National Financial Inclusion Strategy

Financial Inclusion in Nigeria

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Acknowledgments

The Central Bank of Nigeria would like to acknowledge the contributions of all stakeholders who provided data, participated in interviews, reviewed and provided comments as this National Financial Inclusion Strategy was drafted and finalised.

In particular, the Bank appreciates the support of the Alliance for Financial Inclusion (AFI), Enhancing Financial Innovation & Access (EFInA) and Messrs Roland Berger, Strategy Consultants, Germany, for assisting in the development of the National Financial Inclusion Strategy.

Executive Summary

1. Preamble

The Central Bank of Nigeria (CBN) and other stakeholders intend to implement a National Financial Inclusion Strategy that will reduce the percentage of adult Nigerians that are excluded from financial services from 46.3% in 2010 to 20% by 2020[1]. The number of Nigerians included in the formal sector will increase from 36.3% in 2010 to 70% by 2020. This goal will be pursued through a broad range of coordinated interventions, with high priority on the following:

- Transformation of existing **Know Your Customer (KYC)** regulations into a simplified risk-based tiered framework that allows individuals who do not currently meet formal identification requirements to enter the banking system.
- Development and implementation of a **Regulatory Framework for Agent Banking** to enable financial institutions to bring banking services to the unbanked in all parts of the country.
- Development and implementation of a **National Financial Literacy Framework** to increase awareness and understanding of financial products and services, with the ultimate goal of increasing sustainable usage.
- Implementation of a comprehensive **Consumer Protection Framework** to safeguard the interest of clients and sustain confidence in the financial sector.
- Continued pursuance of **Mobile Payment System and other Cash-less Policies** to reduce the cost and increase the ease of financial services and transactions.
- Implementation of **Credit Enhancement Schemes/Programmes** to empower micro, small, and medium enterprises (MSMEs):
  - o Micro, Small and Medium Enterprises Development Fund (MSMEDF), 60% of which will support loans from microfinance banks and institutions to women and women-owned enterprises
  - o The Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)
  - o Entrepreneurship Development Centres (EDCs)
  - o Restructuring and Refinancing Facilities for SMEs
  - o SME Credit Guarantee Scheme

The process for developing this strategy was as follows:

i. Status quo analysis, including desk research on best practice financial regulation and policy in selected countries and identification of gaps in CBN regulation and policy.
ii. Assessment of peer countries for international benchmarking purposes, including Malaysia, Mexico, Brazil, South Africa, India, Indonesia, the Philippines, Kenya, Ghana, Pakistan, and Uganda.
iii. Stakeholder interviews with the following organisations: Securities and Exchange Commission, National Pension Commission, Nigerian Communications Commission, National Insurance

1 This target is part of the CBN's commitment under the Maya Declaration, the first set of global and measurable commitments to financial inclusion. The Maya Declaration was endorsed by a group of developing nation regulatory institutions during the 2011 Alliance for Financial Inclusion (AFI) Global Policy Forum held in Mexico. Nigeria is a signatory to the Maya Declaration.

Commission, GTBank, Stanbic Bank, United Bank for Africa, Unity Bank, AB Microfinance Bank, Fortis Microfinance Bank, LAPO Microfinance Bank, Cornerstone Insurance, GT Assur, Royal Exchange, ARM Pensions Managers, Airtel Nigeria, MTN Nigeria, Interswitch, Paga, Bureau of Public Enterprises, National Identity Management Commission (NIMC), NEPAD Business Group, Nigeria Postal Service, Rural Finance Institution Building Programme, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), African Development Bank (AfDB), Alithea Capital, Consultative Group to Assist the Poor (CGAP), Department for International Development (DFID), and the German Agency for International Cooperation (GIZ).

iv. Release of the National Financial Inclusion Strategy to stakeholders for comments and input.

v. Summit held to review stakeholder comments/input and finalise the Strategy. Stakeholders present at the summit included financial services regulators, Federal Government Ministries, Departments and Agencies (MDAs), Deposit Money Banks (DMBs), microfinance banks and institutions, development finance institutions, development partners, and others.

The Nigeria's National Financial Inclusion Strategy was drafted using an evidence-based and analytical approach that considered global best practices.

2. Definition of financial inclusion

For the purpose of the Strategy, **"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."** The services include, but are not limited to, payments, savings, loans, insurance, and pension products.

3. Strategy stakeholders and their interests

Various stakeholders participate in the National Financial Inclusion Strategy for a variety of reasons. The respective rationale for their participation are:

- **Providers:** These include institutions that provide financial products and services, as well as their partner infrastructure and technology. The attraction for providers is the untapped business potential in serving the majority of Nigerians who are not currently using the identified financial products and services.

- **Enablers:** These are regulators and public institutions responsible for setting regulations and policies on financial inclusion. Their interest is triggered by the Federal Government's commitment to make Nigeria one of the top 20 economies by the year 2020.

- **Supporting institutions:** These are institutions that enhance and support the CBN's efforts to achieve the national financial inclusion goals. They include development partners and experts committed to supporting the Nigerian people and government through technical assistance/aid and similar programmes.

4. The status of financial inclusion in Nigeria[2]

A total of 39.2 million adult Nigerians (46.3% of the 84.7 million adult population) were financially excluded in 2010. Further analysis has revealed that 54.4% of the excluded population were women, 73.8% were younger than 45 years, 34.0% had no formal education, and 80.4% resided in rural areas.

5. International benchmarks for financial inclusion

An analysis of global best practices revealed that explosive growth in financial inclusion is possible through a variety of approaches. The most significant include:

- A strong uptake of payment services in **Kenya**, led by mobile network operators and based on agent networks.

- Increased payments and savings services in **Brazil**, driven by agent banking, shared infrastructure, partnerships between commercial banks and the national postal network, and government policy that channelled welfare payments through this network.

- The high impact of tiered KYC regulation and basic savings / transaction accounts such as in **Mexico**.

This benchmarking exercise views financial inclusion in Nigeria through a global lens and gives legitimacy to the proposed strategies for addressing specific financial inclusion gaps.

6. Barriers to financial inclusion

The EFInA Access to Financial Services in Nigeria 2010 Survey categorise barriers to financial inclusion as follows:

Demand-side barriers that arise for various reasons, such as irregular income, lack of employment, and low literacy levels.

Supply-side barriers brought about by long distance to financial access points, the prohibitive cost of financial services, and inappropriate financial products
Regulatory barriers such as cumbersome KYC requirements, lack of trust in financial services providers, and high rates of corruption.

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2 EFInA Access to Financial Services in Nigeria 2010 Survey

7. National Financial Inclusion Strategy targets

The major targets of the Strategy are:

	TARGETS	2010	2015	2020
% of total adult Pop.	Payments	21.6%	53%	70%
	Savings	24%	42%	60%
	Credit	2%	26%	40%
	Insurance	1%	21%	40%
	Pensions	5%	22%	40%
Units per 100,000 adults	Bank branches	6.8	7.5	7.6
	MFB branches	2.9	4.5	5.0
	ATMs	11.8	88.5	203.6
	POS	13.3	442.6	850.0
	Mobile Agents	0	31	62
% of Pop.	KYC ID	18%	59%	100%

8. Strategies for achieving the financial inclusion targets

In pursuing the stated targets, efforts will be concentrated in the following areas:

- **Agent banking** – Agent banking is the delivery of banking services outside traditional bank branches through touchpoints such as existing retail stores and petrol stations or via technology such as 'Point of Sale' (POS) devices and mobile phones.
- **Mobile banking / mobile payments** – Access to financial services through mobile phones that are either directly linked to a bank account or the use of mobile wallets as intermediary virtual money accounts.
- **Linkage models** – Enhancement of financial and business cooperation between traditional financial institutions (Deposit Money Banks or Development Finance Institutions), government and microfinance banks/institutions for providing wholesale funding for on-lending transactions.
- **Client empowerment** – More people are brought into the formal financial system through coordinated national financial literacy initiatives complemented by consumer protection programmes and policies

9. Implications for regulation and policy in Nigeria

To implement the strategies and achieve the defined targets, priorities have been set to implement guidelines and frameworks for:

- tiered KYC regulations
- agent banking regulation
- national financial literacy strategy
- consumer protection

The mobile payment system and other cash-less efforts will also be vigorously pursued, and providers will be supported and guided in pilot testing relevant business models, buoyed by the implementation of global peer learning programmes.

10. Monitoring and evaluation

To ensure impact and proper strategic direction, the Financial Inclusion Secretariat will conduct ongoing monitoring and evaluation. The process will follow these steps:

- Biannual collection of comprehensive data from industry stakeholders
- Distillation of key performance indicators from industry data
- Comparison of results with defined indicator targets
- Analysis of gaps and trends
- Annual reporting to the Financial Services Regulation Coordinating Committee[3] (FRSCC) and the National Economic Council[4]
- Suggestions to increase target achievement rates, such as necessary measures to be taken, changes in priorities, or a partial review of the strategic direction

11. Organisational framework for institutionalising the National Financial Inclusion Strategy

A Financial Inclusion Secretariat will be set up within the CBN to take responsibility for day-to-day reporting, coordination, and implementation work. Its activities will be supervised by the Financial Services Regulation Coordinating Committee (FSRCC), which will in turn, provide updates to the National Economic Council (NEC).

3 FSRCC members include: Central Bank of Nigeria, Federal Ministry of Finance, Nigeria Deposit Insurance Corporation, Securities and Exchange Commission, National Pension Commission, Commissioner for Insurance, Corporate Affairs Commission, Abuja Securities and Commodities Exchange, Nigerian Stock Exchange, and Federal Inland Revenue Service.

4 National Economic Council members include: Vice President, Federal Ministry of Finance, Central Bank of Nigeria, and State Governors

1.0 INTRODUCTION

The purpose of Nigeria's National Financial Inclusion Strategy (FIS) is to set a clear agenda for significantly increasing access to and usage of financial services by 2020.

1.1 Definition of Financial Inclusion

Financial inclusion is achieved when adults[1] have easy access to a broad range of formal financial services that meet their needs and are provided at an affordable cost.

The definition of financial inclusion used in the FIS includes the following elements:

i. Ease of access to financial products and services
   - Financial products must be within easy reach of all segments of the population and should not have onerous requirements.[2]

ii. Use of a broad range of financial products and services
   - Financial inclusion implies not only access but usage of a full spectrum of financial services including, but not limited to payments, savings, credit, insurance, and pension products.

iii. Financial products designed according to need
   - Financial products must be designed to meet the needs of clients and should consider income levels, as well as access to distribution channels.

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

1.2 Strategic Objectives

- To set a clear agenda to significantly increase access to and use of financial services by 2020;
- To ensure that the concerns and inputs of all stakeholders are considered and that roles and responsibilities are defined before financial inclusion regulations and policies are established; and
- To outline a framework for increasing the formal use of financial services from 36.3%[3] of the adult population in 2010 to 70% by 2020.

1.3 How the National Financial Inclusion Strategy Supports CBN Objectives

Increasing financial inclusion will support the CBN in achieving its core mandates in the following ways:

[1] Adults refer to persons 18 years of age and older. Persons under the age of 18 (minors) require an adult to ratify legal contracts and cannot hold a bank account independently. Bringing minors into the financial system will require amendments to Nigeria's existing laws.

[2] Ease of access refers to challenges such as KYC (Know Your Customer) procedures and physical distance.

[3] EFInA Access to Financial Services in Nigeria 2010 Survey

OBJECTIVES OF THE CBN	HOW FINANCIAL INCLUSION ADDRESSES THE CBN OBJECTIVES
▪ Ensure monetary and price stability	▪ The CBN will be better able to influence savings, investment and consumption behavior through interest and exchange rate changes, a direct result of the increased participation of Nigerians in the formal financial sector
▪ Issue legal tender currency in Nigeria	▪ Increased penetration of e-payments use and cashless efforts will reduce the cost of cash management and thereby reduce the cost of issuing legal tender
▪ Maintain external reserves to safeguard the international value of the Naira	▪ Increased access to finance for MSMEs as a result of financial inclusion (credit made on the back of mobilized savings) will lead to greater productivity, increased non-oil exports/foreign exchange earnings and this will stabilize the value of the Naira
▪ Promote a sound financial system in Nigeria	▪ Financial inclusion will lead to the development of a stable financial system funded by non-volatile savings that are robust and provide cushion against external shocks
▪ Provide economic and financial advice to the Federal Government	▪ The CBN will be better able to advise the government as increased participation in formal finance will produce a more complete picture of the country's economic performance.

The mandate of the Central Bank of Nigeria (CBN) is derived from the 1958 Act of Parliament, as amended in 1991, 1993, 1997, 1998, 1999 and 2007
Source:Central Bank of Nigeria

Figure 1: How financial inclusion supports CBN objectives

2.0 STRATEGY STAKEHOLDERS AND THEIR INTERESTS

The stakeholders involved in enhancing financial inclusion, as defined by FSS 2020, are: banks, other financial institutions, the insurance industry, financial regulators, technology/ telecommunications firms, public institutions, and development partners/experts (see Figure 2):

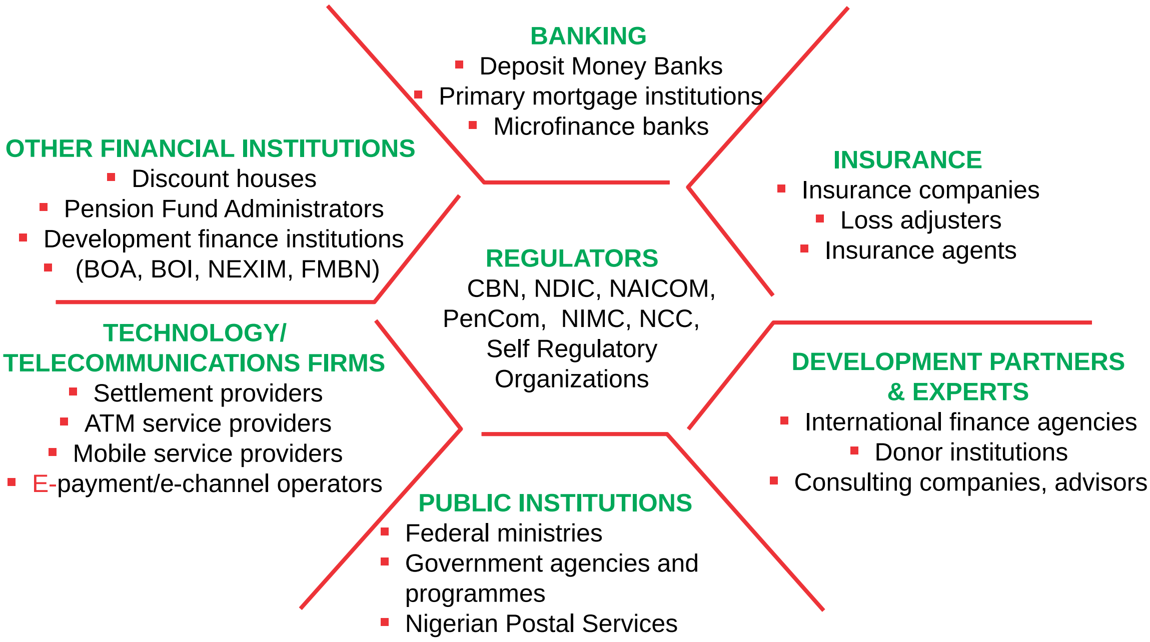

Figure 2: Financial inclusion stakeholders in Nigeria

Some of the major Financial Inclusion Strategy stakeholders and their interests include:

➢ ***Deposit Money Banks (DMBs)***

Currently, 21 Deposit Money Banks are serving about 20 million clients through a network of about 6,000 branches and 10,000 ATMs[4]. With an adult population of over 84.7 million, this shows that a large part of the banking market in Nigeria is still untapped. This has the potential to become a major funding base through the mobilisation of savings, and a source of profit for commercial banks and other financial services institutions.

➢ ***Microfinance Banks (MFBs)***

As of July 2011, Nigeria had 866 microfinance banks (MFBs)[5] and the MFB network served only 3.8% of the adult population (3.2 million clients).[6] Of these 3.2 million clients, 65% used savings products, 14% used credit products, and 4% used ATM cards.

The vast majority of MFBs can increase their scale and operating capacity by taking advantage of the opportunities provided by the Financial Inclusion Strategy.

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[4] Central Bank of Nigeria
[5] Central Bank of Nigeria
[6] EFInA Access to Financial Services in Nigeria 2010 Survey

- ***Development Finance Institutions (DFIs)***

There are five Development Finance Institutions (DFIs) in Nigeria that channel financial resources to critical sectors of the economy that would otherwise not be served by the banking sector. The Financial Inclusion Strategy can help DFIs harmonise multiple interventions and increase their impact on the economy.

- ***Microfinance Institutions (MFIs)***

Non-bank microfinance institutions (MFIs), which include financial NGOs, financial cooperatives, self-help groups, trade associations, and credit unions, are not regulated by the Central Bank of Nigeria. Over 600 MFIs are currently being monitored by CBN. MFIs may benefit from the Financial Inclusion Strategy through increased technical assistance and funding for more effective and efficient member outreach.

