use declined slightly from 3 percent in 2015 to 2 percent in 2016
- **Mobile money access continues to be minimal but, in 2016, a slight increase was seen in registered accounts, and a larger increase was seen in awareness of mobile money providers.**
 - Despite having overall low usage levels in Nigeria, mobile money registered accounts showed a slight increase from 0.6 percent in 2015 to 2 percent in 2016.
 - Awareness of mobile money service providers showed an increase from 12 percent in 2015 to 20 percent in 2016.
 - Fewer Nigerian adults are aware of the concept of mobile money (16 percent) than they are of at least one mobile money service provider (20 percent).

2016: Financial Inclusion*
(Shown: Percentage of Nigerian adults, N=6,352)

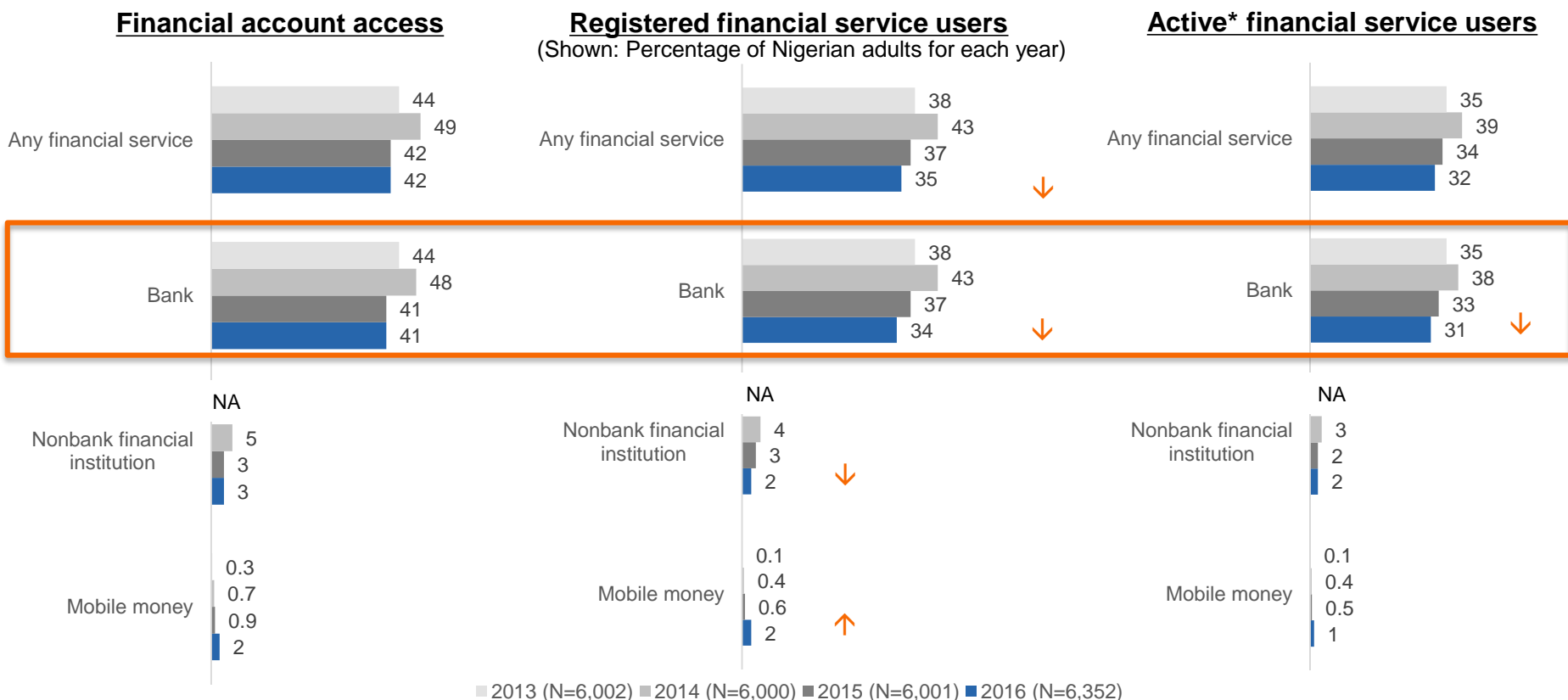


*Financial inclusion is defined as individuals having an account with institutions offering financial services beyond credit. Overlap representing those who have multiple kinds of financial accounts is not shown.

Source: InterMedia Nigeria FII Tracker survey Wave 4 (N=6,352, 15+), August-October 2016.

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At-a-glance: Banks remain the dominant financial service; declines in registered and active bank use are likely due to the new tax on money received into accounts and new ATM charges



NBFIs were not included in the 2013 survey. Types of account ownership are not mutually exclusive. *A registered account used in the last 90 days.

Source: InterMedia Nigeria FII Tracker surveys Wave 1 (N=6,002, 15+), September-December 2013; Wave 2 (N=6,000 15+), July-September 2014; Wave 3 (N=6,001, 15+), August-September 2015; Wave 4 (N=6,352, 15+), August-October 2016.

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FII Nigeria Tracker Survey details

Survey Summary

- Annual, nationally representative survey (N=6,352) of Nigerian adults aged 15+
- Face-to-face interviews lasting, on average, 69 minutes
- Fourth survey (Wave 4) conducted from August 2 to October 4, 2016
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted in 2013, the second survey, conducted in 2014, and the third survey, conducted in 2015.

Data Collection

- Basic demographics and poverty measurement using the Grameen Progress Out of Poverty Index (PPI). A new set of country-specific survey questions was introduced for Nigeria by the Grameen Foundation in July 2015 guided by Nigeria's 2012/13 General Household Panel Survey.
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., microfinance institutions and self-help groups like Esusu)
- Financial literacy and preparedness
- General financial behaviors

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Survey demographics

	% of survey
Gender	
Male	51%
Female	49%
Geography	
Urban	38%
Rural	62%
Income	
Above the \$2.50/day poverty line	54%
Below the \$2.50/day poverty line	46%

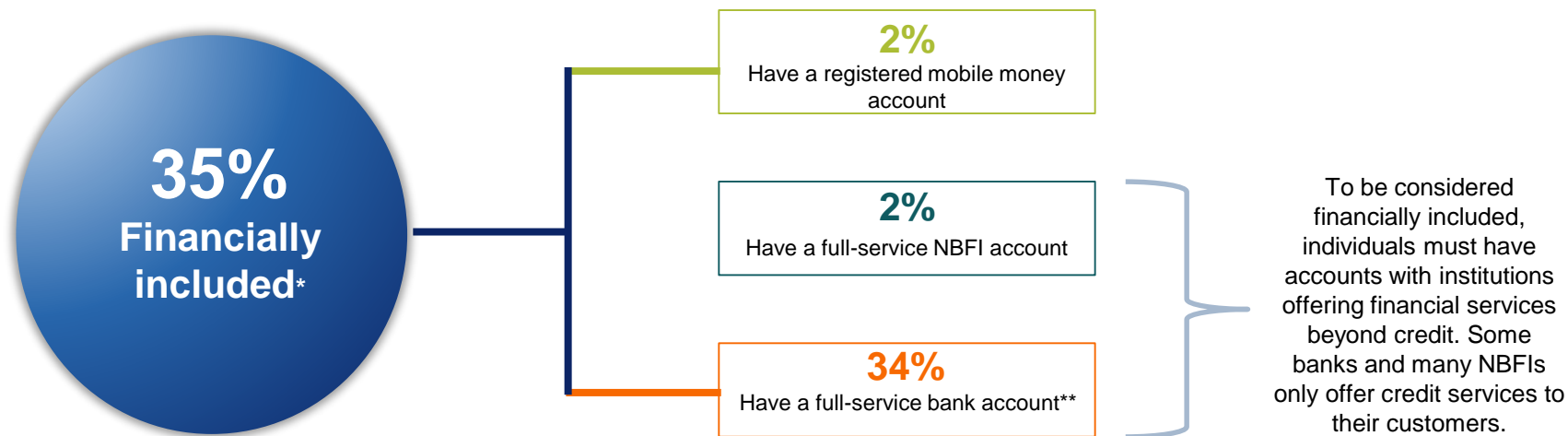
	% of survey
Age	
15-24	27%
25-34	27%
35-44	19%
45-54	12%
55+	14%
Aptitude	
Basic literacy	73%
Basic numeracy	97%

Figures are weighted to reflect national census data demographics.