- ***Insurance***

Nigeria's recapitalisation exercise of 2007 consolidated the insurance industry into 49 companies[7]. However, as of December 2010, these companies served only 1% of the population.[8] With 99% of the population still unserved, there is a large untapped market and enormous business potential for the insurance companies.

- ***Pensions***

The 2004 Pension Reform Act established the Compulsory Pensions Scheme (CPS), which has largely been adopted by the Federal Government and the private sector. Annual pension contributions grew from NGN 60 billion in 2006 to NGN 290 billion in 2010.[9] However, only 17 of the 36 State Governments and the Federal Capital Territory have passed bills to adopt and implement the CPS.

The current pension system makes allowances for voluntary contributions, which can be tapped by both the formal and informal sectors in Nigeria. Pension Fund Administrators and Custodians can expand their outreach to this untapped market with appropriately targeted products.

- ***Technology and Telecommunication Companies***

There are nine mobile network operators (MNOs) in Nigeria. MTN, Globacom, and Airtel are the market leaders, with a combined market share of approximately 85%. Payment processing is handled by four companies: Interswitch, Valuecard, Cams, and eTranzact. Between 2006 and 2010, the sector experienced 38%[10] CAGR in the total number of subscribers and 27%[11] CAGR in tele-density.

MNOs could benefit from the Financial Inclusion Strategy through increased fee revenues that would be generated as a result of offering payments services.

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[7]National Insurance Commission (NAICOM)
[8]EFInA Access to Financial Services in Nigeria 2010 Survey
[9]National Pension Commission (PenCom)
[10]Nigerian Communication Commission (NCC)
[11]Nigerian Communication Commission (NCC)

In addition, there would be an increase in client acquisition and retention through more attractive product offerings.

- **Public Institutions**

Participation in the Financial Inclusion Strategy would help relevant public institutions achieve their mandates. These institutions include the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN), the National Identity Management Commission (NIMC), and the Nigeria Postal Service (NIPOST).

- **Development Partners**

Various development partners support financial inclusion initiatives and the Strategy provides a blue print for their interventions thereby assisting them in achieving their objectives.

3.0 THE CURRENT STATE OF FINANCIAL INCLUSION IN NIGERIA

In the provision of financial services, Nigeria lags behind some of its peer countries in Africa. In 2010, for instance, only 36.3% of the country's adult population[12], (30.7 million) out of 84.7 million (Figure 3 and 4)— were served by formal financial services compared to 68% in South Africa and 41% in Kenya.[13]

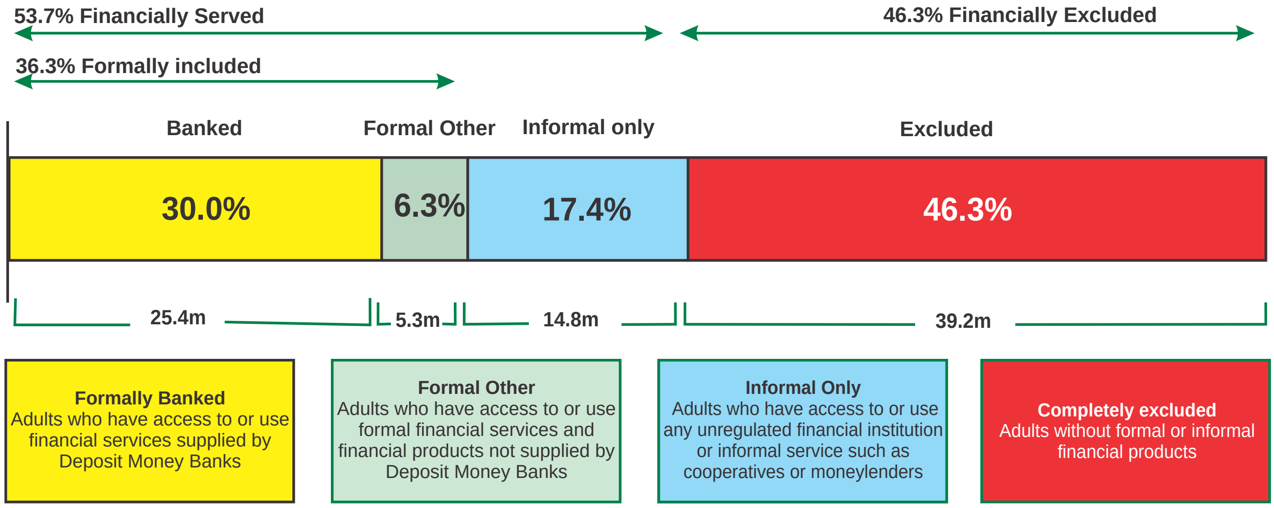


Figure 3 : The state of financial inclusion in Nigeria [14]

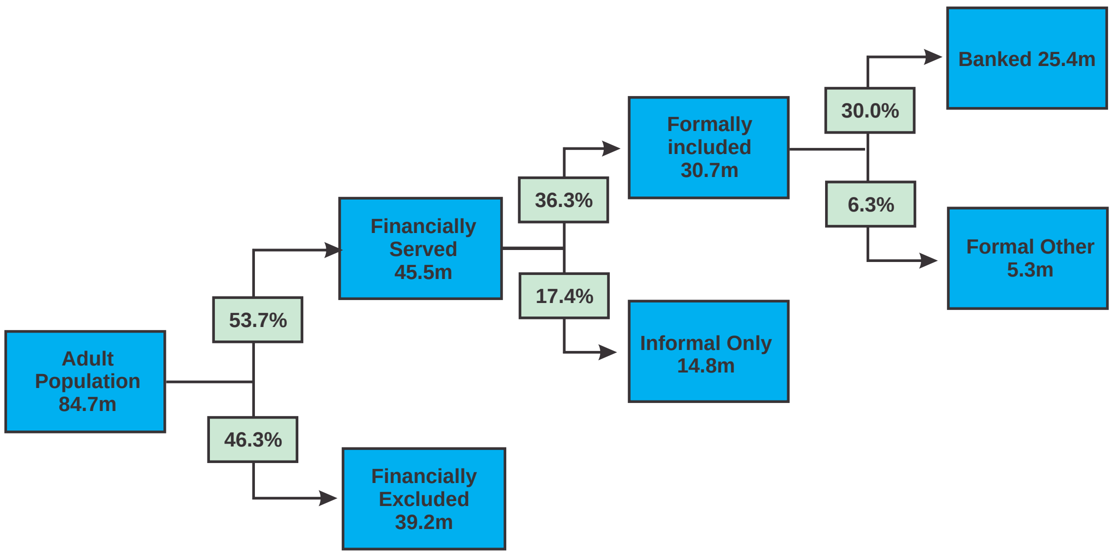


Figure 4 : Financial products and services usage by category[15]

Between 2008 and 2010, the percentage of "completely excluded" fell from 53% to 46.3%, while those served by the "informal sector" fell from 24% to 17.4%.[16] At the same time, "formal other" doubled from 3% to 6.3%.[17]

[12] EFInA Access to Financial Services in Nigeria 2010 Survey
[13] EFInA Access to Financial Services in Nigeria 2010 Survey
[14] EFInA Access to Financial Services in Nigeria 2010 Survey
[15] EFInA Access to Financial Services in Nigeria 2010 Survey
[16] EFInA Access to Financial Services in Nigeria 2008, 2010 Surveys
[17] EFInA Access to Financial Services in Nigeria 2008, 2010 Surveys

3.1 Geographical Differences in Financial Inclusion

The population of Nigeria is distributed unevenly, with an average population density of 150 per square kilometres. Densely populated states include Lagos, Anambra and Akwa Ibom. The urbanisation rate was estimated at 49% in 2009 and is expected to rise to 75% by 2050. By this time, Nigeria is expected to be among the 20 most urbanised countries in the world.

Financial inclusion is most advanced in Nigeria's urban areas, especially in the Southern parts of the country. Northern Nigeria is particularly disadvantaged, with 68% of adults excluded in both the North-East and North-West regions.

Formal inclusion rates range from 49% in the South-West Region to only 19% in the North-West Region. The "informally included" primarily live in the North-Central region, where 23% of adults have access to only informal services.

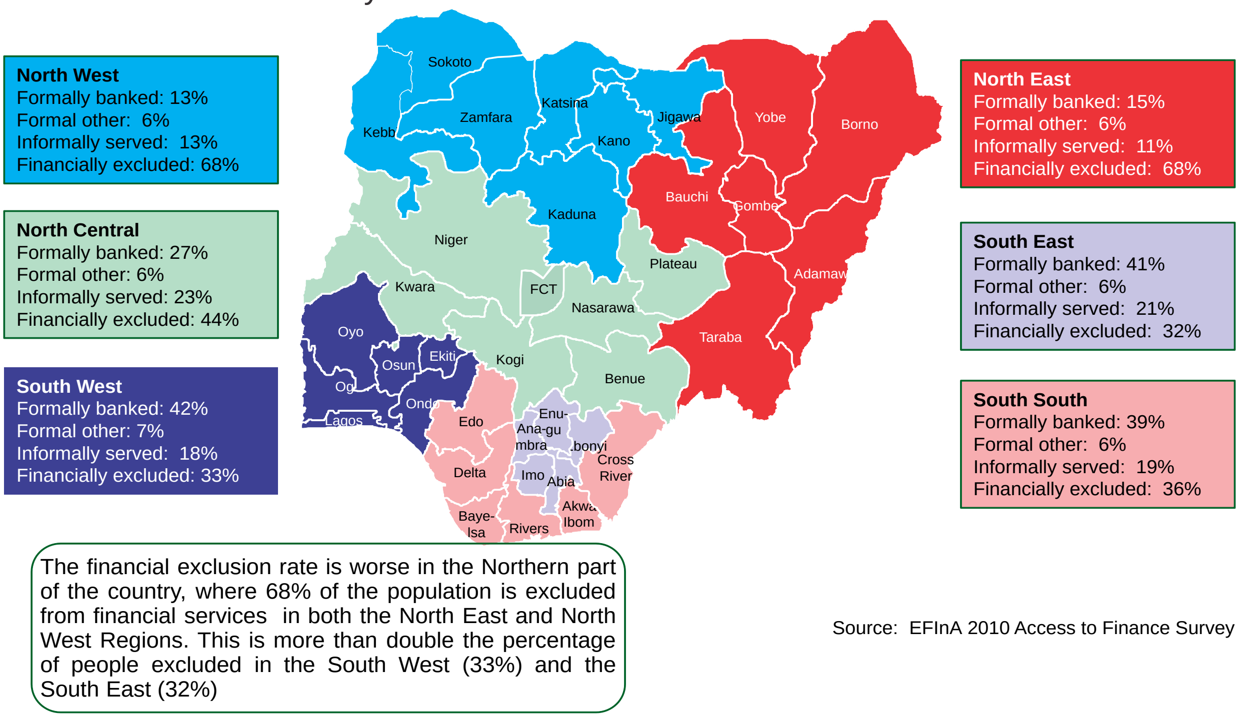
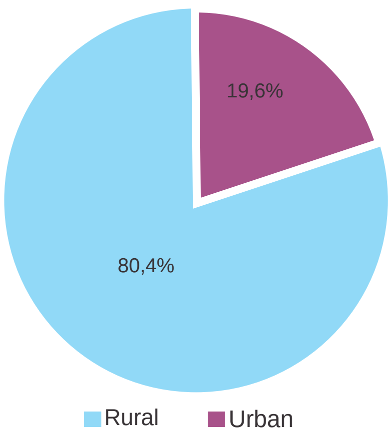


Figure 5: Financial inclusion in Nigeria by region[18]



The vast majority (80.4%) of those who are fully excluded from formal and informal financial services live in rural areas. There are three possible explanations for this. First, the physical distance to bank branches in most rural areas makes it difficult and expensive to access financial services. Second, lower levels of economic activity in rural areas limit the profit potential of financial institutions. Third, education levels and financial literacy are typically lower in rural areas, making it less likely that clients will make use of financial products and services.

Figure 6: Geographical distribution of the financially excluded[19]

[18] EFInA Access to Financial Services in Nigeria 2010 Survey
[19] EFInA Access to Financial Services in Nigeria 2010 Survey

3.2 Characteristics of the Financially Excluded[20]

A major feature of the access to financial services in 2010 was that 30% of adult Nigerians had banking services while 2.8% that previously had access to banking services had dropped out.

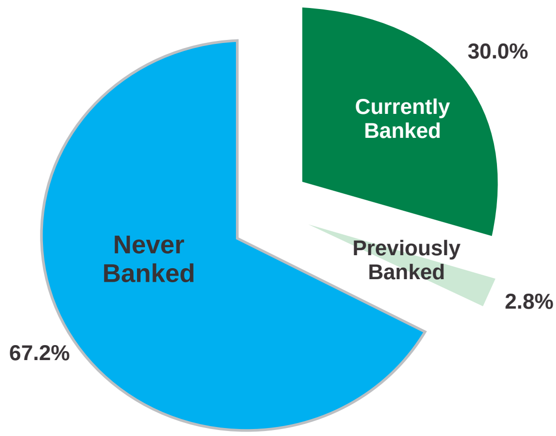


Figure 7: Levels of financial exclusion in Nigeria

A total of 39.2 million adults (46.3% of the adult population) were excluded from financial services in Nigeria as at 2010. Out of this, women account for 54.4%, younger adults (those under 45 years), 73.8% and the uneducated (have no formal education), 34%.

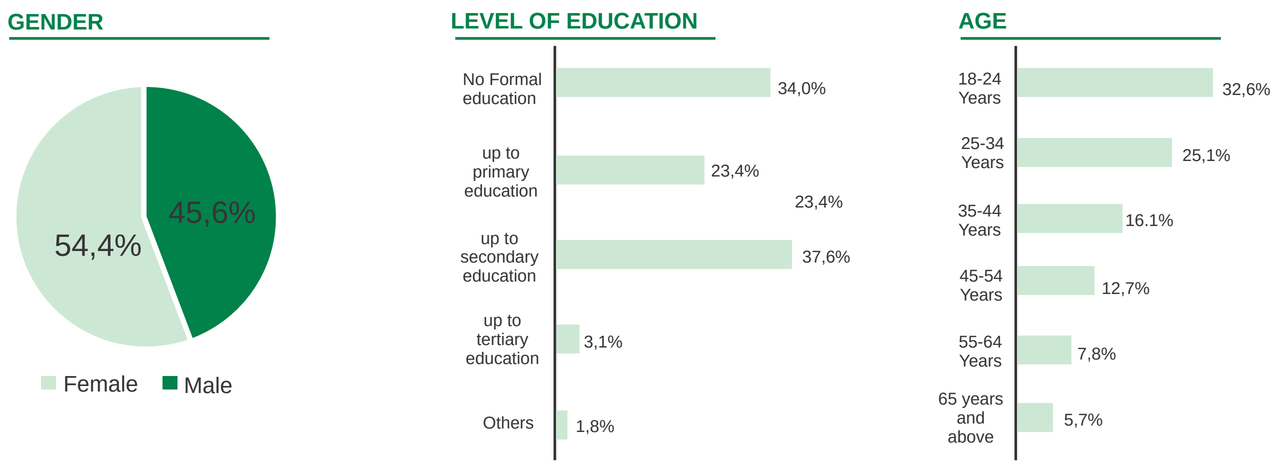


Figure 8 : Characteristics of the financially excluded

There are two key demographic trends that have implications for financial inclusion:

- A relatively young population that is rapidly urbanising.
- Nigeria is the world's tenth most populous country. According to the National Population Commission, Nigeria's population grew from 140.4 million in 2006 to 167.9 million by the end of October 2011. Of this number, 82.1 million were females and 85.8 million were males. At an annual growth rate of 3.2% (the rate used by the Commission in 1991 and 2006), Nigeria's population is expected to reach 221.4 million by 2020.

[20] EFInA Access to Financial Services in Nigeria 2010 Survey

- Fertility in Nigeria remains high and unchanged over almost two decades: 5.9 births per woman in 1991 and 5.7 births in 2008. On the average, rural women have two more children than urban women (6.3 versus 4.7).

3.3 Financial Sector Infrastructure

The existing banking infrastructure has the capacity to expand financial inclusion throughout the country. As of December 2010, Nigeria had a combined total of 5,797 bank branches, 9,958 ATMs, and 11,223 POS terminals.[21] Although the banked population has grown faster than the bank branch network, the infrastructure is operating below its potential and has the capacity to serve more clients. The average number of clients per branch was 3,882 compared to 3,922 in Kenya and 8,595 in Tanzania. To reach best-in-class levels, the average branch should serve more than double the number of clients it does today.

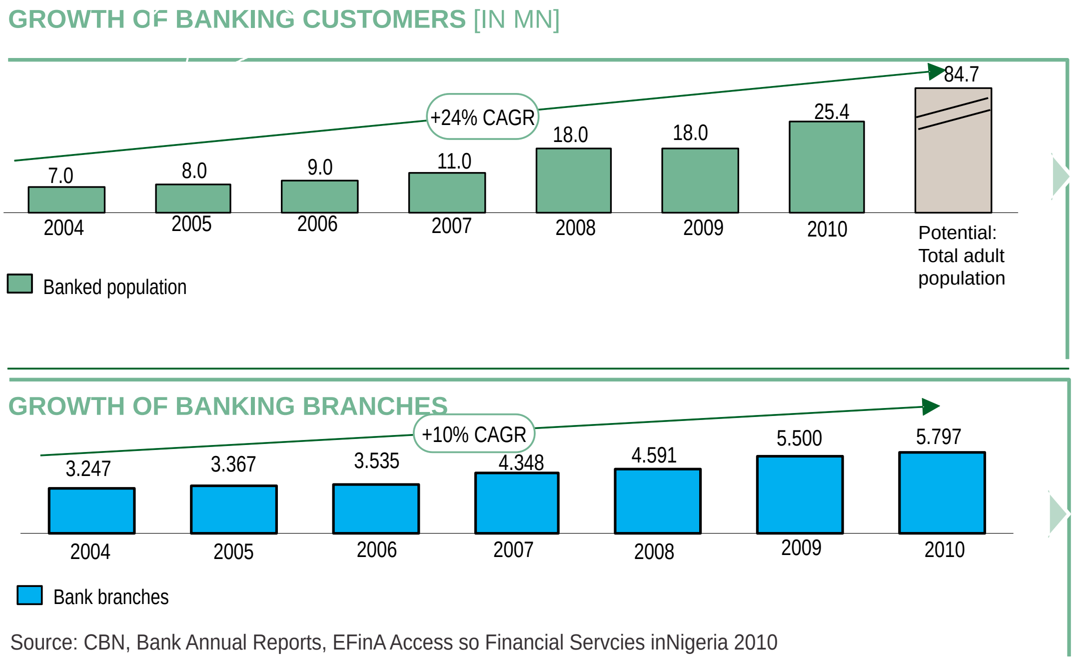


Figure 9: Banking customers and branch infrastructure in Nigeria

3.4 Regulation and Policy

Currently, there are no specific regulations and policies on financial inclusion in place. Although many regulations and policies have an impact on financial inclusion, particularly those that focus on distribution channels such as ATMs or POS devices. However, there are no policies and regulations specific to retail agent banking. A review of initiatives that came into effect due to regulation and policy on increasing access to finance have revealed that monitoring and impact assessments were inadequate.

Globally, one of the catalysts for financial inclusion has been savings mobilisation policies and programmes. However, in Nigeria, most intervention programmes are geared towards credit enhancement. Despite focused investment in credit schemes and policies, the impact

[21]Central Bank of Nigeria

of these schemes appears to be limited considering the scale of financial exclusion in Nigeria.

The impact of these regulations and policies has been analysed in relation to the following factors (see Figure 10):

- distribution channels
- financial services and products
- financial literacy and consumer protection

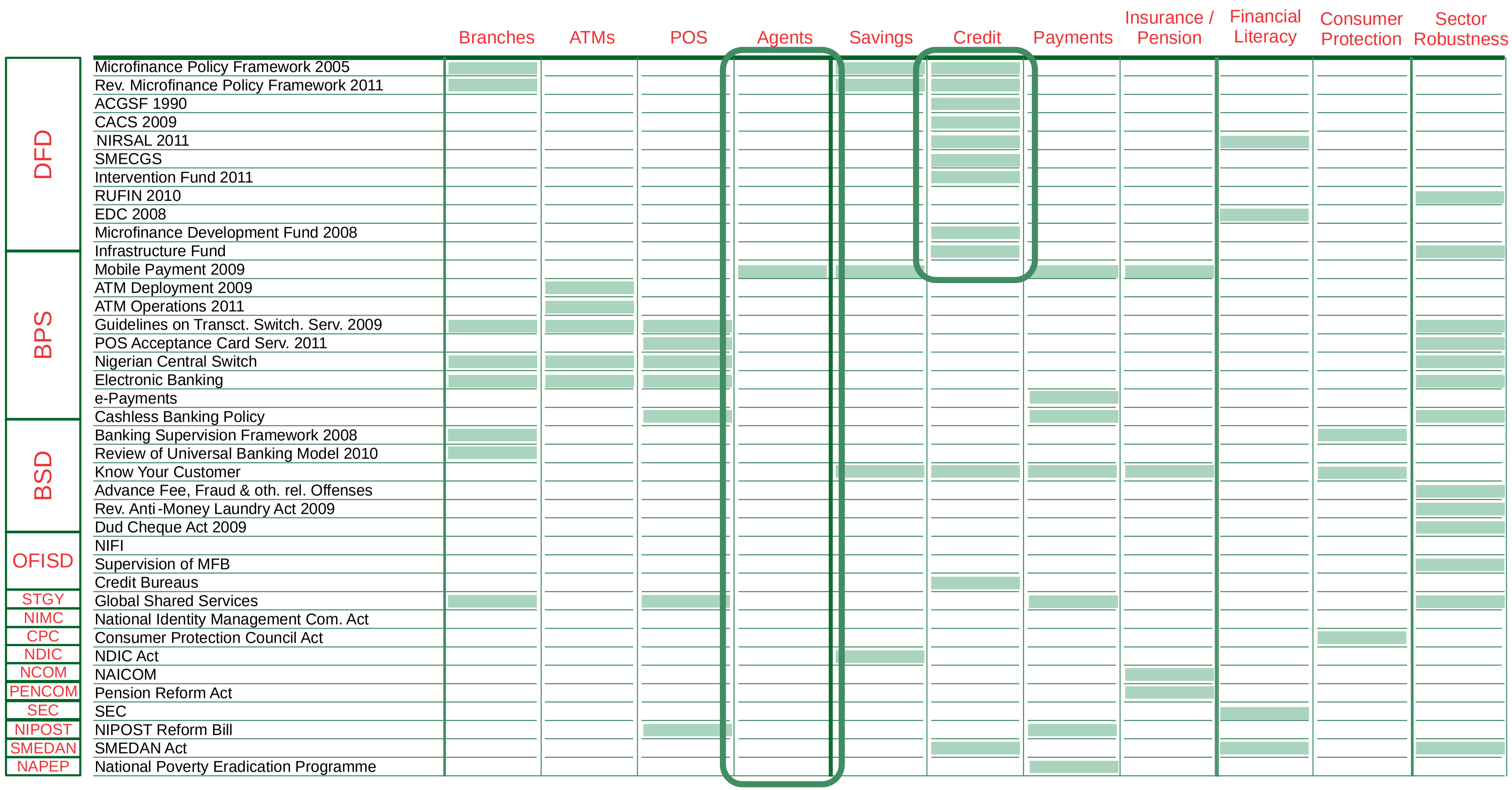
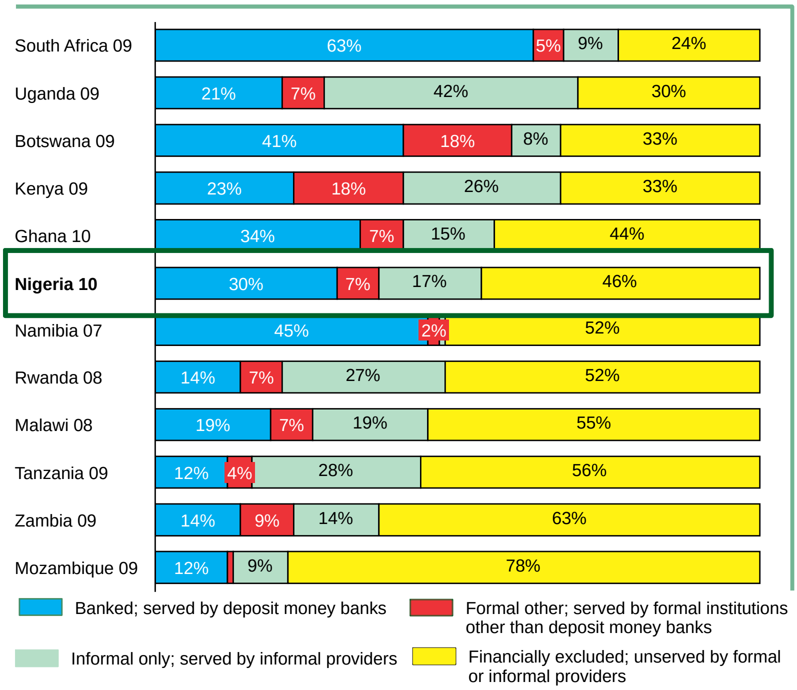


Figure 10: Regulation and policy impacting financial inclusion in Nigeria

4.0 INTERNATIONAL BENCHMARKS FOR FINANCIAL INCLUSION

Globally, financial inclusion has moved into the mainstream. Many countries have taken action to increase access to and use of financial services. FinScope data on financial inclusion in sub-Saharan Africa provides an initial basis for comparison (Figure 11).



Source: Finscope Studies, EFInA Access to Financial Services in Nigeria 2010

Figure 11: Financial inclusion in sub-Saharan Africa by country[22]

The existing assessment identifies any person who uses at least one formal financial product as financially included. Differences in quantity and quality of inclusion can only be identified when country data is stratified.

Some countries, such as Malaysia and Brazil, have made significant progress in financial inclusion (see Figure 13). Since there are no global benchmarks for financial inclusion, it is analysed by products, channels, and client-focused regulations and policies.[23]

4.1 Products

Payments – 21.6% of Nigeria's adults currently utilise formal payments,[24] lagging behind South Africa and Kenya, which have both reached 46% penetration. Despite the high penetration of mobile phones in Nigeria, mobile banking has not gained equivalent momentum. Mobile payments are still a relatively new service in Nigeria and have not yet significantly impacted on the mainstream financial system.

[22] EFInA Access to Financial Services in Nigeria 2010 Survey, Finscope data used for other countries

[23] To select the benchmark countries, two best-in-class countries for each product were identified from among emerging markets. In addition, where data was available, three anchor countries were included: Indonesia (as a top 20 world economy), Kenya, and South Africa (both peers for financial development in sub-Saharan Africa). The analysis is based on available data from FinScope surveys in African countries, as well as IFC Access to Finance 2010 for comparison and the GSMA database for supply side data.

[24] EFInA Access to Financial Services in Nigeria 2010 Survey

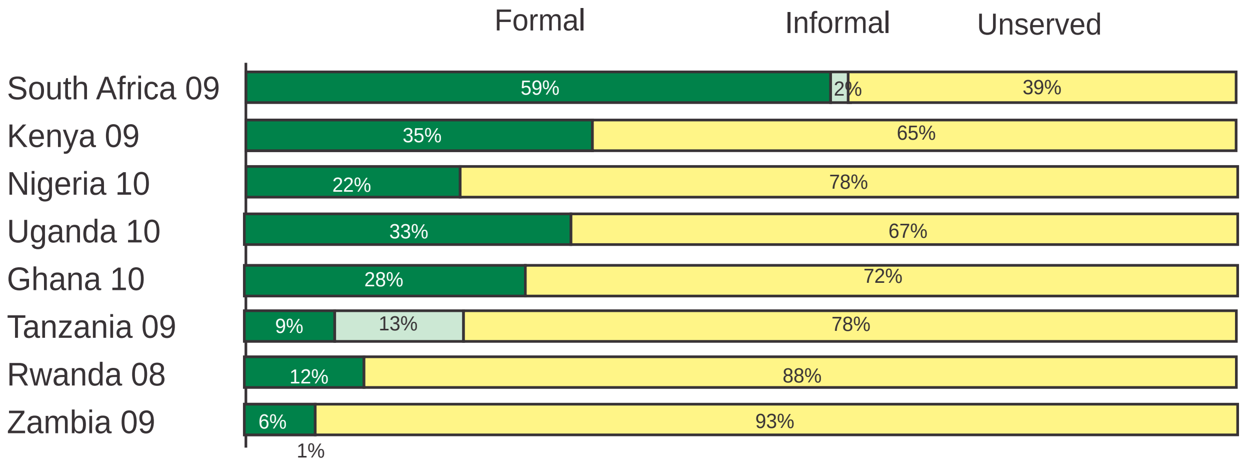


Figure 12 : Access to transaction services in selected countries[25]

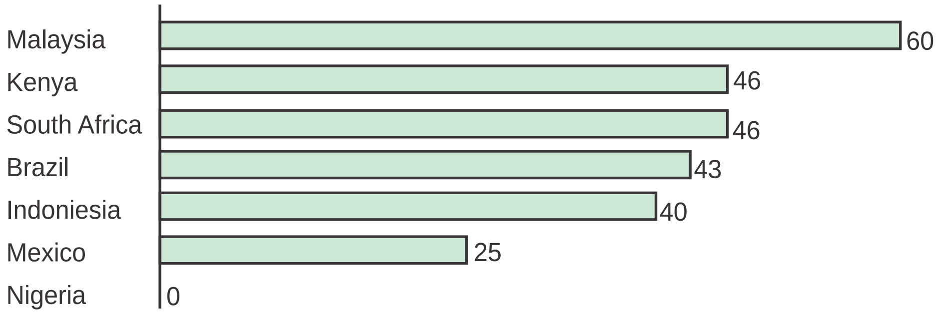
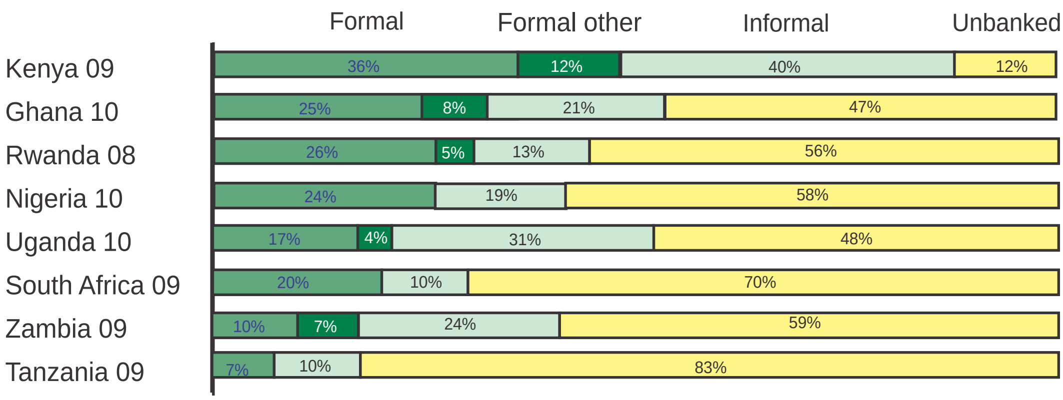


Figure 13 : M-payments users as a percentage of the adult population

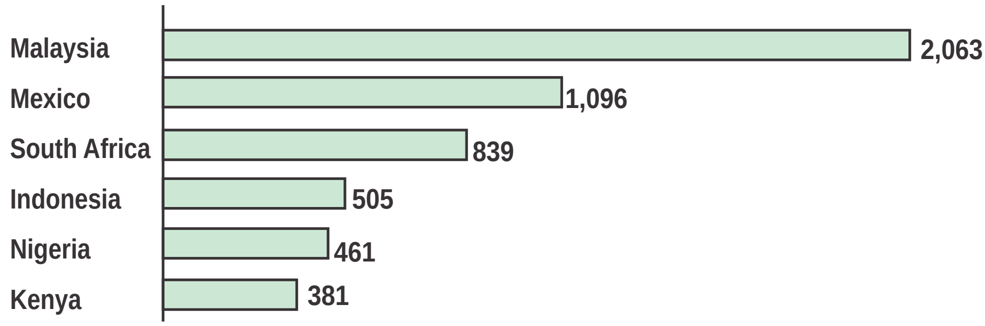
Savings – Nigeria is an average performer in Africa in terms of access to formal savings products. Furthermore, when compared to Malaysia – the best in class – Nigeria still has a long way to go. Malaysia has 2,063 savings accounts per 1,000 people compared with 461 per 1,000 people in Nigeria (Figure 15).



Source: World Bank/CGAP, FinScope, EFinA Access to Finance in Nigeria 2010 Survey

Figure 14 : Access to savings in selected countries

[25]Remittances used as a proxy for transactional services in the strand. Access strand figures from FinScope, M-payments figures from Financial Access Survey 2010, World Bank/ CGAP



Source: WorldBank/CGAP, FinScope, EFinA Access to Finance in Nigeria 2010 Survey

Figure 15 : Savings accounts with commercial banks in 2010 per 1,000 adults[26]

Credit – Nigeria has very low credit penetration, with only 2% access to formal products.[27] This is compared to 16% in Tanzania and 32% in South Africa. With 15 loan accounts at commercial banks per 1,000 adults, Nigeria's rate is much lower than Malaysia, which has 963 loan accounts per 1,000 adults (See Figure 16).