Source: InterMedia Nigeria FII Tracker survey Wave 4 (N=6,352, 15+), August-October 2016.

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Thirty-five percent of Nigerians are financially included; banks remain the key driver of financial inclusion



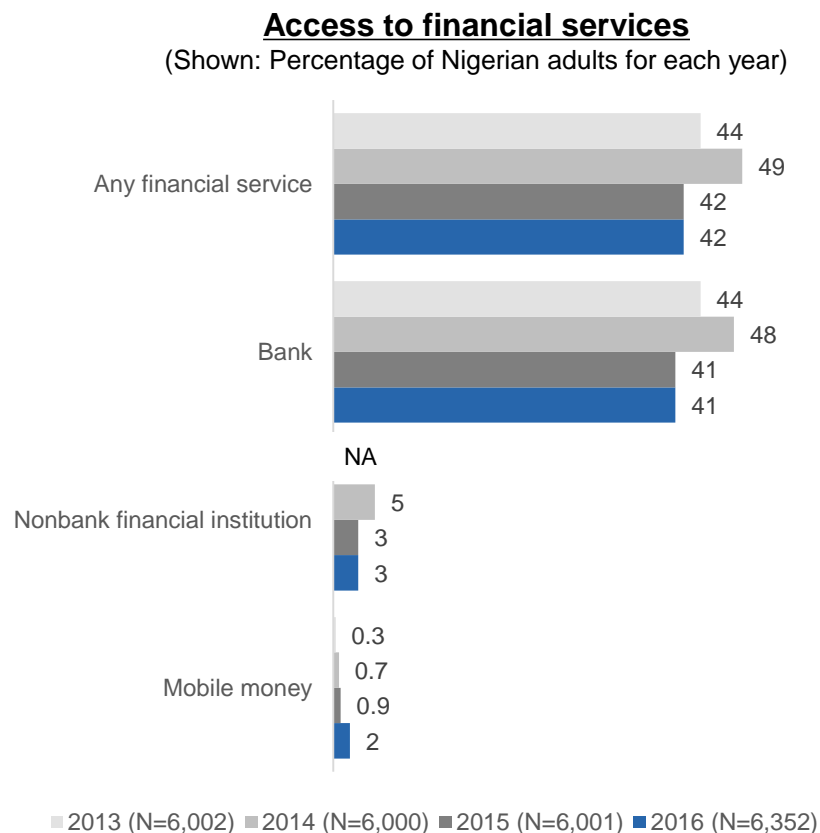
*Overlap representing those who have multiple kinds of financial accounts is not shown.

**Throughout this report, bank account holders have accounts at full-service institutions, unless otherwise noted.

Source: InterMedia Nigeria FII Tracker survey Wave 4 (N=6,352, 15+), August-October 2016.

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Forty-two percent of Nigerian adults continue to have access to any financial service; mobile money account access increased slightly vs. 2015



Types of accounts are not mutually exclusive.

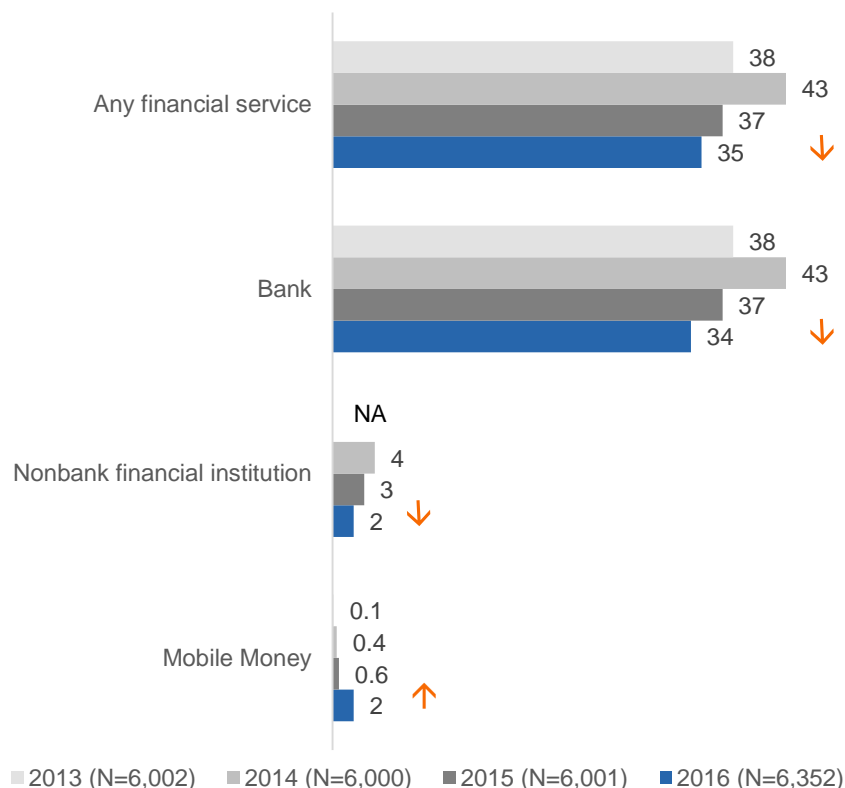
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Overall, there was a decline in registered financial service users, largely due to the decline in bank account ownership

Registered financial service users

(Shown: Percentage of Nigerian adults for each year)



Types of accounts are not mutually exclusive.

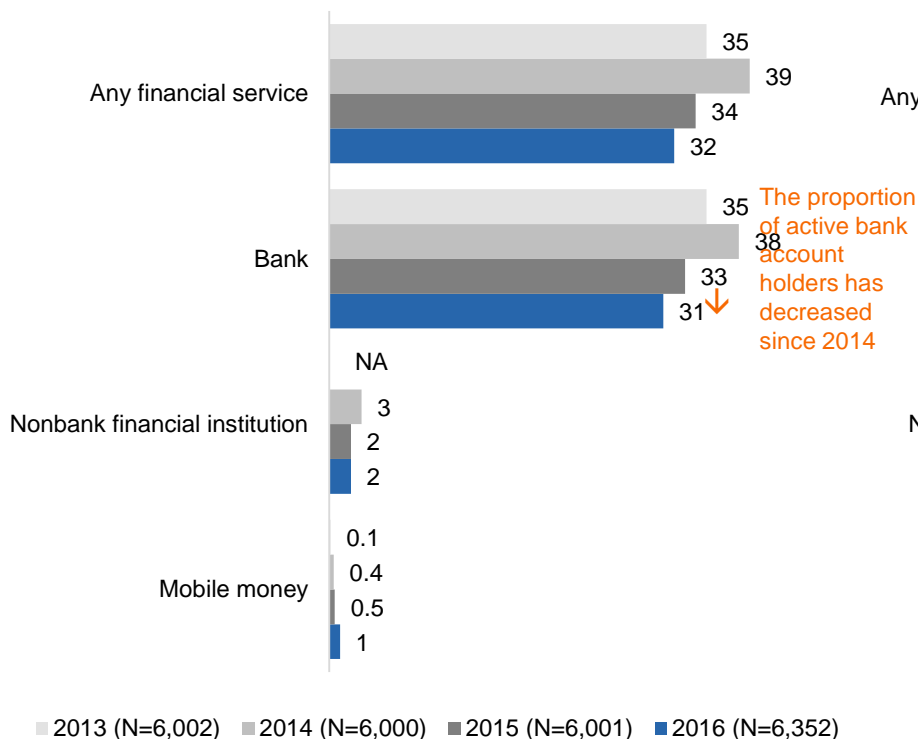
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Nine out of 10 bank account holders use the account actively; NBFI and mobile money active usage declined vs. 2015

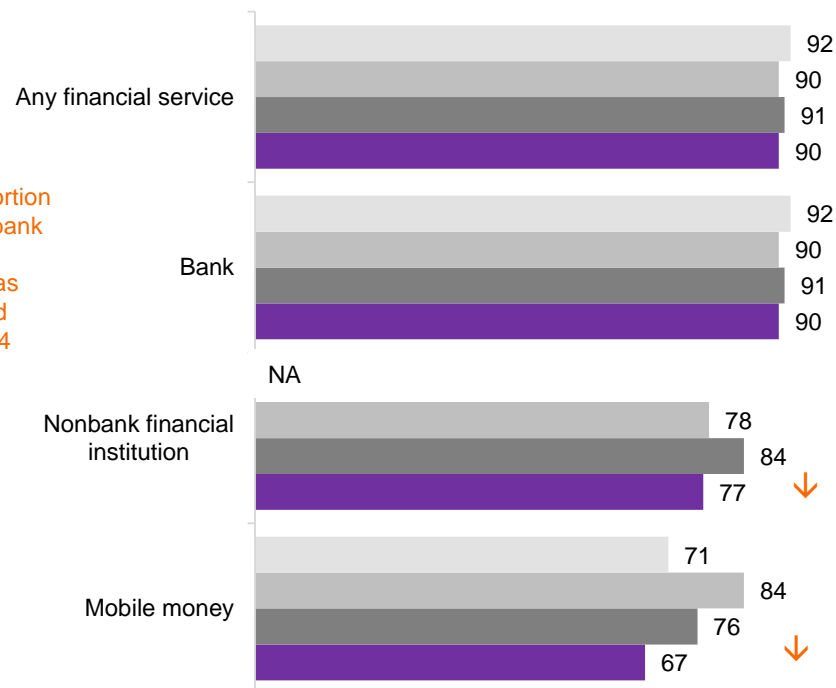
Active* financial account holders

(Shown: Percentage of Nigerian adults)



Active financial account holders

(Shown: Percentage of registered users for each type of account, by year)

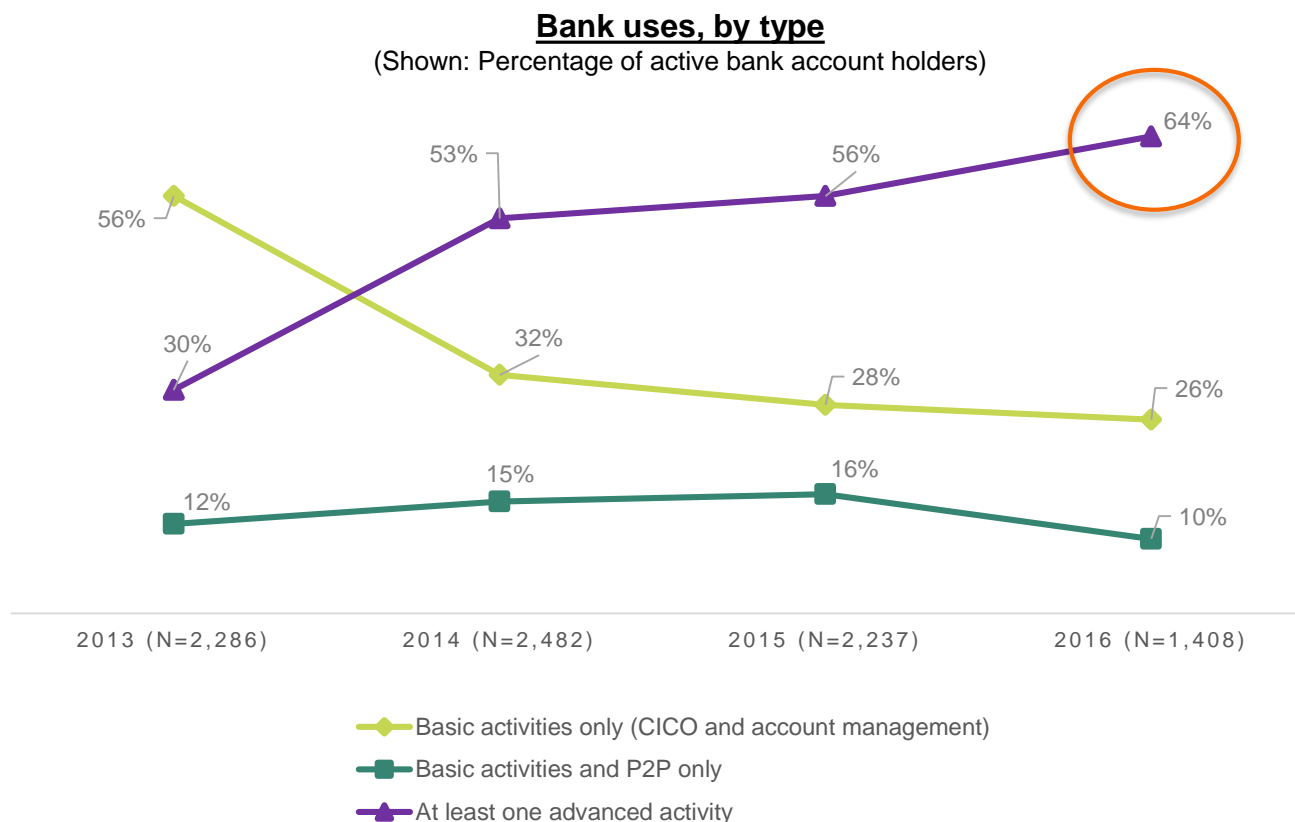


*A registered account used in the last 90 days. Types of accounts are not mutually exclusive.

Source: InterMedia Nigeria FII Tracker surveys Wave 1 (N=6,002, 15+), September-December 2013; Wave 2 (N=6,000 15+), July-September 2014; Wave 3 (N=6,001, 15+), August-September 2015; Wave 4 (N=6,352, 15+), August-October 2016.

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Use of advanced bank services increased year over year; the percentage that only used basic activities and P2P decreased vs. 2015



Due to the changes in the questionnaire some data points may not be directly comparable across years. Bank advanced use includes airtime top-ups.