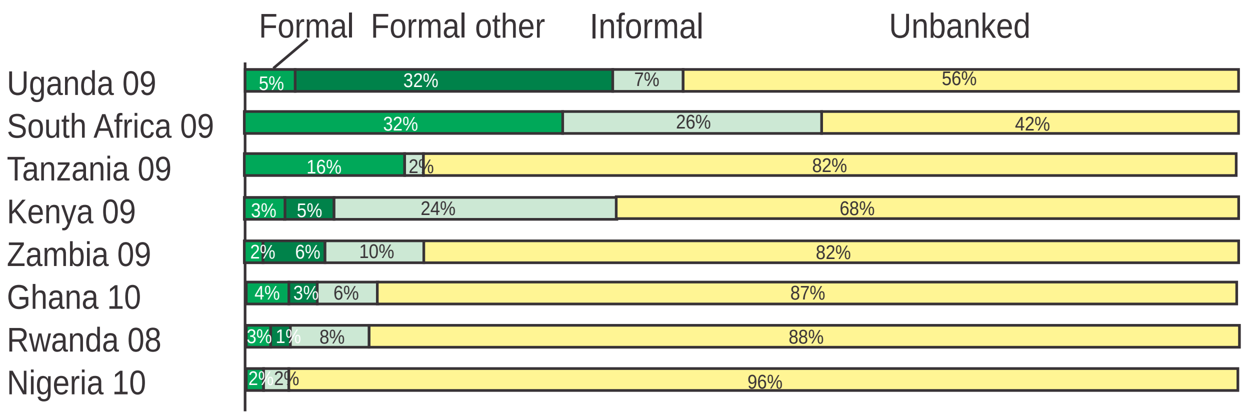


Figure 16 : Access to loan products in selected countries

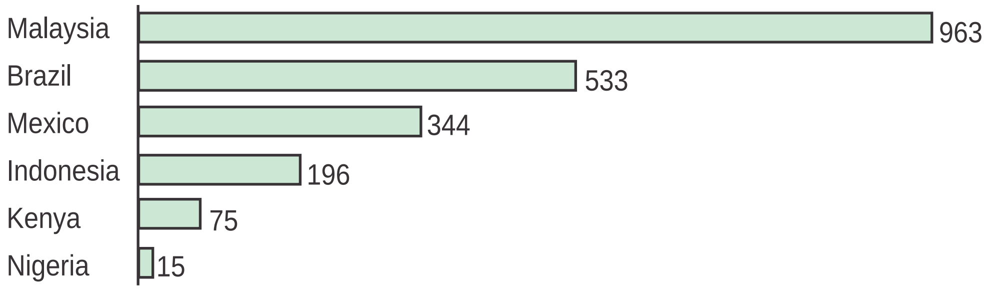


Figure 17 : Loan accounts with commercial banks per 1,000 adults[28]

Insurance – With the exception of South Africa, where insurance penetration (Figure 19) is 30%, insurance penetration across Africa is relatively low. Nigeria's insurance sector has only 1% penetration, which compares poorly to other peer countries. Low insurance literacy, low client trust in the insurance industry, and lack of suitable insurance products are considered the major reasons why insurance use in Nigeria remains low.

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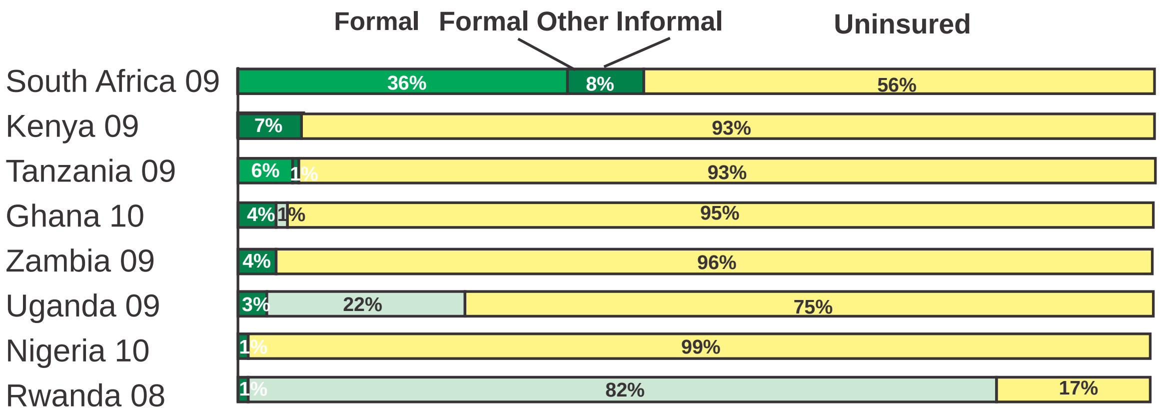
[26] Access strand figures from FinScope, M-payments figures from Financial Access Survey 2010 from World Bank/ CGAP

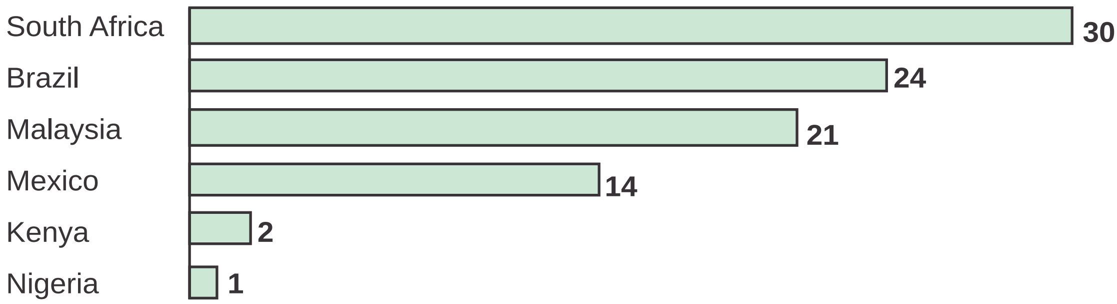
[27] Central Bank of Nigeria and FSS 2020 Blueprint for Nigeria's financial system

[28] Access strand figures from FinScope, the loan accounts figures from Financial Access Survey 2010 from World Bank/ CGAP and Central Bank of Nigeria



Source: Swiss Reinsurance Company Ltd., EFinA Access to Finance in Nigeria 2010 Survey

Figure 18 : Access to insurance services in selected countries



Source: Swiss Reinsurance Company Ltd., EFinA Access to Finance in Nigeria 2010 Survey

Figure 19 : Estimated percentage of the adult population using insurance in 2010[29]

Pensions – The Nigerian Pension Scheme, which is based on the Chilean pension system, is in early stages of development, with approximately 5% penetration. Chile's pension assets, 27 years after the pensions system was implemented, account for 44% of GDP compared to 4% in Nigeria after five years. However, the Nigerian pension system has not yet implemented a social pension fund, which is a vital component of the Chilean model. Given the potential of the Nigerian pension system and the experience of Chile, it is expected that Nigeria will move quickly and attain higher coverage over the next few years.

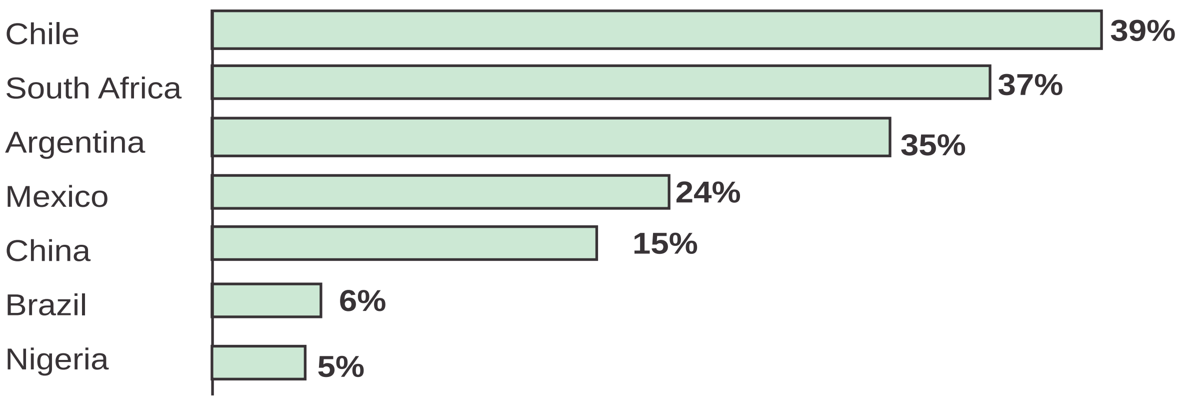
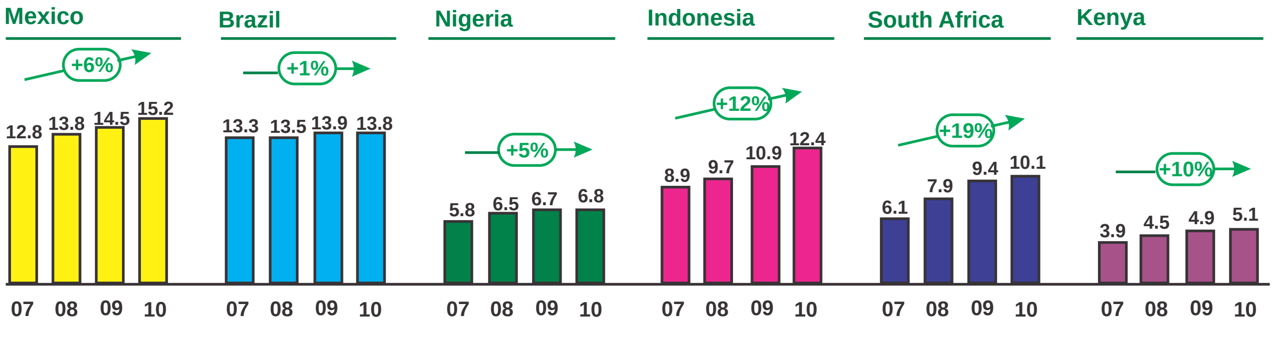


Figure 20: Estimated percentage of the adult population contributing to pensions in 2009[30]

[29]Access strand figures from FinScope. Share of population using insurance figures from SwissRe 2011 and EFinA 2010.
[30]PenCom Annual Report 2009 figures for Nigeria, BGL Pension Report 2010 figures used for other countries. Pension coverage does not change for Nigeria in 2010.

4.2 Channels

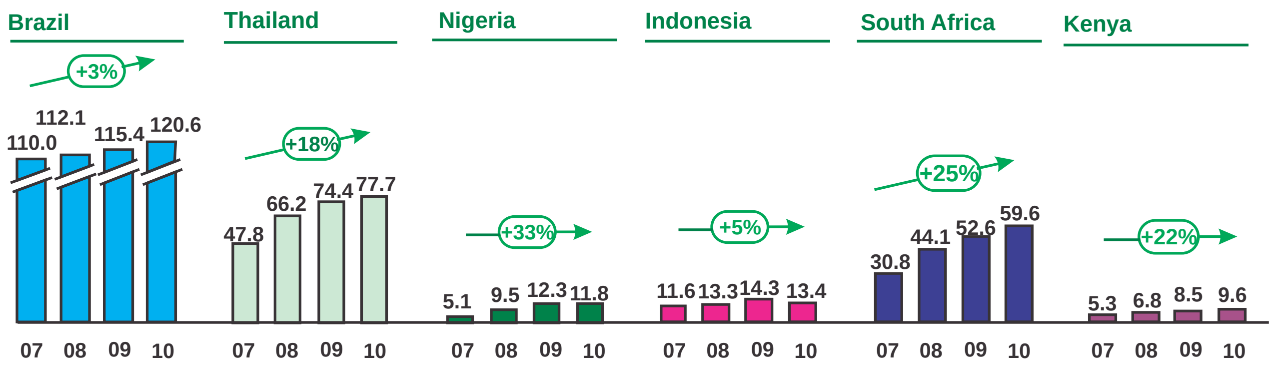
Branches – Growth in Mexico, South Africa, and Kenya has been driven by competition in the banking sector rather than by regulation or policy. The belief that branches are key to maintaining brand market share and customer relationships has sustained branch expansion, even in markets with strong branchless banking networks such as Brazil and Kenya. Branches in Nigeria are predominantly upscale and expensive, and the mini-branch[31] concept is not yet widespread which has limited branch growth. With only 6.8 branches per 100,000 adults in 2010, compared with 15.2 in Mexico, 13.8 in Brazil, and 12.4 in Indonesia, there is a lot of room for Nigeria to expand its branch network.



Source: world bank Central Bank of Kenya, Central Bank of Nigeria

Figure21 : Commercial bank branches per 100,000 adults

ATMs – ATM penetration in Nigeria is still very low compared with the benchmarked countries. While Brazil had 120.6 ATMs per 100,000 adults, Thailand 77.7, and South Africa 59.6, Nigeria had only 11.8 (Figure 22). The introduction of Visa cards in Thailand drove ATM penetration while growth in South Africa and Kenya was driven by demand and sector competition. In South Africa, the spread of ATMs has been enhanced by regulations that specify a target number of ATMs per 100,000 people and per 1,000 sq km.

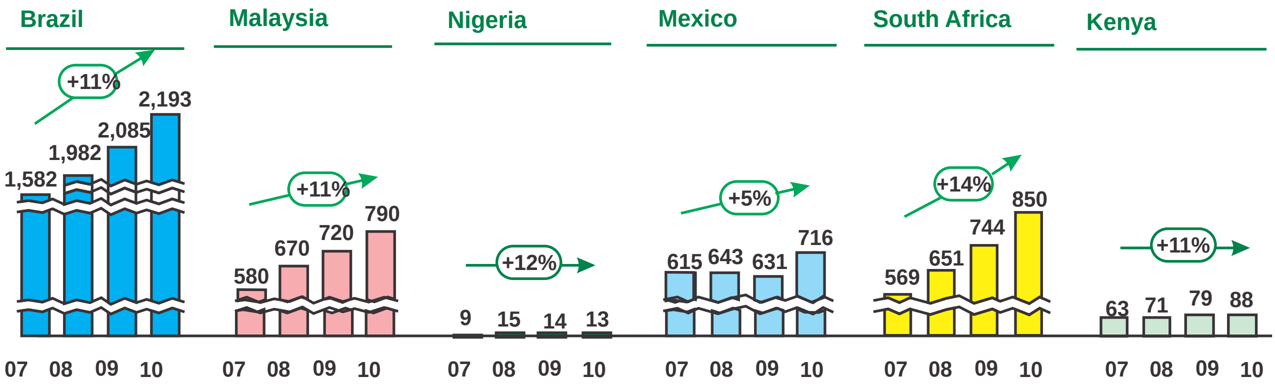


Source: Banco Central do Brazil, Bank of Thailand, Central Bank of Kenya, World Bank

Figure 22 : ATMs per 100,000 adults

[31] While there are various "mini branch" concepts in place around the world, we understand them as brick and mortar banking infrastructure that offers a limited set of financial products and services and does not exceed five staff, not including agents that may be linked to the branch.

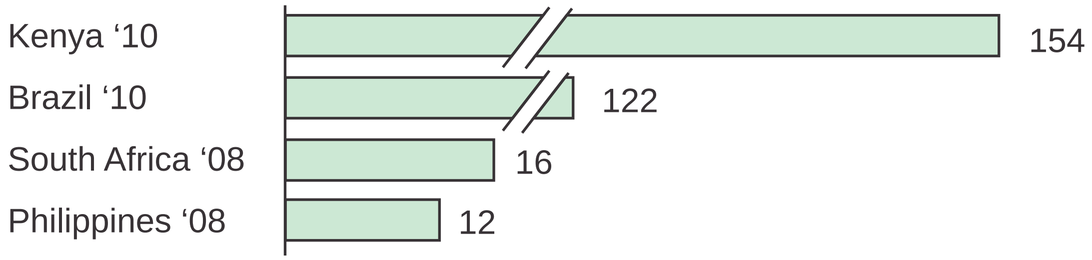
POS – Regulation allowing retail agents to offer banking services facilitated the growth of POS terminal penetration in Brazil, which reached 2,193 per 100,000 adults in 2010. POS penetration in Mexico was driven by sharp increases in card use, supported by tax incentives for branchless banking initiatives. A concerted effort is required to raise POS penetration in Nigeria from 13 per 100,000 adults (2010 figures). It is expected that initiatives to increase POS penetration, the cash-less policy in particular will bridge the gap between Nigeria and its peers.



Source: Central Bank of Kenya, Banco Central do Brazil, Central Bank of Malaysia

Figure 23: POS devices per 100,000 adults

Agents – There are currently no regulations for agent banking in Nigeria, but the CBN is working on guidelines for implementing an agent banking framework. This has great potential to enhance access to and increase in the use of financial services across the country.



Source: Central Bank of Kenya, Banco Central do Brazil CGAPBill and Melinda Gates Foundation

Figure 24: Agents per 100,000 adults[32]

4.3 Financial Inclusion Enablers

Know Your Customers (KYC) – The banking industry in Nigeria relies on uniform KYC requirements, which do not take transaction type and risk into account. Most countries that have made progress in financial inclusion have adopted risk-based approaches to KYC. This has not only maintained the integrity of financial systems, but opened up eligibility requirements to bring more people into the banking system. For example, Mexico, Brazil, and Pakistan KYC requirements are based on the value of transactions (Figure 25).