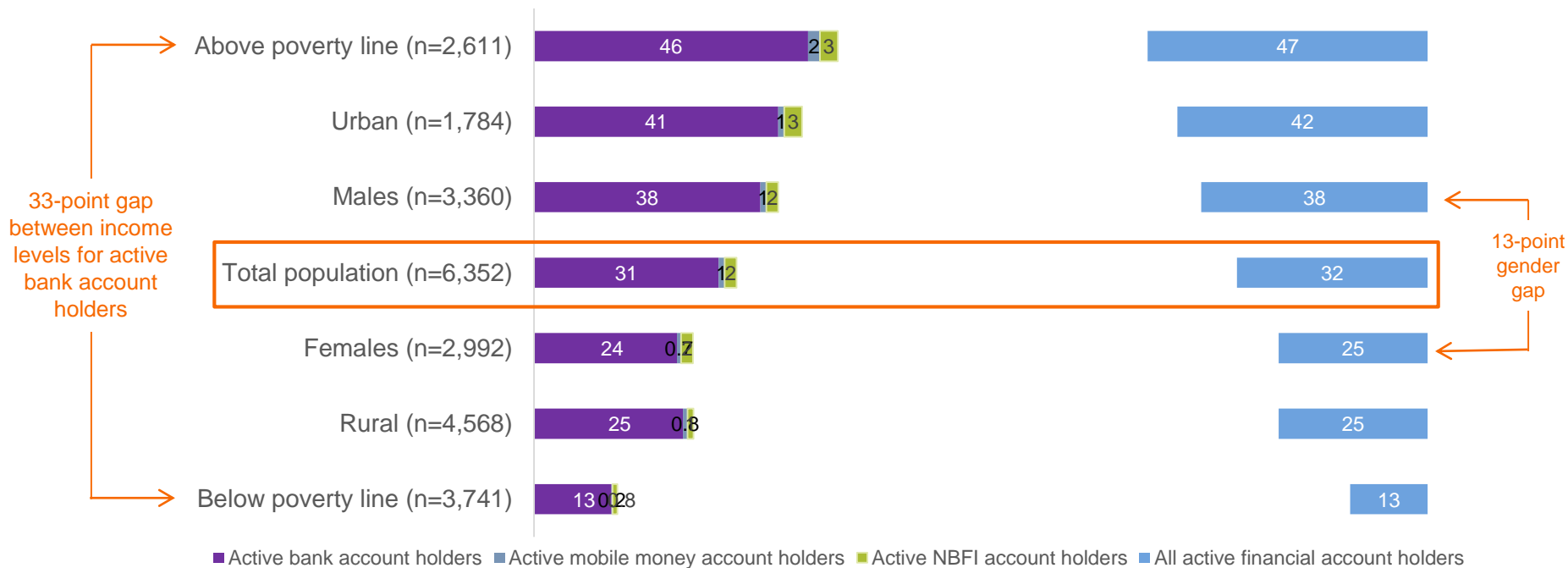
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Active bank account usage is higher among males, those living above the poverty line, and those in urban areas

2016: Active account usage by demographic

(Shown: Percentage of each subgroup)



Types of accounts are not mutually exclusive.

Source: InterMedia Nigeria FII Tracker survey Wave 4 (N=6,352, 15+), August-October 2016.

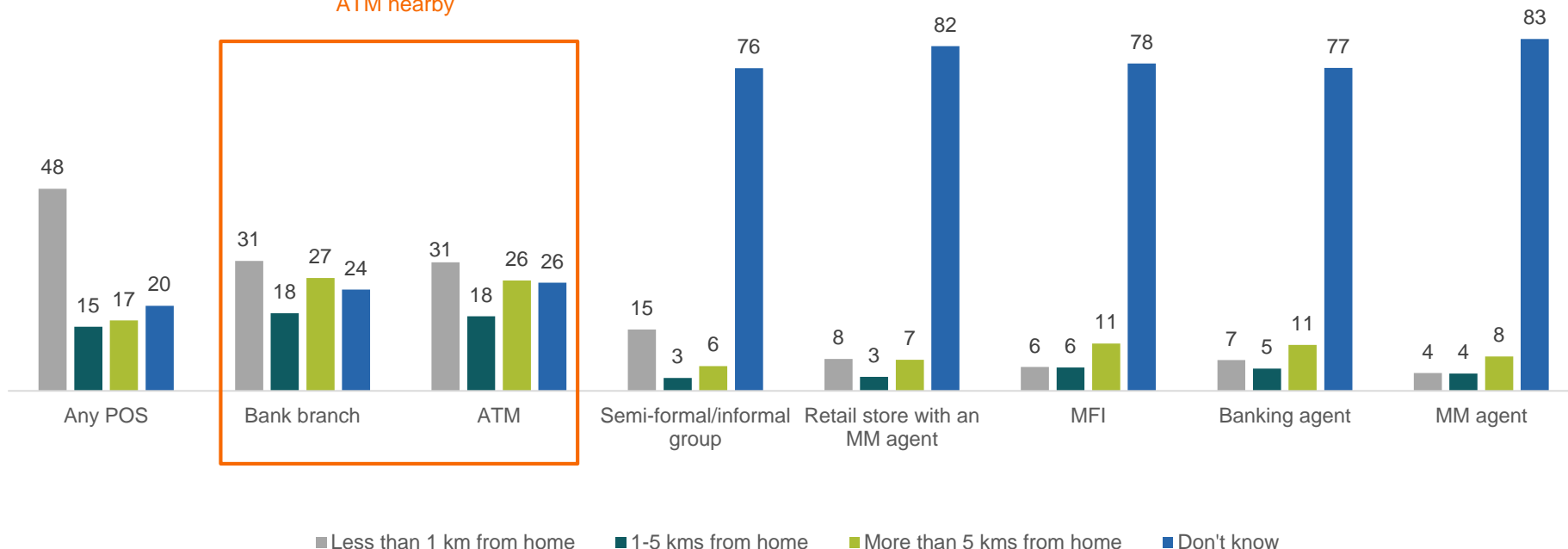
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Less than one-third of adults know of a bank branch or ATM within one kilometer of where they live; most Nigerians do not know of a mobile money point of service

2016: Proximity to points-of-service (POS) for financial institutions

(Shown: Percentage of Nigerian adults, N=6,352)

Less than one-third of adults know of any bank branch or ATM nearby

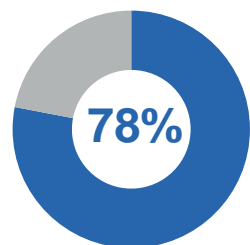


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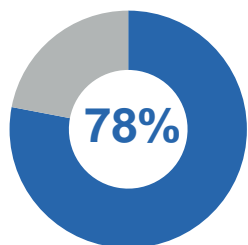
Significant declines were recorded on the readiness indicators of phone and SIM card ownership; access to a phone and having valid identification were unchanged from 2015

2016: Key indicators of preparedness for digital financial services

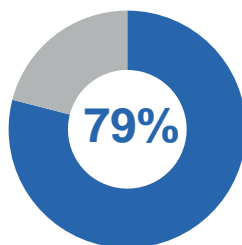
(Shown: Percentage of Nigerian adults, N=6,352)



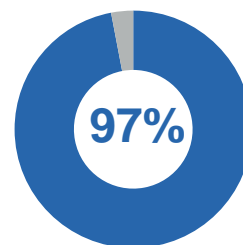
Ever send/receive text messages



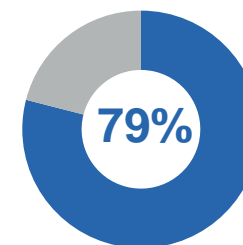
Own a mobile phone



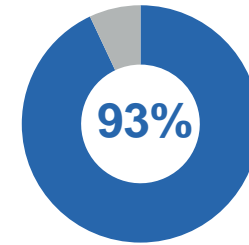
Own a SIM card



Have basic numeracy



Have the necessary ID*



Have access to a mobile phone

	Ever send/receive text messages	Own a mobile phone	Own a SIM card	Have basic numeracy	Have the necessary ID*	Have access to a mobile phone
2015	80%	85%	86%	96%	79%	93%
2014	81%	88%	88%	89%	72%	93%
2013	79%	90%	91%	83%	71%	96%

*Identification documents (ID) necessary for registering a mobile money or a bank account include one of the following: a National ID, passport, voter's card or driver's license.

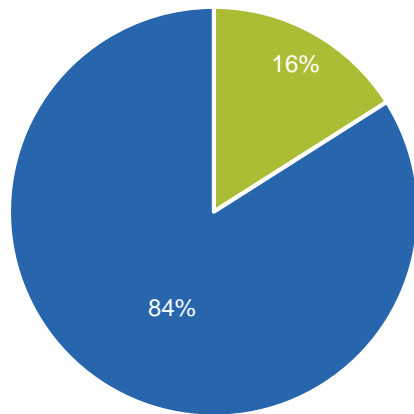
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There is low awareness of the concept of mobile money and of mobile money providers

Awareness of "mobile money" as a concept

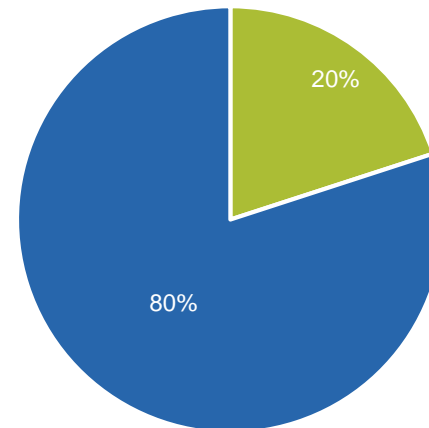
(Shown: Percentage of all adults, N=6,352)



■ Aware ■ Unaware

Awareness of at least one mobile money provider

(Shown: Percentage of all adults, N=6,352)



■ Aware ■ Unaware

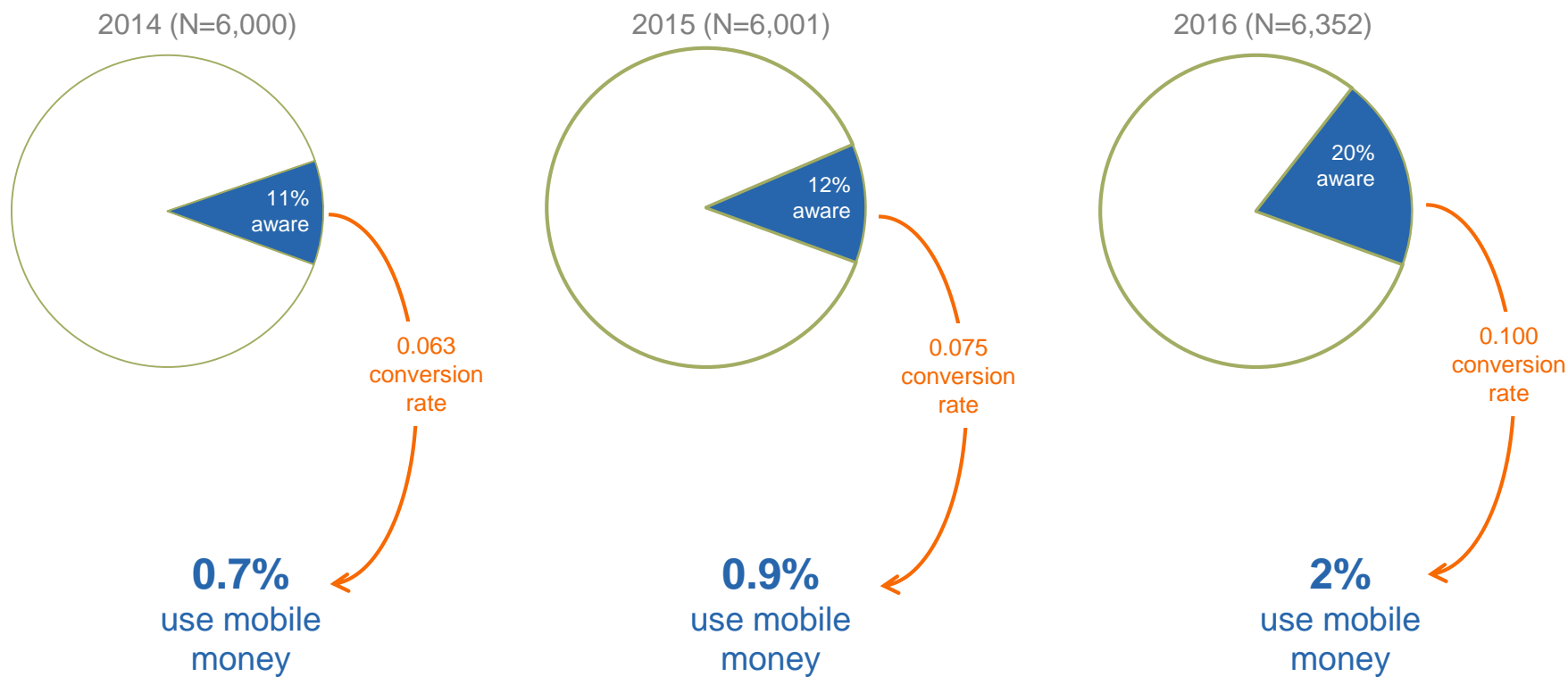
Fewer adults are aware of the concept of mobile money than they are of at least one mobile money service provider.

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Mobile money registered accounts increased slightly from 2015; a larger increase was seen in awareness of mobile money providers

Conversion from awareness of mobile money providers* to mobile money use

(Shown: Percentage of Nigerian adults for each year)



*Aware of at least one mobile money provider.