[32] Central Bank of Kenya, Banco do Brasil, CGAP, Bill and Melinda Gates Foundation

UNIFORM APPROACH

	Level	Restrictions	KYC Requirement
NIGERIA	All Banking Services	All Banking Services	Certainly of identity, mandate to inquire about nature of business , expected transactions and sources of income, identification based on official documents and physical evidence like address visits

RISK-BASED/TIERED APPROACH

	Level	Restrictions	KYC Requirement
MEXICO	Level 1 account	USD 315 total	No compulsory/KYC requirements
	Level 2 account	USD 470 p.m	Name, date of birth, address - 24 months validation time
	Level 3 account	USD 950 p.m	Name, date of birth, address - validate by official ID system
	Level 4 account	USD 3,150 p.m	Full KYC - maybe contracted by agents within, no copies necessary
BRAZIL	Simplified Account	USD 500 max balance	Only governmental Id must be presented within six months time, can be performed by agents
	Regular Account	All banking services	Full KYC
PAKISTAN	Level 1 account	USD 750 max. balance USD 75(d)/150(m) trans	Copy of computerised ID Card plus photo finger print by agent
	Level 2 account	All Basic services	Full KYC - financial institution sets limits for 'customer profiles'
	Level 3 account	All business services	Full KYC - additional KYC and limits by financial institution

Figure 25: Benchmarking KYC requirements

Consumer protection – Consumer protection is considered an integral component for enhancing financial inclusion and, as countries such as Albania and India have discovered, a lack of consumer protection can undermine financial inclusion objectives (see Figure 26). Currently, there is no central consumer protection council in Nigeria that focuses specifically on the financial services industry. Instead, regulators serve their respective sectors, such as the Consumer Protection Department within the CBN.

Selected topics

Product transparency
- Language
- Rights and processes

Savings and loans
- Interest calculations
- Fees and penalties

Periodic disclosure
- Product conditions
- Fee / penalty income

Unfair treatment
- Advertising
- Collection practices

Complaint resolution
- Procedures / processes
- Timeliness of response

Third party recourse
- Ombudsman
- Mediation services

Key issues

Monitoring methods
- Require FIs to report to the CBN consumer protection ombudsman
- Operate call center
- Monitor advertisements
- On site inspections
- Mystery shopper
- Consumer interviews

Action for enforcement
- Issue warning to FI
- Refund of charges
- Withdrawal of offerings
- Impose fines / penalties
- Public notice of violation
- Withdraw license

Examples

I Albania
- Collapse of unregulated pyramid savings schemes led to national unrest 360 killed and 3500 injured in 1997

II India
- Andhra Pradesh provides an example of microfinance failure
- Variety of reasons were adduced for collapse of the sector – including lack of consumer protection

KEY INSIGHTS

- Over-indebtedness and loss of savings are primary risks of using financial services
- Quick wins in Financial Inclusion can be marred if consumers are not educated on products and protected accordingly
- Therefore, giving clients access to formal consumer protection serves to protect them from over-indebtedness and loss of savings

Figure 26 : Key elements of consumer protection

Financial literacy – Financial literacy is another central pillar of financial inclusion, particularly when it is coupled with consumer protection. National financial literacy levels have not been measured in Nigeria. A variety of financial literacy initiatives have been launched, but the full impact of these initiatives is yet to be determined. The importance of financial literacy to financial inclusion, and the key elements of financial literacy are detailed in Figure 27.

Targets

Product understanding
- Awareness of product existence and purpose
- Product expenses

Information access
- Know where to look for relevant information

Business planning
- Business cash-flows
- Household expenses

Informed decisions
- Awareness of different financial options

See consequences
- Understand relevance of bad financial decisions

Players

Government
- Literacy training in schools and public institutions
- Media campaigns
- Provide neutral information

Regulators
- Enforce transparency
- Supervise disclosure of financial institution information

Retail institutions
- Provide product information
- Literacy training for clients

Social partners / NGOs
- Offer neutral information
- Watch abusive practices

Tools

Face-to-face
- Classroom training
- Individual training

Public media
- Radio campaigns
- Newspaper adds
- Road shows

Multimedia
- DVD training
- Social networks
- SMS

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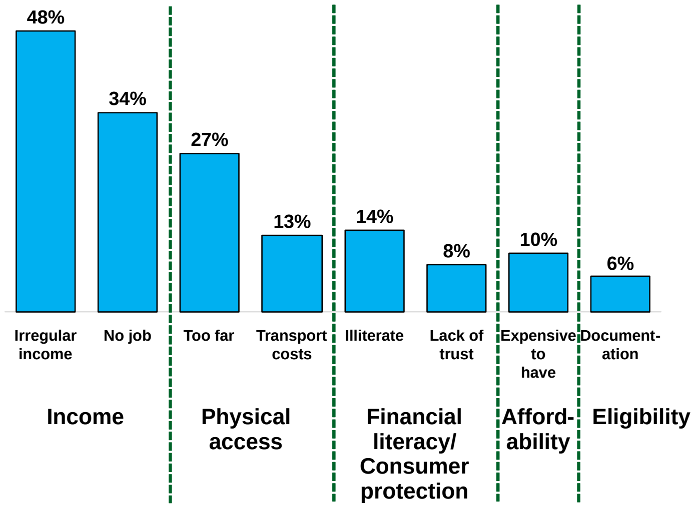
Material
- Dummy ATMs
- Brochures
- Posters

KEY INSIGHTS
- Financial literacy is a key element of financial sector stability
- The major challenge lies in monitoring the impact of financial literacy initiatives
- Consensus will need to be reached on the costs and benefits of measuring financial literacy

Figure 27 : Key elements of financial literacy

5.0 MAJOR CHALLENGES TO FINANCIAL INCLUSION IN NIGERIA: ISSUES AND EVIDENCE

The EFInA Access to Financial Services in Nigeria 2010 Survey identified five major barriers to financial inclusion: low and irregular income, physical access, financial literacy, affordability, and eligibility (Figure 28). Of these, the three most significant are accessibility, eligibility and financial literacy.

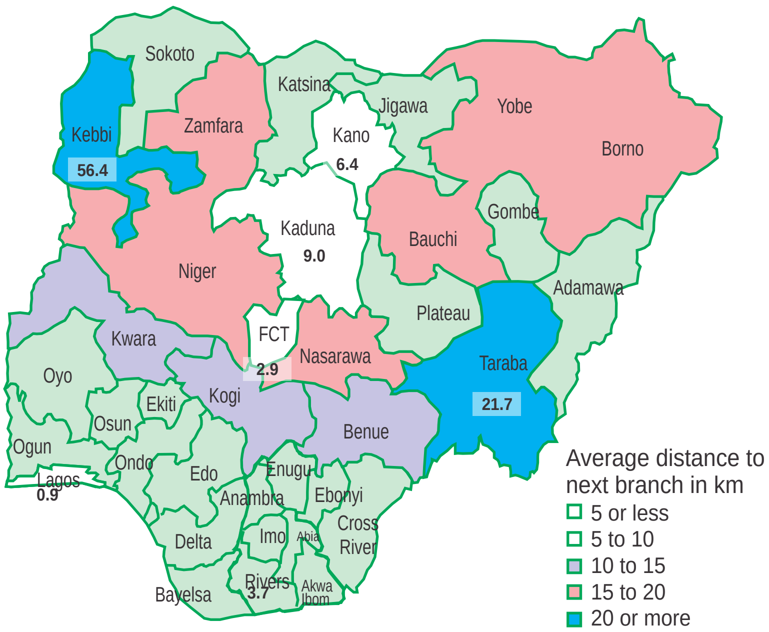


HURDLES TO INCREASING FINANCIAL INCLUSION

- **Income**
  - 23.6% of the adult population earn less than USD 2 per day
  - 10.9% of adults have no income
- **Physical access**
  - Low banking density - the average distance to a branch is >10 km
  - 79% of rural dwellers are unbanked
- **Financial literacy**
  - Lack of clear understanding of financial institutions and products
  - Lack of trust
- **Affordability**
  - Fees for ATM cards/transactions
  - Minimum balances required
- **Eligibility**
  - Cumbersome documentation requirements
  - Rigorous identification requirements

Figure 28: Reasons for not Having an Account

5.1 Accessibility



The average distance to DMB branches varies widely within Nigeria, from almost 60 km in Kebbi State to less than 1 km in Lagos State. When branch proximity is compared to rates of service usage, it is apparent that physical access to a financial institution is a major contributing factor to financial inclusion and might even be the most important factor.

Figure 29 : Average distance to a bank branch in Nigeria

5.2 Eligibility and Know Your Customer (KYC) Regulations

Comprehensive client due diligence is based on Nigeria's existing Anti-Money Laundering (AML) regulation and defined set of KYC requirements.[33] These requirements help financial institutions avoid fraudulent activities by clearly identifying the individuals they are serving, but the regulation also creates a hurdle for people who want to enter the banking system but do not have the required identification.

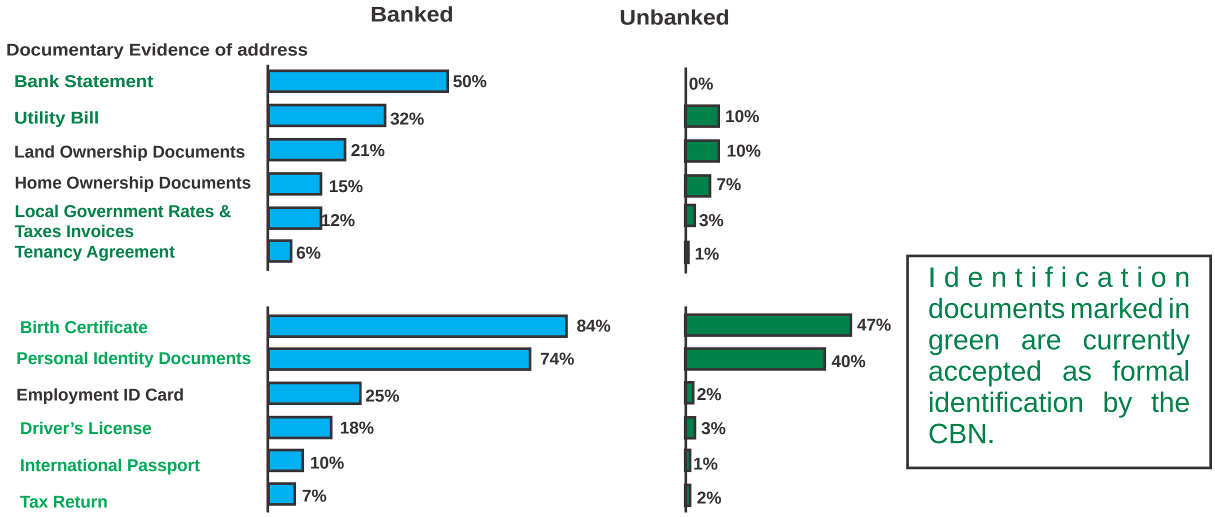


Figure 30 : Access to identification documents[34]

5.3 Financial Literacy

Awareness and understanding of financial terms vary depending on the complexity of a product and its features, as well as how commonly the product is used within the general population (Figure 31). However, friends, family members, and trusted community leaders have the greatest influence on an individual's financial literacy. Awareness raising through electronic and print media has yet to gain ground. (See Figure 32)

	Has Heard and knows what it means	Has heard but doesn't know what it means	Has never Heard
Bank	84.6%	7.5%	7.9%
Interest	71.5%	10.5%	18.0%
Loans	69.9%	13.1%	17.0%
Savings Account	59.5%	12.9%	27.6%
Pension	55.1%	17.8%	27.1%
Cheque	54.5	15.7%	29.8%
ATM Card	45.7%	16.2%	38.1%
Current Account	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%
Mortages	17.6%	17.1%	65.3%
Credit Card	15.6%	15.8%	68.6%
Non-interest (Islamic) Banking	6.4%	9.8%	83.8%

Figure 31 : Awareness and understanding of financial terms[35]

[33] Central Bank of Nigeria: Know Your Customer Manual for Banks and other Financial Institutions in Nigeria (2003)
[34] EFInA Access to Financial Services in Nigeria 2010 Survey
[35] EFInA Access to Financial Services in Nigeria 2010 Survey

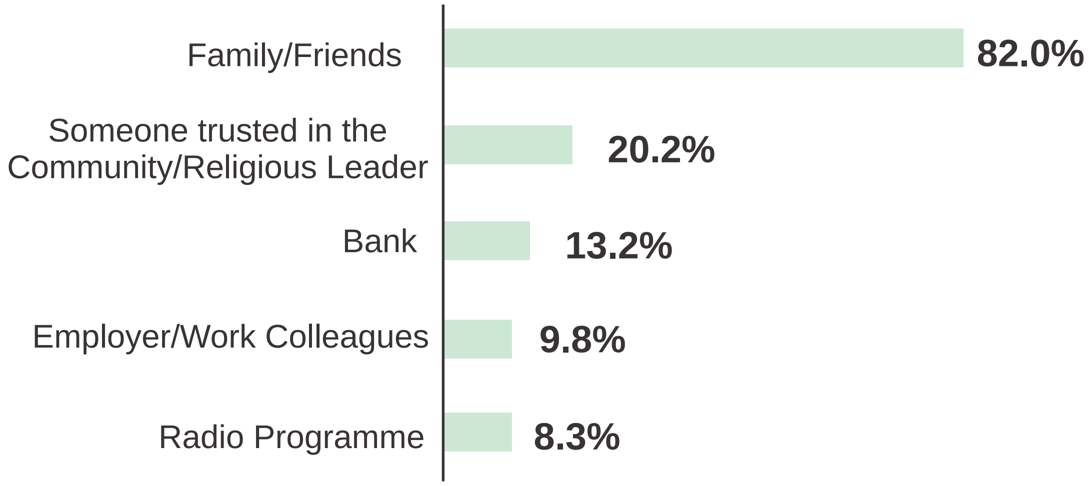
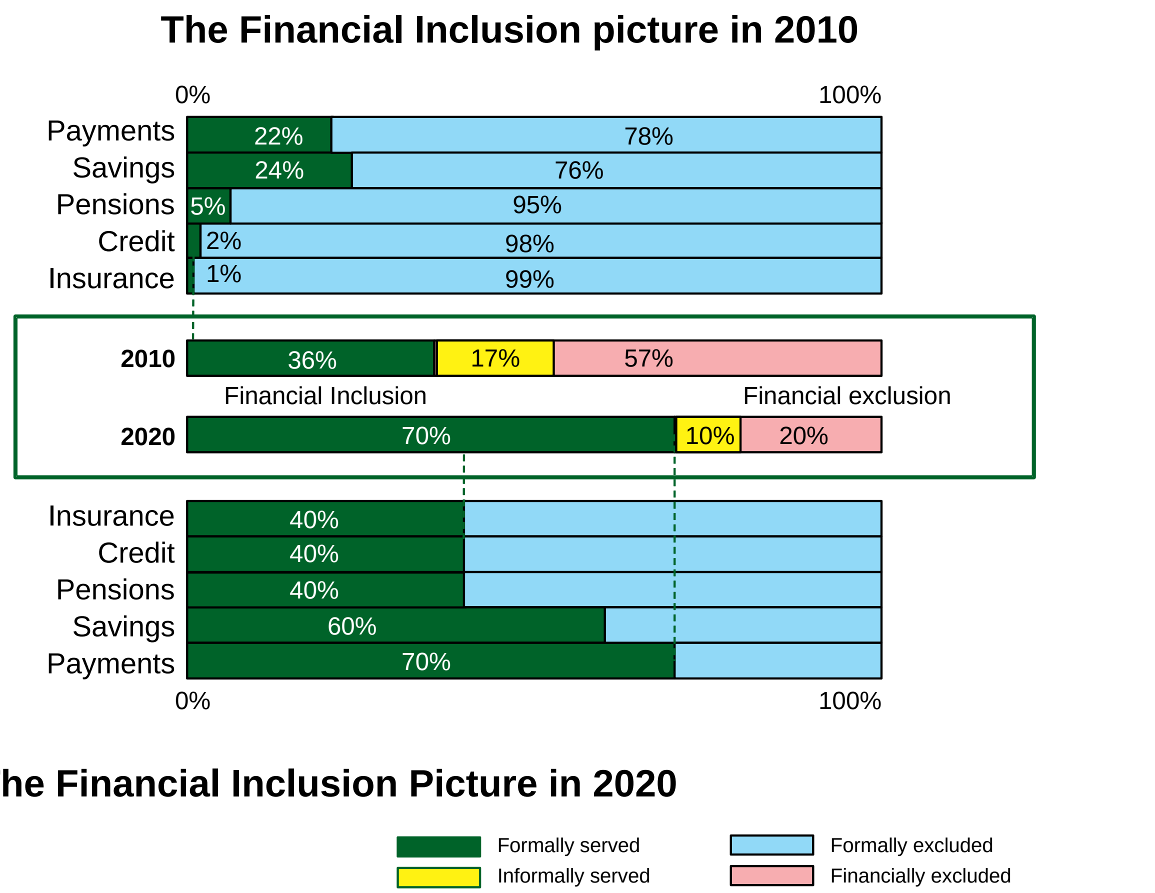


Figure 32 : Sources of financial information[36]

[36] EFInA Access to Financial Services in Nigeria 2010 Survey

6.0 KEY FINANCIAL INCLUSION TARGETS

The overall target of Nigeria's National Financial Inclusion Strategy is to reduce the percentage of adults excluded from financial services from 46.3% in 2010 to 20% in 2020. It is proposed that 70% will be served by formal financial institutions while 10% will be served by informal service providers.