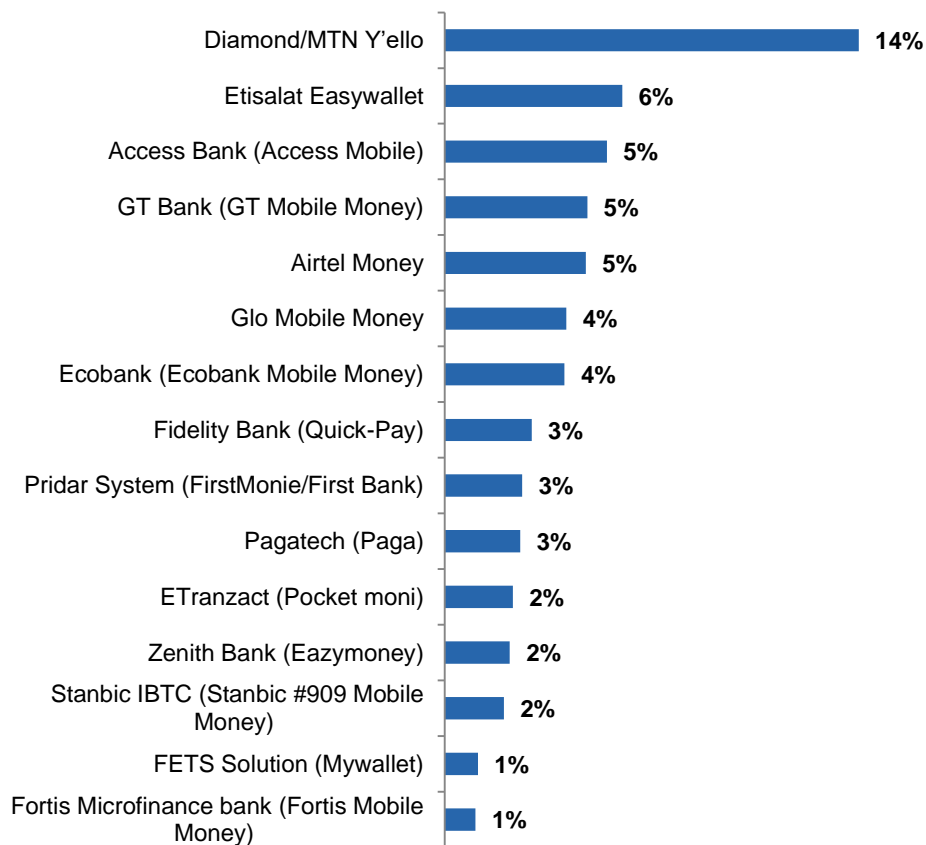
Source: InterMedia Nigeria FII Tracker surveys ; Wave 2 (N=6,000 15+), July-September 2014; Wave 3 (N=6,001, 15+), August-September 2015; Wave 4 (N=6,352, 15+), August-October 2016.

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Despite the increase, awareness of mobile money providers is still low in Nigeria compared to East African markets

2016: Awareness* of mobile money providers

(Shown: Percentage of all adults, N=6,352)



- MTN Y'ello is the most known provider of mobile money services.
- More men (25%) than women (14%) know about at least one mobile money provider.
- The difference in provider recognition is more noticeable between urban dwellers (26%) and rural residents (16%), and between those living above the poverty line (28%) and those living below the poverty line (10%).

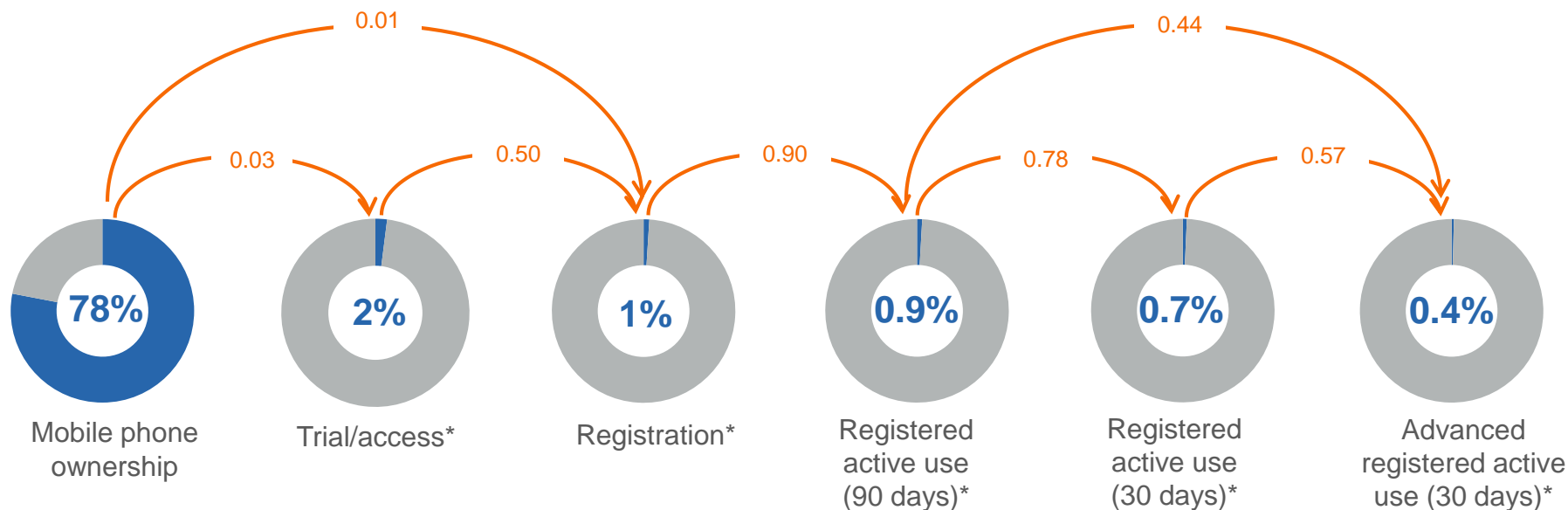
*Awareness of mobile money providers includes both spontaneous and prompted recall.
 Source: InterMedia Nigeria FII Tracker survey Wave 4 (N=6,352, 15+), August-October 2016.

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A negligible share of the population has advanced on the mobile money customer journey beyond the trial stage

2016: Distribution of Nigerian mobile phone owners at each major step in the customer journey for mobile money, and conversion rate between steps

(Shown: Percentage of Nigerian adults, N=6,352)



*Phone owners

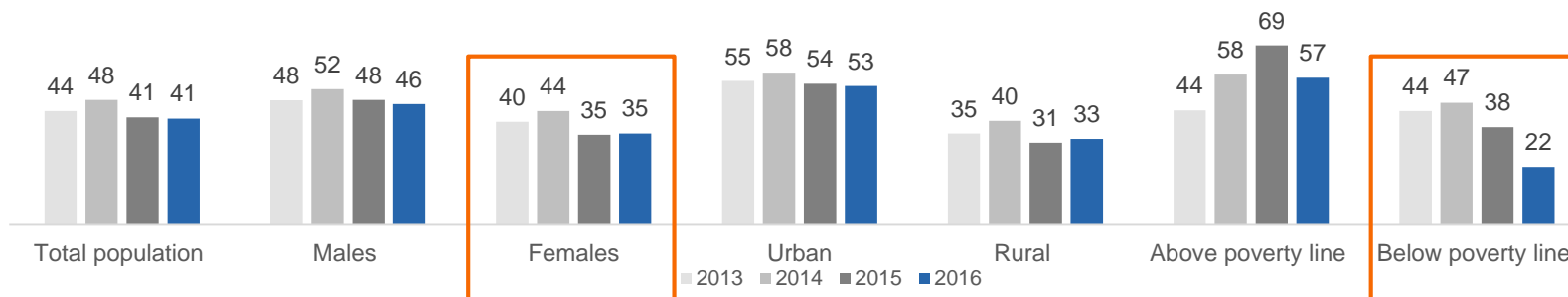
Source: InterMedia Nigeria FII Tracker surveys Wave 4 (N=6,352, 15+), August-October 2016.