Note: For measurement purposes, usage is taken as a proxy for access, projections based on National Bureau of Statistics data

Source: EFInA 2010; National Bureau of Statistics; Roland Berger Analysis

Figure 33: The financial inclusion picture by target

However, there have been no defined targets for financial inclusion in Nigeria. In this strategy, to ensure that Nigeria sets targets that will put it ahead of its peers, each financial product and channel has been benchmarked against a best-in-class country and growth factors have been used to define targets for Nigeria for both 2015 and 2020. These benchmark countries include two sub-Saharan Africa peers (South Africa and Kenya), one top 20 world economy (Indonesia or Mexico was used where data were available), and two best-in-class developing countries that offered the product or channel under consideration (e.g. Mexico for branch penetration).

The targets relate to product use, channel penetration, gender and youth, and enablers for financial inclusion. They take current levels in Nigeria into account and forecast levels that are believed to be achievable within a given time period.

6.1 Product Targets

Product targets have been set based on current levels in benchmark countries. In some cases, 10% has been added to the best-in-class level as a result of strategies defined in this document.

Payments – There are currently no targets for payments penetration in Nigeria. The target adopted here is based on South Africa's current payments level of 59%[37]. However, the emergence of mobile payments in Nigeria is expected to drive payments beyond levels seen in South Africa today. The target requires a 17% CAGR between 2011 and 2020. The 16 million users of payment products in 2010 must increase to 49 million by 2015 and 73 million by 2020.

Status as of 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
21.6%	None Specified	70%	Based on improvement of best in class - South Africa at 59%

Figure 34: Payments targets

Savings – FSS 2020 and CBN currently have no targets for savings levels in Nigeria. The target adopted here is based on Kenya's current savings level of 48%[38] plus 10% due to improvement initiatives in Nigeria. Kenya was selected since it was the best-in-class peer country in the benchmarking analysis. The target requires 11% CAGR between 2011 and 2020. The target is for 21 million users of savings products in 2010 to grow to 39 million by 2015 and 63 million by 2020.

Status as of 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
24.2%	None Specified	60%	Based on improvement of best in class - Kenya at 48%

Figure 35: Savings targets

Credit – FSS 2020 set a 70% target for credit penetration coupled with a single digit interest cap by 2020. Given Nigeria's current credit levels, a target of 70% by 2020 is ambitious even with a well-developed and highly competitive banking sector. The target has therefore been revised downwards to 40% based on the credit penetration levels of South Africa (32%) and Uganda (37%).[39] The target requires 40% CAGR between 2011 and 2020. The target is to grow the 1.5 million borrowers in 2010 to 19 million by 2015 and 42 million by 2020.

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[37] World Bank/CGAP
[38] World Bank/CGAP
[39] World Bank/CGAP

Status as of 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
1.8%	70%	40%	Based on improvement of best in class - South Africa at 32%

Figure 36 : Credit targets

Insurance – FSS 2020 set a 70% target for insurance penetration in Nigeria by 2020. Given the current level of insurance penetration in Nigeria (1%), this target seems unrealistic and has thus been reduced to 40% based on South Africa's current penetration level of 36%. This target requires 48% CAGR between 2011 and 2020 and to grow the approximately 800,000 Nigerians insured in 2010 to 19 million by 2015 and 42 million by 2020.

Status as of 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
1.0%	70%	40%	Based on improvement of best in class - South Africa at 36%

Figure 37 : Insurance targets

Pensions – The National Pension Commission has yet to set targets for pension penetration. The target adopted here is based on Chile's current pension level of 39%,[41] which also includes the informal sector. Nigeria's pension scheme is based on the Chilean model and can therefore benefit from Chile's experience. The target requires 25% CAGR between 2011 and 2020 and the 4.1 million pension contributors in 2010 to increase to 20.6 million by 2015 and 41.9 million by 2020.

Status as of 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
5%	70%	40%	Based on best in class - Chile at 39%

Figure 38 : Pension targets

[40] 40% of all Nigerians including children and youth
[41] World Bank/CGAP

6.2 Channel targets

Deposit Money Bank branches (DMBs) – There are currently no targets for DMB branch penetration in Nigeria. The target for 2020 is 7.6 branches per 100,000 people (currently 6.8 per 100,000 people). The proposed target requires 3.3% CAGR between 2011 and 2020, which is lower than the 5% CAGR from 2007 to 2010. This slowdown will be the result of less focus on branch growth due to increased use of non-branch channels.

Status as of 2011	Current CBN target	Proposed target for 2020	Rationale
6.8 per 100,000 adults	None Specified	7.6 per 100,000 adults	Growth slowdown to 3.3% p.a from 5% p. a due to use of non-branch channels

Figure 39: DMB branch targets

Microfinance Bank Branches (MFBs) – There are currently no targets for MFB branch penetration in Nigeria. In the microfinace banking subsector, 8% CAGR bank branch expansion is expected representing an increase of 2.9 to 5.0 branches per 100,000 adults (benchmarked against Bolivia).

Status as of 2011	Current CBN target	Proposed target for 2020	Rationale
2.9 per 100,000 adults	None Specified	5.0 per 100,000 adults	Based on best in class - Bolivia at 5.0 per 100,000 adults

Figure 40 : MFB branch targets

ATMs – The CBN's Cash-less Lagos initiative aims to add 75,000 ATMs (or 88.5 ATMs per 100,000 adults) by 2015. The proposed target is aligned with that defined for Cash-less Nigeria in 2015. The target proposed here requires 40% CAGR between 2011 and 2020, slightly above the current four year CAGR in ATM growth (2007–2011) in Nigeria: 33%

Status as of 2011	Current CBN target	Proposed target for 2020	Rationale
11.8 per 100,000 adults	88.5 per 100,000 adults in 2015	203.6 per 100,000 adults	Based on recent growth rate in Nigeria at 33% p. a. (2007- 2011)

Figure 41 : ATM targets

POS – The Cash-less Nigeria initiative aims to add 75,000 POS devices by the end of 2012 and 375,000 nationally by 2015. This target is aligned with Cash-less Nigeria for 2015 and is based on current penetration in South Africa (850 per 100,000 adults) for 2020. To achieve this target, an additional 364,000 POS devices will be needed in Nigeria by 2015 and a total of 890,000 must be in place by 2020 — the equivalent of 55% CAGR by 2020.

Proposed CBN target for 2012	Proposed CBN target for 2015	Proposed target for 2020	Rationale
13.3 per 100,000 adults	442.6 per 100,000 adults in 2015	850.0 per 100,000 adults	Based on best in class - South Africa at 850 per 100,000 adults

Figure 42 : POS device targets

Agents – There are currently no regulations for agent banking in Nigeria and therefore no targets. The CBN is currently working on guidelines for agent banking. The targets adopted in this National Financial Inclusion Strategy have been derived from penetration levels in Brazil, which has 122 agents per 100,000 adults, and South Africa, which has 16 agents per 100,000 adults. To achieve these targets, a network of 32,500 agents needs to be established by 2015 and 65,000 by 2020.

Status as of 2011	Current CBN target	Proposed target for 2020	Rationale
0 per 100,000 adults	None Specified	62.0 per 100,000 adults	Based on Brazil (122 per 100,000 capita) and south Africa (16 per 100,000 capita)

Figure 43 : Agent banking targets

6.3 Enabler Targets

Enablers are elements that lower barriers to access to financial services. The targets for key enablers are as follows:

- ***KYC*** – This strategy recommends that tiered KYC requirements need to be in place by 2012 to lower barriers of access to low-transaction clients opening bank accounts. In addition, the NIMC must meet its target of rolling out a unique national ID for all Nigerians by 2015, which will be an acceptable identity document for accessing financial services.

- ***Consumer protection*** – Consumer protection is critical to ensuring transparency in product pricing, preventing exploitation by service providers, monitoring levels of consumer confidence, and ensuring the soundness of the financial sector. The target is to develop a centralised and well-defined consumer protection framework by 2012. This framework is aimed specifically at financial services and will define precise methods for consumer protection and conflict resolution.

➢ ***Financial literacy*** – Government institutions and development partners have made some efforts to address the low levels of financial literacy in Nigeria. However, these steps have not yet been assessed and the success rate for increasing financial literacy and/or the use of financial services and products have yet to be quantified. The target is to include financial literacy in school curricula. The curricula will incoporate financial products, services, and markets in 20% of primary schools, 50% of secondary schools, and 100% of tertiary institutions by 2020. Another target is to reach 50% awareness of financial products, services, and markets among adults by 2015.

6.4 Key Performance Indicators (KPIs)

To achieve defined targets for financial inclusion, Nigeria needs key performance indicators (KPIs) to monitor the impact of initiatives and the progress of the Financial Inclusion Strategy. The KPIs were defined based on the various dimensions of financial inclusion, including access, usage, affordability, appropriateness, financial literacy and consumer protection (as defined by the Alliance for Financial Inclusion Data Working Group).

	Key performance indictors
Access to Financial Services	▪ Number of branches per 100,000 adults / per 1,000 sq km ▪ Number of ATMs per 100,000 adults / per 1,000 sq km ▪ Number of POS devices per 100,000 adults / per 1,000 sq km ▪ Number of mobile agents per 100,000 adults / per 1,00 sq km
Usage of Financial Services	▪ Number of adults using a payments product and frequency of use – Number of women using a payments product and frequency of use – Number of men using a payments product and frequency of use ▪ Number of adults using a savings product and frequency of use – Number of women using a savings product and frequency of use – Number of men using a savings product and frequency of use ▪ Number of adults using a credit product and frequency of use – Number of women using a credit product and frequency of use – Number of men using a credit product and frequency of use ▪ Number of adults using a insurance product and frequency of use – Number of women using a insurance product and frequency of use – Number of men using a insurance product and frequency of use ▪ Number of adults using a pension product and frequency of use – Number of women using a pension product and frequency of use – Number of men using a pension product and frequency of use
Affordability	▪ Cost of using channels for delivering financial services e.g cost of ATM transactions ▪ Cost of entry level credit product / insurance product/transactional services ▪ Interest rate spread between savings and credit for low value accounts
Appropriateness	▪ Reason for not having a payment / savings / credit / insurance / pension product
Financial Literacy	▪ Product understanding - product features / product benefits ▪ Business planning - knowledge of business cash-flows and household expenses ▪ Informed decisions - Awareness of different financial services offerings / options ▪ See consequences - understand relevance of bad financial decisions
Consumer Protection	▪ Percentage of over-indebted clients ▪ Transparency of pricing→Monitoring and action in place ▪ Existence of complaints resolution mechanism / number of resolved complaints ▪ Number of complaints on collection practices / bank staff misbehaviour ▪ Privacy of client data

Figure 44 : KPIs for monitoring progress

7.0 STRATEGIES FOR ACHIEVING FINANCIAL INCLUSION TARGETS

For each target, strategies have been defined to ensure the target is achieved. They are outlined in the table below.

PRODUCTS		
ITEM	**TARGET FOR 2020**	**STRATEGY**
Payments	70%	• Implement agent banking regulations • Promote linkages between MFBs and DMBs to obtain wholesale funds for onlending • Develop guidelines for operating mini-branches • Roll out the Cash-less Nigeria project in all states of the Federation • The NIMC Shall issue a unique national ID to all Nigerians by 2015 • Implement the Micro, Small and Medium Enterprises Development Fund (MSMEDF)
Savings	60%	• Implement a national savings mobilisation programme • Introduce and promote a basic “no frills” savings account • Implement tiered KYC requirements • Implement a financial literacy framework • Implement a consumer protection framework • Policies to support linkages to informal savings groups
Credit	40%	• Remove the minimum reporting balance for credit bureaux • Initiate a new land reform act • Develop a collateral registry for movable assets that will serve all levels of credit • Implement tiered KYC requirements • Implement entrepreneurship training • Run credit awareness and training programmes to prevent consumer over indebtedness • Implement the MSMEDF and NIRSAL programmes • The NIMC will issue a national ID to all Nigerians by 2015
Insurance	40%	• Regulatory enforcement of compulsory insurance products • Use banking agents as distribution channels for insurance products • Diversify insurance products to serve low income clients: microinsurance, Takaful insurance, index based insurance , and others • Implement the insurance component of the NIRSAL programme • Introduce insurance literacy programmes • Develop a consumer protection framework for the insurance sector
Pensions	40%	• Implement the Pension Reform Act • Compulsory inclusion of all states in the Contributory Pension Scheme • Amend regulations to allow the inclusion of smaller firms and cooperatives and associations in the current pension scheme • Introduce pension awareness and literacy programmes • Develop a consumer protection framework for the pensions sectors

CHANNELS		
Type of Channel	**TARGET FOR 2020**	**STRATEGY**
DMB branches	7.6 per 100,000 adults	• Develop guidelines for mini-branches
Microfinance branches	5.0 per 100,000 adults	• Implement the revised microfinance policy • Implement the MSMEDF • Create incentives for rural branch expansion • Increase the promotion of shared services initiatives • Hold investor fora at state levels to encourage high-net-worth individuals to float MFBs
ATMs	203.6 per 100,000 adults	• Implement the financial literacy framework • Deploy multifunctional ATMs • Revise the offline ATM policy • Roll out the Cash-less Nigeria project in all states of the Federation • Deployment of low-cost ATMs in rural areas
POS	850.0 per 100,000 adults	• Implementation of the financial literacy framework • Require mobile network operators to give priority to transaction data through their platform to ensure instant transaction credits and debits • Develop a framework for agent banking • Roll out the Cash-less Nigeria project in all states of the Federation • Expand the Evidence Act so that e-payments are accepted as evidence in court • Increase public awareness for mobile payments
Agent banking	62.0 per 100,000 adults	• Implement agent banking regulations • Implement the financial literacy framework • Implement tiered KYC requirements

FINANCIAL INCLUSION ENABLERS		
Category of Enabler	**TARGET FOR 2020**	**STRATEGY**
KYC	Implementation of a tiered KYC framework by 2012 and national ID/unique number for 100% of Nigerians	• Implement a tiered KYC framework • The NIMC shall issue a national ID to all Nigerians by 2015 • Awareness campaign for tiered KYC requirements
Financial literacy	Financial literacy curriculum in 20% of primary schools, 50% of secondary schools, and 100% of tertiary institutions by 2020	• Implement the financial literacy framework • Collaborate with Federal and State Ministries of Education to implement financial literacy curricula in schools • Collaborate with the CBN and financial services providers to implement financial literacy campaigns
Consumer protection	Defined consumer protection framework implemented by 2012	• Implement a consumer protection framework for financial services
Initiatives for Women	Support the elimination of gender disparity by ensuring that women's access to financial services increase by 15 per cent annually, as espoused in the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.	• 60% of MSMEDF financial services shall be targeted at women • Require a minimum level of 30% female staff in MFBs • Encourage women who have appropriate businesses to become agents • Offer entrepreneurship development and financial linkage programmes tailored specifically to women • Introduce a specialized financial literacy framework for addressing cultural issues that contribute to the financial exclusion of women • Implement interest drawback schemes targeted at women
Children and Youth initiatives	Ensure that 50% of the 4 million new adults every year are financially included	• Develop and implement a framework for child and youth finance • Implement children and youth financial literacy initiatives in Nigerian educational institutions

8.0 PROPOSED ROLES AND RESPONSIBILITIES FOR KEY STAKEHOLDERS

➢ ***Federal government***

- Invest in infrastructure, such as a fibre optic network for the telecommunications sector and solar panels to generate cheap electricity for rural areas
- Contribute to the MSMEDF
- Maintain adequate security in the country, and for bank branches and agents
- Undertake necessary reforms (e.g. collateral reforms, consumer protection act)
- Set aside part of the national budget for social pensions and a minimum guaranteed pension
- Institutionalise a data protection act and a new land reform act

➢ ***Central Bank of Nigeria (CBN)***

- Implement an agent banking framework
- Define and implement a tiered KYC framework
- Commission pilots to demonstrate the business case for financial inclusion initiatives, for example, tiered KYC, no-frills accounts, agent banking, and mini-branches
- Educate stakeholders on regulatory changes
- Promote shared services initiatives to reduce channel costs
- Incentivise providers to deploy ATMs and POS in rural communities
- Create incentives for MFBs to focus on serving rural communities
- Increase funding available to MSME businesses through the MFB sector
- Expand financial literacy programmes and activities (including in local languages) that raise awareness about the availability and benefits of products
- Establish automated financial reporting for MFBs
- Promote the child and youth finance framework
- Enforce the deadline for terminal interoperability
- Propose expansion of the Evidence Act to make e-payments acceptable as evidence in court
- Review the framework for off-site ATMs to better align with Financial Inclusion initiatives.

➢ ***Deposit Money Banks (DMBs)***

- Participate in shared service initiatives to reduce channel costs
- Leverage (multifunctional) ATM and POS channels to expand reach and reduce costs
- Implement mini-branch models for low-cost service in rural areas
- Establish linkages for wholesale lending to MFBs
- Implement the agent banking model to extend outreach
- Implement a no-frills (zero balance) account
- Implement the tiered KYC framework
- Leverage cash management initiatives e.g Cash-less Lagos to reduce transaction costs
- Revise channel delivery costs to incentivise correct merchant behaviour

➢ ***Development Finance Institutions (DFIs)***

- Provide wholesale funding for lending to low-income clients
- Provide capacity building to MSMEs to improve their financial literacy and credit worthiness
- Implement targeted financial inclusion programmes, e.g. credit guarantees, refinancing

- ***Bankers' Committee***
  - Monitor the implementation of financial inclusion in relation to Deposit Money Bank roles and responsibilities
  - Contribute to the review process of the Strategy document

- ***Microfinance Banks (MFBs)***
  - Develop innovative products for serving low-income rural residents
  - Participate in shared service initiatives to reduce channel costs
  - Leverage (multifunctional) ATM and POS channels to expand reach and reduce costs
  - Implement the agent banking model to extend outreach
  - Implement a no-frills (zero balance) account
  - Implement the tiered KYC framework
  - Take advantage of the social and commercial components of the MSMEDF
  - Focus on profitably delivering financial services to the poor and informal segments, to prevent mission drift

- ***Committee of Microfinance Banks in Nigeria (COMBIN)***
  - Monitor the implementation of financial inclusion in relation to microfinance banks
  - Contribute to the review process of the Strategy document

- ***National Insurance Commission (NAICOM)***
  - Define and implement insurance literacy programmes
  - Enforce quick settlement of claims and sanctions for infractions
  - Enforce compulsory insurance products
  - Incentivise insurance companies to develop microinsurance products, Islamic insurance (Takaful), and index-based insurance products to serve low-income/rural individuals
  - Leverage ongoing work by NIMC to identify individuals and strengthen the integrity of insurance systems
  - Define initiatives for insurance agents to increase outreach in rural areas

- ***Insurance companies***
  - Expand the current portfolio of insurance products to better address consumer needs, for example, microinsurance, Islamic insurance (Takaful), and index-based insurance
  - Increase the focus on outreach and specific sectors, e.g. lower-income segments
  - Process and pay claims in a timely manner

- ***National Pension Commision (PenCom)***
  - Expand and communicate consumer protection initiatives
  - Expand pension literacy programmes and activities to raise awareness of the availability and benefits of pension products
  - Create a pension framework for the informal sector
  - Advocate for the compulsory inclusion of all states of the Federation in the current pension scheme
  - Amend regulations to allow the inclusion of smaller firms (those with less than five employees) and cooperatives/associations in the current pension scheme

- ***Pension Fund Administrators (PFAs)***
  - Leverage technology and expand collection and disbursement methods, e.g. e-channel payments
  - Engage cooperatives and associations in order to learn best methods for serving low-income clients

- ***National Communication Commission (NCCs)***
  - Define a plan for the Federal Government to invest in fibre optic cables for mobile network operators
  - Mandate dedicated bandwidth for data services to give priority to payments and other e-channels as a temporary measure to drive mobile payments
  - Institute and publish statistics on network downtime to incentivise operators to keep the network active

- ***Mobile payments operators (MPOs)***
  - Implement the mobile payments framework
  - Provide innovative mobile payments products to increase outreach
  - Increase investment in infrastructure for the telecommunications sector, e.g. a dedicated percentage of earnings to go to infrastructure and investment in USSD[42] to facilitate the inclusion of low-income people

- ***Nigeria Postal Service (NIPOST)***
  - Act as an agent for DMBs, MFBs, and/or mobile services providers
  - Act as distribution centres for financial literacy materials

- ***Ministry of Education***
  - Institutionalise financial literacy programmes within educational institutions through agencies such as the National Universities Commission and Universal Basic Education Commission
  - Develop and implement curriculum for financial literacy in primary and secondary schools as well as tertiary institutions

- ***National Bureau of Statistics***
  - Conduct surveys and provide data on financial inclusion

- ***Development partners***
  - Provide technical and financial assistance to the implementation of the Financial Inclusion Strategy
  - Monitor the implementation of the Financial Inclusion Strategy
  - Facilitate peer learning on financial inclusion
  - Provide a knowledge base for financial inclusion

- ***Financial Services Regulation Coordination (FSRCC)***
  - Coordinate initiatives across various regulatory bodies
  - Give strategic direction on the implementation of the Strategy
  - Secure buy-in from government at the highest levels
  - Approve the review of targets for reporting and monitoring
  - Take full responsibility for the implementation of the Strategy
  - Approve the publication of an annual report on financial inclusion

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[42] Unstructured Supplementary Service Data: Protocol that allows mobile payments though SMS

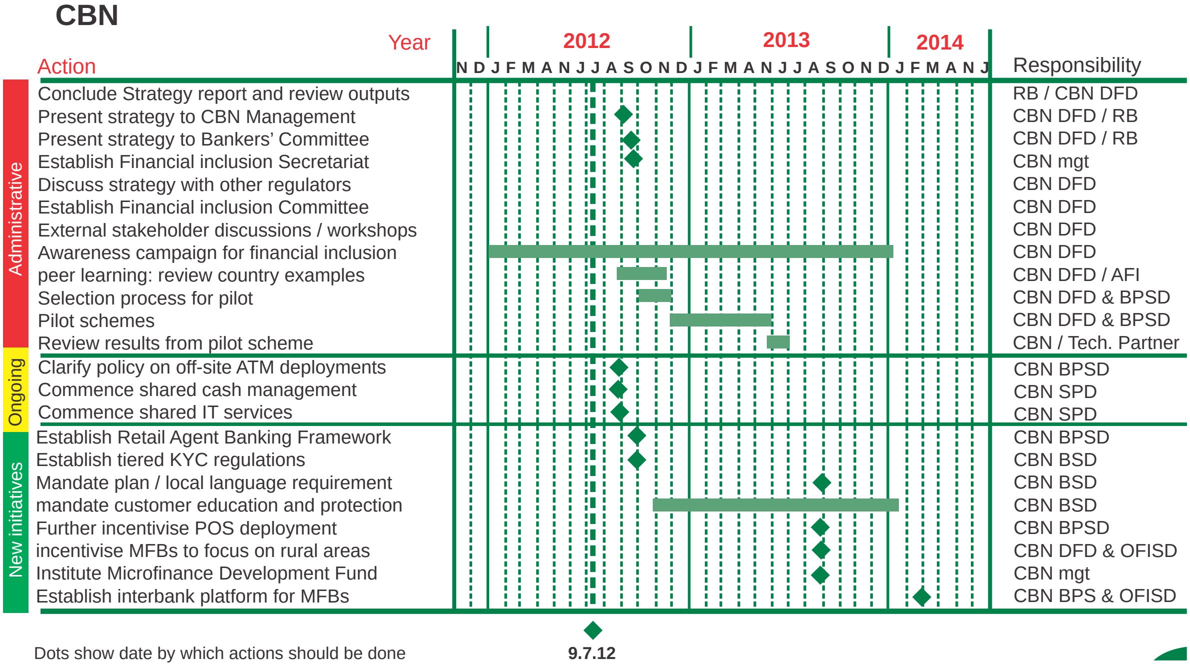
- ***Financial Inclusion Secretariat (Unit or Divisional level)***
    - Coordinate stakeholder activities aimed at increasing financial inclusion
    - Review and revise the roles and responsibilities of stakeholders, as required
    - Ensure that annual reports on the progress on financial inclusion are published
    - Liaise with and ensure that all financial inclusion stakeholders perform their roles and responsibilities
    - Ensure that appropriate arrangements are made for financial inclusion data gathering and publication
    - Maintain a database of financial inclusion in Nigeria as well as global trends in financial inclusion
    - Initiate necessary reviews on the Financial Inclusion Strategy and support evidence-based policy making
    - Track and monitor progress on financial inclusion vis-à-vis the targets set for measuring financial inclusion
    - Address capacity building initiatives on financial inclusion issues

9.0 POSSIBLE RISKS AND MITIGATION STRATEGIES

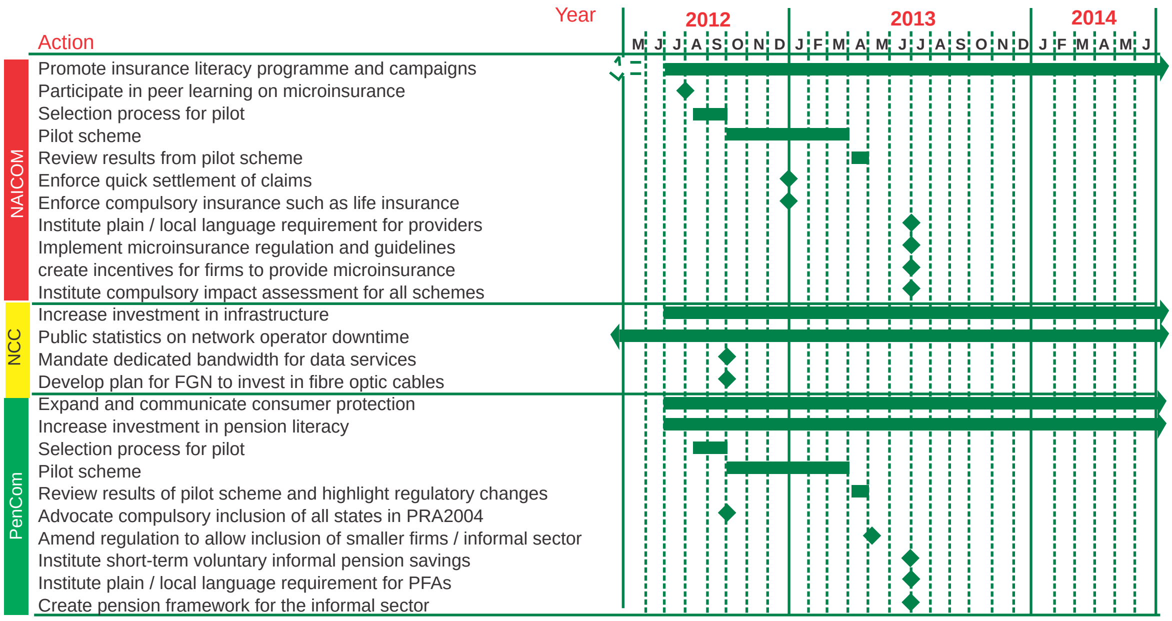
Risk	Mitigation
Lack of buy-in and compliance from key stakeholders in the Strategy	Conduct workshops with stakeholder groups, including FSRCC, Bankers' Committee, and the National Economic Council (NEC), and provide regular updates during the implementation phase.
Failure of NIMC to fully implement a national ID scheme	Leverage tiered KYC requirements to reduce dependence on the national ID
Timing delays in passing required regulation and legislation	Obtain support from the Governor's office to push important regulations and lobby for legislative changes
Inability of the Federal Government to meet the country's power needs	Use back-up power and batteries for ATMs, POS, and other electronic devices
Client apathy in adopting financial inclusion initiatives	Make a concerted effort to drive financial literacy and consumer protection
Poor security for agents	Use mobile wallets to reduce cash handling
Unanticipated regulatory gaps that threaten implementation	Address through circulars and reviews

10.0 IMPLEMENTATION PLAN

CBN



Other Regulators



11.0 MONITORING AND EVALUATION

The Financial Inclusion Secretariat will bear primary responsibility for monitoring and evaluation. Various stakeholders will take responsibility for specific information and will provide data twice a year as follows:

- ***National Communications Commission (NCC)***
  - Percentage of network downtime in the communications industry
  - Number of Mobile Network Operators (MNO)
  - Total active mobile subscribers for the industry as well as per MNO detailed by gender and other key demographics.

- ***National Insurance Commission (NAICOM)***
  - Number of insurance companies
  - Number of insurance agents
  - Total number of people per insurance product and by geographical location and gender
  - Total number of products per person for the industry
  - Total premium per product for period under review for the industry
  - Total claims paid per product for period under review for the industry
  - Aggregated list of companies with specialised financial inclusion products, e.g. microinsurance and Islamic insurance products

- ***National Pensions Commission (PenCom)***
  - Total number of retirement savings accounts for all PFAs
  - Total number of funds/schemes that all PFAs offer
  - Total pension contribution for all PFAs for the period under review
  - Total pension disbursements for all PFAs for the period under review
  - Total pension assets for the industry at the end of review period
  - List of companies that are in breach of, or have defaulted on, their pension contributions for staff

- ***National Bureau of Statistics (NBS)***
  - Level of banked and financially included persons annually, by state, gender, and age
  - Level of unbanked and financially excluded persons annually, by state, gender, and age

- ***National Identity Management Commission (NIMC)***
  - Number of ID cards provided in the period under review, by state, gender, and age
  - Total number of Nigerians with national identity cards, by state, gender, and age
  - Number of Nigerians with eligible ID (within the tiered KYC regime)

- ***Development Finance Institutions (DFIs)***
  - Number of branches, by state
  - Number of individual and SME accounts, by state
  - Number of accounts per product, by state
  - Total transaction volume per product for the period under review
  - Transaction volume per channel for the period under review

- Number of transactions per channel, by transaction type (e.g. withdrawal, deposit, transfer)
- Amounts outstanding on loans

➢ ***Nigerian Postal Service (NIPOST)***
- Complete list of NIPOST's financial services activities
- Additional information regarding the size of financial service activities and numbers of financial service beneficiaries/clients served by NIPOST
- NIPOST's financial services partnerships

➢ ***National Planning Commission***
- List of all funds committed to developing the financial services sector within the review period, including size of funds, amounts disbursed, and means of disbursement
- List of all capacity building initiatives embarked on, including number of participants and the impact of each initiative

➢ ***CBN – Development Finance Department***
- Value and number of disbursement of each fund or scheme that is active at DFD, by state, gender, and age
- Value and number of disbursement of each fund or initiative of other government institutions, by state, gender, and age
- Development partner funding and grants for financial inclusion initiatives
- Number of informal microfinance institutions and number of clients by state, gender, and age

➢ ***CBN – Banking Supervision Department***
- Total number of branches, including full scale and mini-branches (i.e. fewer than five staff members)
- Number of branches, grouped by banking institution and broken down into states, LGAs, etc.
- Number of new licenses issued to Deposit Money Banks
- Number of banking agents, by state
- Number of clients using products (savings, credit, payments) by state, gender, and age
- Number of accounts for each product: savings, credit, payments
- Available product types per bank and amounts committed for savings, credit, payments
- Loan exposure by size from credit bureaux

➢ ***CBN – Other Financial Institutions Supervision Department***
- DFIs' intervention funds and the number of beneficiaries of each
- Number of MFB branches broken down by state, local government area, and municipality
- Total number of customers served by microfinance banks by state, gender, and age
- Total amount per product category at MFBs for savings, credit, and payments
- Number of new licenses issued to MFBs

- ***CBN – Banking and Payments System Department***
    - Total number of m-payments agents and broken down by state, local government area, and municipality
    - Total number of ATMs and POS and broken down by state, local government area, and municipality
    - Total value of m-payment transactions for the industry
    - Total volume of m-payment transactions for the industry
    - Number of m-payments operators licensed
    - List and size of financial services activities handled by NIPOST

- ***CBN – Consumer and Financial Protection Department***
    - Level of financial literacy nationwide and by state, gender, and age
    - Number of complaints received and number resolved per financial services provider

12.0 TRACKING METHODOLOGY

The tracking methodology provides guidelines to enable the CBN to create a mechanism for monitoring the pace and progress of financial inclusion in Nigeria. A tracking mechanism should be designed to identify deviations from the Financial Inclusion Strategy targets so that action can be taken to ensure targets are achieved. Tracking financial inclusion is highly dependent on input from various stakeholders. The Financial Inclusion Secretariat is not expected to embark on primary data gathering and will instead rely on various regulators to provide the data that are essential to monitoring the pace of work and progress towards financial inclusion.

The tracking report will include the following elements:

12.1 Management Summary

The Management Summary provides an overview of the progress on financial inclusion in Nigeria. It includes highlights and information about the status of actions approved by the FSRCC in order to increase accountability. It also outlines the priorities to be addressed in the next review period and provides an overview of the required steps to address these priorities.