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Bank account access and ownership remained low among females, those in rural areas and the poor; account ownership declined the most among the poor

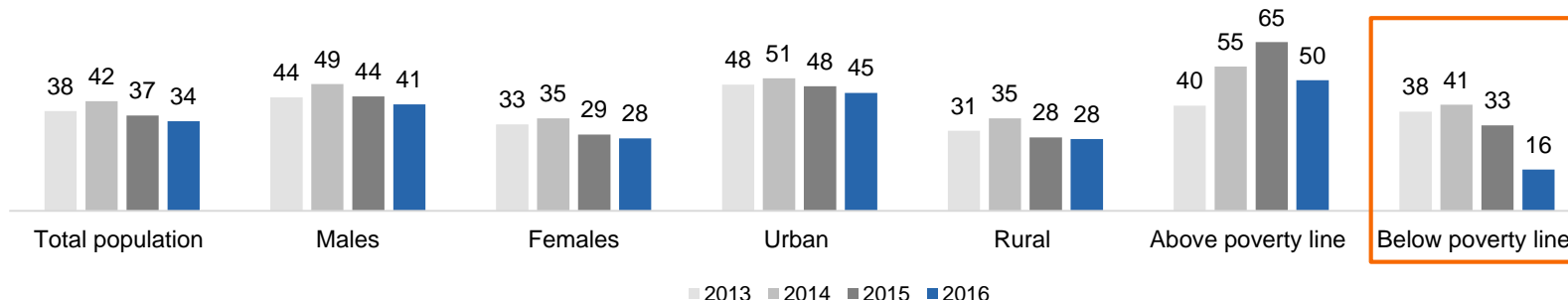
Demographic trends for access to bank account

(Shown: Percentage of Nigerian adults who fall into each category*)



Demographic trends for bank account holders

(Shown: Percentage of Nigeria adults who fall into each category*)



*Categories are not mutually exclusive.

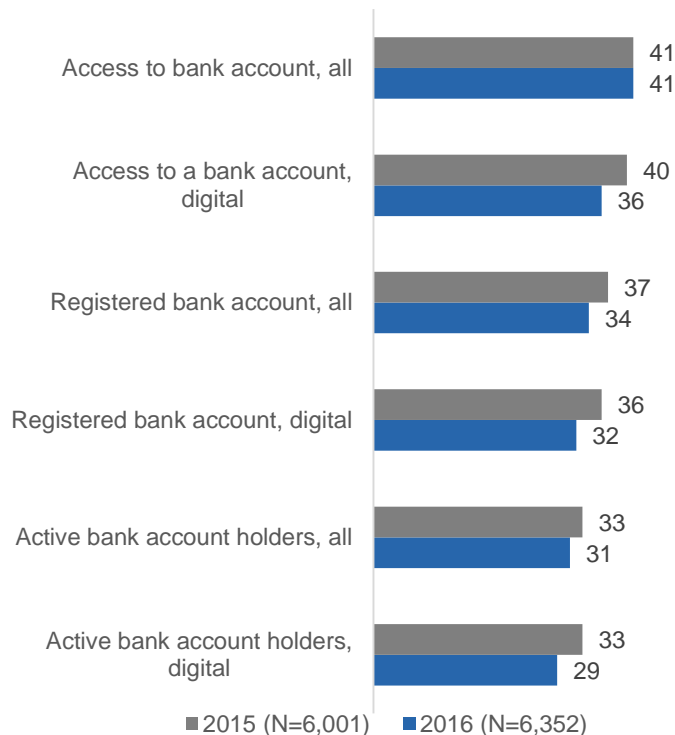
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Digital access to bank accounts declined year-on-year; use of accounts for digital money transfers increased vs. 2015

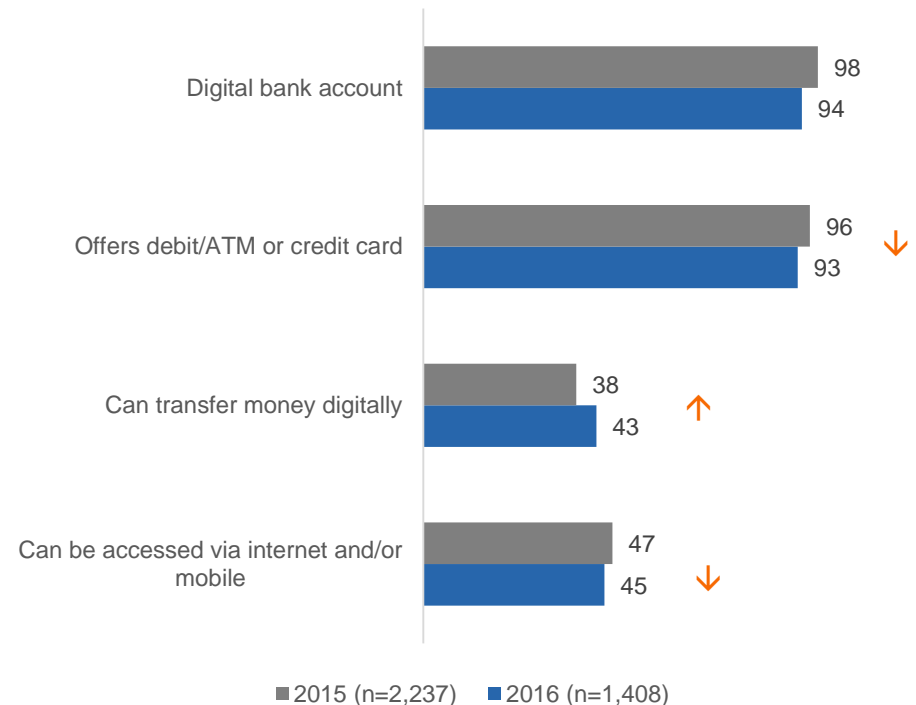
Digital bank account access and usage

(Shown: Percentage of Nigerian adults)



Digital access among active bank account holders

(Shown: Percentage of active bank account holders)



Digital bank accounts are those that offer at least one of the following options: debit/ATM or credit cards, internet or mobile access, or a digital money transfer capability.

Source: InterMedia Nigeria FII Tracker surveys Wave 3 (N=6,001, 15+), August-September 2015; Wave 4 (N=6,352, 15+), August-October 2016.

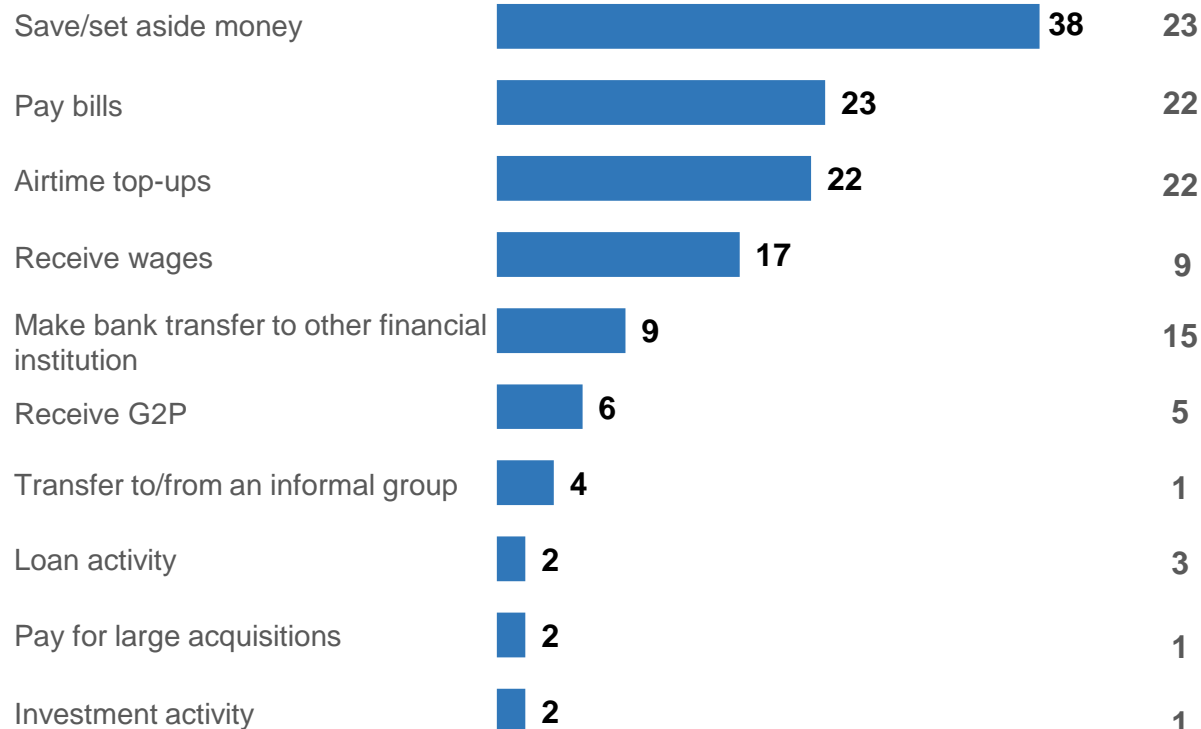
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Nearly two-thirds of active bank account holders have engaged in advanced activities; saving, paying bills and airtime purchases are the leading advanced activities

2016: Advanced bank account uses

(Shown: Percentage of active bank account holders, n=1,408)

2015
(n=2,237)



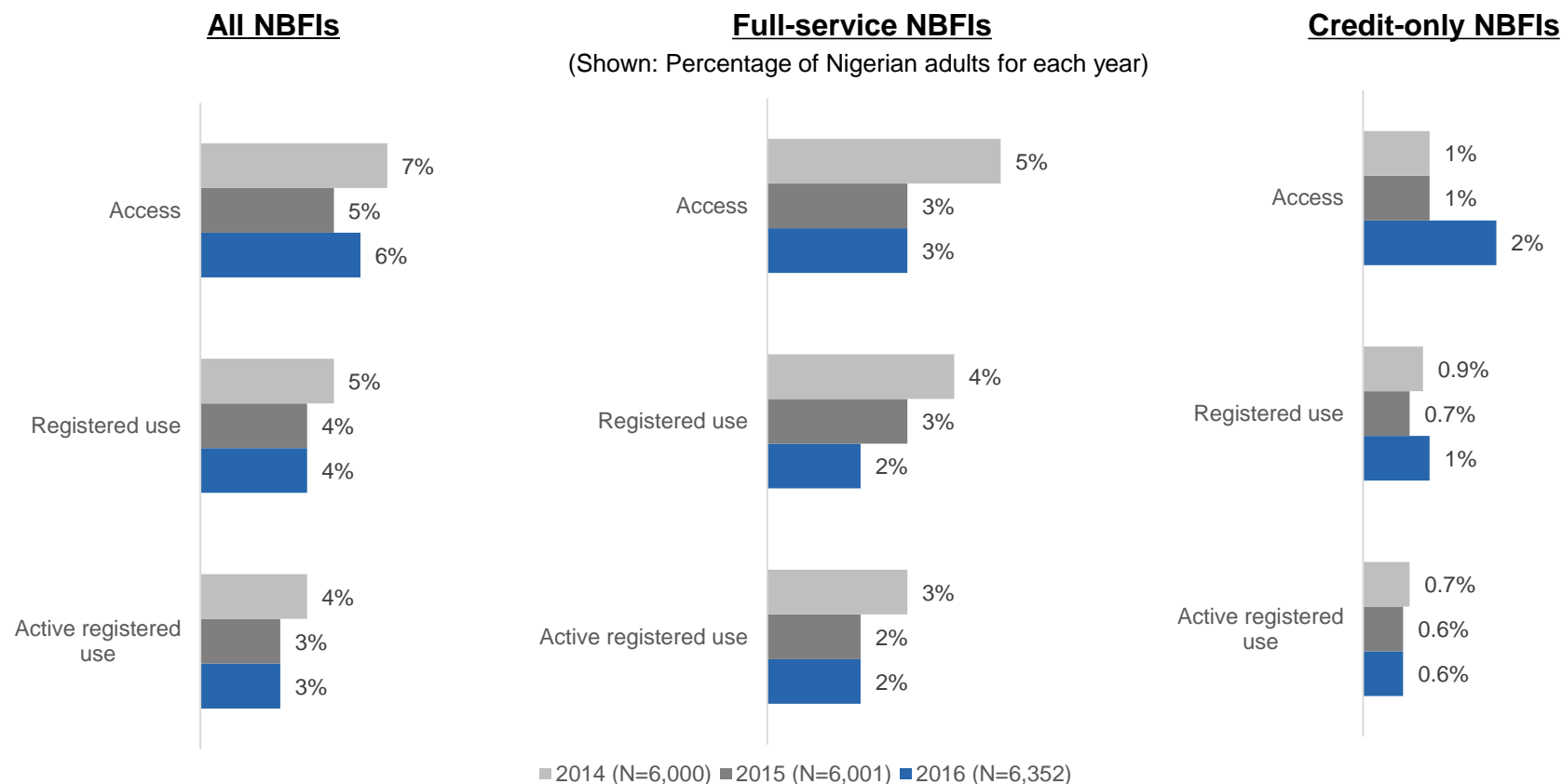
64%

of active bank account holders have used at least one advanced banking feature

(vs. 56% in 2015 and 53% in 2014)

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NBFI account access increased slightly in 2016; active use of full-service accounts was on par with 2015



Source: InterMedia Nigeria FII Tracker surveys ; Wave 2 (N=6,000 15+), July-September 2014; Wave 3 (N=6,001, 15+), August-September 2015; Wave 4 (N=6,352, 15+), August-October 2016.

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Less than one-third have active digital stored-value accounts in 2016; those who use them to access advanced financial services grew from 2015

Main FSP Indicator	2014	2015	2016	Base Definition
	%	%	%	
	Base n	Base n	Base n	
Adults (15+) who have active digital stored-value accounts	36%	33%	29%	All adults
	6,000	6,001	6,352	
Poor adults (15+) who have active digital stored-value accounts	35%	29%	12%	All poor
	5,338	5,139	3,741	
Rural women (15+) who have active digital stored-value accounts	23%	17%	18%	All rural females
	1,361	1,236	2,085	
Adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	12%	12%	15%	All adults
	6,000	6,001	6,352	
Poor adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	11%	10%	5%	All poor
	5,338	5,139	3,741	
Rural women (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	6%	6%	9%	All rural females
	1,361	1,236	2,085	

Digital stored-value accounts: accounts in which a monetary value is represented in a digital electronic format and can be retrieved/transferred by the account owner remotely. For this particular study, DSVAs include a bank account or NBFi account with digital access (a card, online access or a mobile phone application) and a mobile money account.

Source: InterMedia Nigeria FII Tracker surveys Wave 2 (N=6,000 15+), July-September 2014; Wave 3 (N=6,001, 15+), August-September 2015; Wave 4 (N=6,352, 15+), August-October 2016.

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The Financial Inclusion Insights program is operated by InterMedia and supported by the Bill & Melinda Gates Foundation. All data and materials resulting from the program are the property of the Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the foundation.

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