Current Status of Financial Inclusion in Nigeria

Status overview

- Number of adults with a financial product:
  - payment: 30.8 mn (98% of target)
  - savings: 22.2 mn (98% of target)
  - credit: 2.0 mn (17% of target)
  - insurance: 847k (17% of target)
  - pension: 4.5 mn (98% of target)
- Payment product usage increased sharply – partly due to launch of m-payments products
- Insurance products have not reached targets for two consecutive review periods review required

Completed

- Financial Inclusion Secretariat has been set up and officers notified
- Workshops for National Financial Inclusion Strategy carried out with all stakeholder regulators

On track

- Publicity of National Financial Inclusion Strategy in all six geopolitical regions
- Regulation amendments – Retail agent framework finalized – pending approval
- Roll out of mobile payments in all six geopolitical zones

At risk

- Launch of NIMC ID program further delayed
- Insurance KPIs below targets and at risk of not reaching targets in the next review period

Figure 45: Illustrative Management Summary

The Management Summary includes the following sections:

- Status overview: indicates the number of financially included persons by product, the degree to which the target has been achieved, the status of underperforming indicators, initiatives since the previous review period, and challenges encountered
- Completed: indicates successfully completed actions and initiatives based on agreements reached at the FSRCC meeting
- On track: indicates ongoing initiatives that are progressing towards timely and successful completion
- At risk: indicates KPIs or other indicators that are at risk of not being met, as well as any other setbacks

12.2 Status Update

The Status Update shows the status of the key indicators, including use, infrastructure, affordability, financial literacy, and consumer protection. A traffic light system can be used to highlight areas that are on or off track: red indicates that the target has not been achieved; amber indicates that the target is close to being achieved (i.e. within 10%); and green that the target for the period has been fully achieved. Additional comments and decision requirements are also provided in the status update.

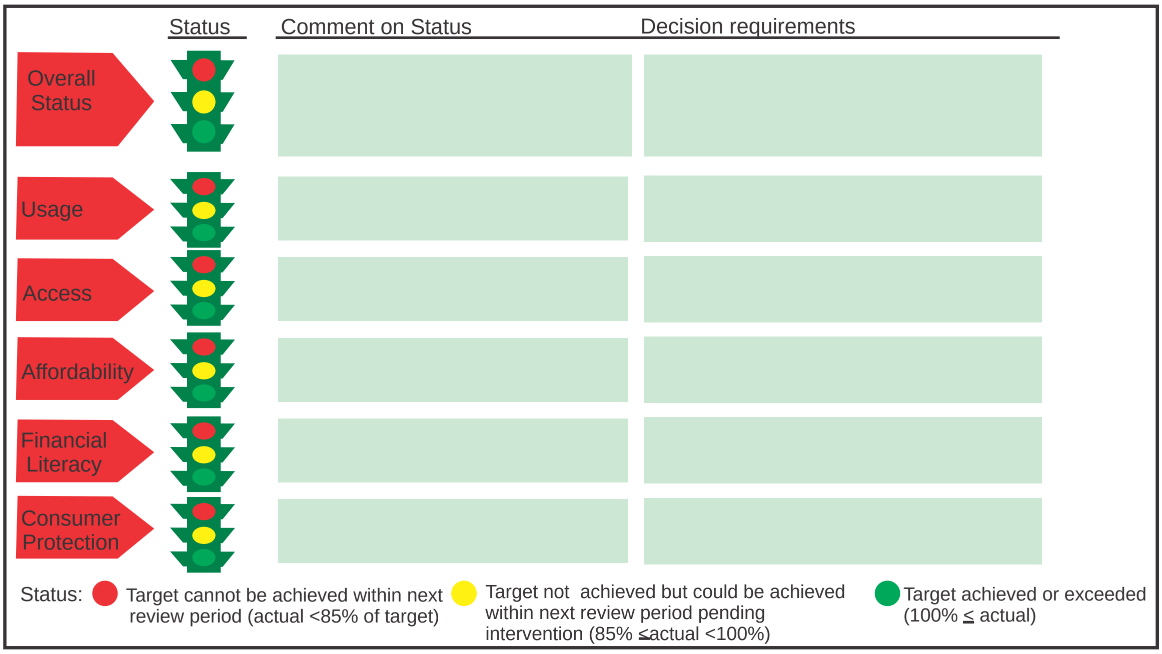


Figure 46 : Illustrative status report summary 1

Status of product usage - Illustrative

Review Period **XX.XX.20XX**

Status of product usage:

Target cannot be achieved within next review period

	Key Performance indicator	**Target (2011)**	**Actual (2011)**	**% Achieved**	**Status**
Usage of Financial Services	**Number of adults using a payment product, '000**	31,369	30,838	98%	
	Number of adults using a savings product, '000	22,582	22,200	98%	
	Number of adults using a credit product, '000	1,984	1,950	98%	
	Number of adults using an insurance product, '000	5,063	847	17%	
	Number of adults using a pension product, '000	4,620	4,542	98%	
	Share of adult population using a payment product	36.4%	36.4%	100%	
	Share of adult population using a savings product	26.2%	26.2%	100%	
	Share of adult population using a credit product	2.3%	2.3%	100%	
	Share of adult population using an insurance product	5.9%	1.0%	17%	
	Share of adult population using a pension product	5.4%	5.4%	100%	

Status: Target cannot be achieved within next review period (actual < 85% of target); Target not achieved but *could* be achieved within next review period, pending intervention (85% ≤actual <100%); Target achieved or exceeded (100%≤actual)

Figure 47: Illustrative Status Report (KPIs) Summary 2

Status of client eligibility

	Key Performance indicator	Previous Review Period	Current Review Period	% Change
Financial Literacy	Awareness of feature of credit products (% of pop)	xxx	xxx	xxx
	Awareness of benefit of credit products (% of pop)	xx	xx	xxx
	Awareness of feature of insurance products (% of pop)	xxx	xxx	xxx
	Awareness of benefit of insurance products (% of pop)	xxx	xxx	xxx
	Awareness of feature of pensions products (% of pop)	xxx	xxx	xxx
	Awareness of benefit of pensions products (% of pop)	xxx	xxx	xx
Consumer Protection	Number of banking customer complaints	xxx	xxx	xxx
	Percentage of banking complaints resolved	xx	xx	xxx
	Number of insurance customer complaints	xxx	xxx	xxx
	Percentage of insurance complaints resolved	xxx	xxx	xxx
	Number of pensions customer complaints	xxx	xxx	xxx
	Percentage of pensions complaints resolved	xxx	xxx	xx

Figure 48: Illustrative status report (other indicators) summary 3

12.3 Trend Analysis

The Trend Analysis shows the progress of KPIs and other indicators across all historical and current review periods. This enables the reader to identify any underperforming or overperforming indicators. The Trend Analysis will be compiled and tracked following each review period and guides the FSRCC's decision-making process.

Key Performance Indicator Target (2011) Actual (2011) % Achieved Status
Key Performance Indicator Target (2011) Actual (2011) % Achieved Status

	Key Performance Indicator	Target (2011)	Actual (2011)	% Achieved	Status
Usage of Financial Services	Number of adults using a payment product, '000	31,369	30,838	98%	
	Share of adult population using a payment product	36.4%	36.4%	100%	
	Number of adults using a savings product, '000	22,582	22,200	98%	
	Share of adult population using a savings product	26.2%	26.2%	100%	
	Number of adults using a credit product, '000	1,984	1,950	98%	
	Share of adult population using a credit product	2.3%	2.3%	100%	
	Number of adults using an insurance product, '000	5,063	847	17%	
	Share of adult population using an insurance product	5.9%	1.0%	17%	
	Number of adults using a pension product, '000	4,620	4,542	98%	
	Share of adult population using a pension product	5.4%	5.4%	100%	

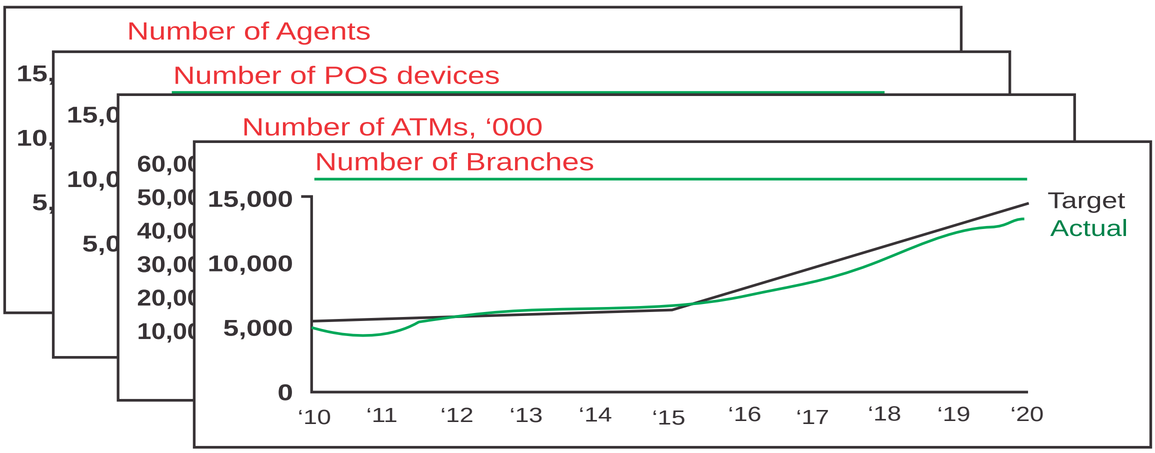


Figure 49 : Illustrative trend analysis

12.4 Priority Checklist

The Priority Checklist outlines all financial inclusion stakeholder programmes and initiatives for the next two years on a timeline. The status and progress of each programme and initiative are highlighted using a traffic light system. Issues about the progress of actions and the launch of impending programmes are described in the "Remarks" column.

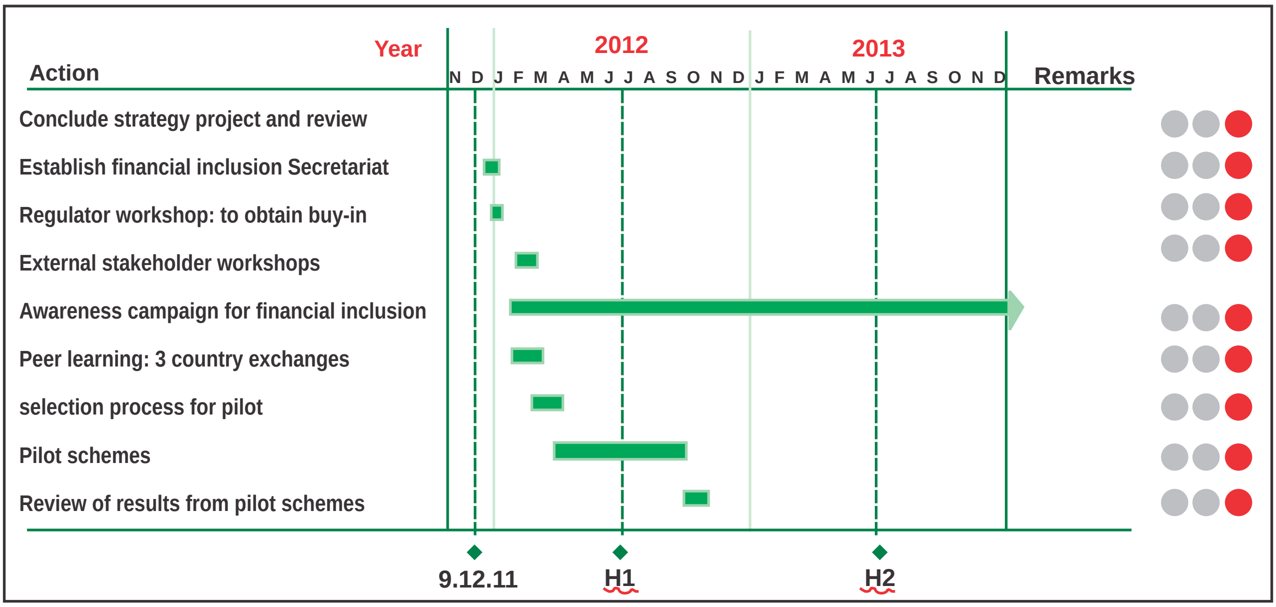


Figure 50 : Illustrative priority checklist

12.5 Next Steps

The Next Steps section of the tracking mechanism lists all programmes and initiatives that are to be implemented in the next review period and the actions that will be required to launch them successfully. It also provides a list of recommendations for improving underachieving KPIs and other indicators plus an outline of stakeholder responsibilities for each action.

Next Steps

- Increase awareness of Financial Inclusion Strategy
- Set up Financial Inclusion Secretariat
- Establish Financial Inclusion Committee
- Develop and run pilot schemes

Required Actions

- Awareness
  - CBN buy in
  - External regular buy-in
  - Federal Executive Committee buy in
  - Public Awareness
- Financial Inclusion Secretariat
  - Deploy secretariat members
  - Develop templates for data gathering
  - Contact data submitting institutions
- Financial Inclusion Committee
  - Establish Financial Inclusion Committee - advise members
  - Convene inaugural meeting
  - Review baseline and H1 targets
  - Review approve next steps
- Pilot Schemes
  - Implement offer for tender process
  - Select pilot sponsors
  - Launch pilots

Stakeholder Responsibility

- Awareness
- Financial Inclusion Secretariat
- Financial inclusion committee
- Pilot Schemes

Figure 51: Illustrative next steps

13.0 CONCLUSION

Financial inclusion is critical to achieving the Central Bank of Nigeria's mandate and Nigeria's overall economic development. As of 2010, 46.3% of adult Nigerians were excluded from financial services. The key barriers to financial inclusion include long distances to access points, cumbersome eligibility requirements, low levels of financial literacy, and the high cost of financial services, among others. These barriers underscore the need to develop a National Financial Inclusion Strategy, the primary aim of which is to reduce the financial exclusion rate of adults to 20% by 2020. The key initiatives in the Strategy include a tiered approach to KYC, agent banking, mobile payments, a cash-less policy, a financial literacy framework, consumer protection, and the implementation of credit enhancement schemes and programmes.

Specific targets have been set for payments, savings, credit, insurance, pensions, DMB and MFB branches, ATMs, POS, banking agents, and youth and women. A variety of stakeholders have been identified to support the implementation of the Strategy and their roles and responsibilities have been defined.

Stakeholders will need to commit sufficiently to supporting the Strategy and the Central Bank of Nigeria will need to take a lead role in coordinating and promoting the Strategy in order to achieve its goals and objectives

Glossary

AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AMCON	Asset Management Corporation of Nigeria
ARB	Association of Rural Banks
ATM	Automated Teller Machine
BOA	Bank of Agriculture
BOI	Bank of Industry
BPR	Business Process Re-engineering
BPSD	Banking and Payment Systems Department of the CBN
BSP	Billing and Settlement Payment
BSD	Banking Supervision Department of the CBN
CAGR	Compound Asset Growth Rate
CBN	Central Bank of Nigeria
CENFRI	Centre for Financial Regulation and Inclusion
CPC	Consumer Protection Council
CPS	Compulsory Pension Scheme
CUA	Credit Unions Association
CYFI	Child and Youth Finance Initiative
DFD	Development Finance Department of the CBN
DFI	Development Finance Institutions
DFID	Department for International Development
DG	Deputy Governor / Director General
EFInA	Enhancing Financial Innovation and Access
EoPSD	Employment-oriented Private Sector Development
FCT	Federal Capital Territory
FMBN	Federal Mortgage Bank of Nigeria
FSD	First Securities Discount House Nigeria
FSS	Financial System Strategy
FPRD	Financial Policy & Regulation Department of the CBN
G2P	Government to People
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSMA	GSM Association
GT	Guarantee Trust
IAD	Independent ATM Deployer
ID	Identity
IFC	International Finance Corporation
ITU	International Telecommunications Union
KPI	Key Performance Indicator
KYC	Know Your Customer
LAPO	lifd Abono Poverty Organisation
MSMEDF	Micro, Small and Medium Enterprises Development Fund
MDRI	Market Development and Restructuring Initiative
MFB	Microfinance Bank
MFI	Microfinance Institution
MNO	Mobile Network Operators
MPP	Mobile Payment Providers
MSME	Micro, Small and Medium Enterprise

NAICOM	National Insurance Commission
NAPEP	National Poverty Eradication Programme of Nigeria
NBS	National Bureau of Statistics
NCC	Nigerian Communications Commission
NDE	National Directorate of Employment
NDIC	Nigeria Deposit Insurance Corporation
NEPAD	New Partnership for African Development
NEXIM	Nigerian Export-Import Bank
NIFI	Non-interest Financial Institutions
NGN	Naira
NIMC	National Identity Management Commission
NIPOST	Nigerian Postal Service
NYSC	National Youth Service Corps
OFISD	Other Financial Institutions Supervision Department of the CBN
OTC	Over the counter
POS	Point of Sale
PenCom	National Pension Commission
PIN	Personal Identification Number
PRA	Pension Reform Act
PFA	Pension Fund Administrator
RUFIN	Rural Finance Institutions Building Programme
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprise
SMEDAN	Small and Medium Enterprise Development Agency of Nigeria
SMS	Short Message Service
SMD	Strategy Management Department of the CBN
TB	Treasury Bills
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax