NATIONAL FINANCIAL INCLUSION STRATEGY

November 2022

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Contents

ABBREVIATIONS

Acronym	Meaning
AML/CFT	Anti-Money Laundering / Combating The Financing of Terrorism
ATM	Automated Teller Machine
BSD	Banking Supervision Department of the CBN
BVN	Bank Verification Number
CBN	Central Bank of Nigeria
DFI	Development Finance Institution
DFS	Digital Financial Services
DMBs	Deposit Money Banks (renamed Commercial & Merchant Banks)
EFInA	Enhancing Financial Innovation & Access
FCs	Finance Companies
FDC	Federal Department of Cooperatives (under FMARD)
FI	Financial Inclusion
FIDU	Financial inclusion Delivery Unit
FINTECH	Financial Technology
FISC	Financial Inclusion Steering Committee
FITC	Financial Inclusion Technical Committee
FLWG	Financial Literacy Working Group
FMARD	Federal Ministry of Agriculture and Rural development
FMCI	Federal Ministry of Commerce & Industry
FME	Federal Ministry of Education
FMF	Federal Ministry of Finance
FSP	Financial Services Provider
FSRCC	Financial Services Regulation Coordinating Committee
G2P	Government to Person
GDP	Gross Domestic Product
GSI	Global Standing Instruction
ID	Identity
ID4D	Identification for Development
IMF FAS	International Monetary Fund Financial Access Survey
IPA	Innovation for Poverty Action
IT	Information Technology
JAMB	Joint Admission and Matriculation Board
KYC	Know Your Customer
LGA	Local Government Area
LTD	Limited
MDA	Ministries, Departments and Agencies
MFBs	Microfinance Banks
MFIs	Microfinance Institutions
MMO	Mobile Money Operator
MSME	Micro, Small and Medium Enterprise

Acronym	Meaning
NAIC	Nigerian Agricultural Insurance Corporation
NAICOM	National Insurance Commission
NAMBUIT	National Association of Microfinance Banks Unified IT system
NASSCO	National Social Safety Nets Coordinating Office
NBS	National Bureau of Statistics
NCC	Nigerian Communications Commission
NDIC	Nigeria Deposit Insurance Corporation
NDPB	Nigeria Data Protection Bureau
NE	North-East
NEC	National Economic Council
NECO	National Examination Council
NFIS	National Financial Inclusion Strategy
NFS Maps	Nigeria Financial Services Maps
NGN	Naira
NGO	Non-Governmental Organizations
NIA	Nigeria Insurers Association
NIBBS	Nigeria Interbank Settlement System plc
NIDB	National Identity Database
NIMC	National Identity Management Commission
NIN	National Identification Number
NIP	NIBSS Instant Payments (NIP)
NIRSAL	Nigeria Incentive-based Risk Sharing system for Agricultural Lending
NITDA	National Information Technology Development Agency
NW	North-West
OFISD	Other Financial Institutions Supervision Department of CBN
PENCOM	National Pension Commission
PMB	Primary Mortgage Bank
POS	Point of Sale
POST UTME	Post Unified Tertiary Matriculation Examination
PSB	Payment Service Bank
PSP	Payment Service Provider
SACCO	Savings and Credit Co-operative
SANEF	Shared Agent Network Expansion Facility
SEC	Securities and Exchange Commission
SMEDAN	Small and Medium Enterprise Development Agency of Nigeria
SMEs	Small and Medium Enterprises
TELCO	Telecommunications Company
USSD	Unstructured Supplementary Service Data
WAEC	West African Examinations Council

EXECUTIVE SUMMARY

Status of financial inclusion

The Nigeria National Financial Inclusion Strategy (NFIS) was first launched in October 2012, with ambitious financial inclusion targets set across several parameters, particularly in terms of reducing financial exclusion amongst adults to no more than 20% by 2020. The NFIS was refreshed in 2018, and an assessment of progress completed in 2020.

Some progress has been made since 2012, with the proportion of adults with access to a bank account improving from 33% in 2012 to 45% in 2020. However, overall progress has been slow and the percentage of financially excluded adults only marginally fell from 40% in 2012 to around 36% by 2020. In addition, key segments remain underserved – a gender gap of 8%, a youth gap of 11%, and priority geographies (rural areas, North-West, and North-East) behind by over 20 percentage points each compared to national averages. Furthermore only 3% of Micro, Small, and Medium Enterprises (MSMEs) are borrowing from formal sources. At the current rate of progress, the targets that were set for 2020 cannot even be met by 2030.

Commercial banks have dominated the financial sector; and conversely a very limited role has been played by the non-bank sector, i.e. by mobile money, insurance, pensions, investments, and Microfinance banks.[1] As a result, the diversity of financial products and services in use remains low, impacting resilience and growth potential of both individuals and businesses. Several challenges have led to this outcome. Firstly, in promoting the digital finance system regulators have favoured banking institutions who despite their scale advantage have not been successful in innovating large-scale, low-costs digital payments outside of their core markets. This has been at the expense of new entrants and models that could have brought more innovation and lower costs into the sector. In the rest of the non-bank sector, the lack of capacity, footprint, appropriate products and business models has been a challenge. Underlying this, financial literacy also remains a key challenge across the board – disproportionately affecting women, smallholder farmers, and others in rural areas.

Lack of access networks continues to be a key barrier despite significant growth in agent networks over the last few years. There are significant rural areas yet to be reached, and given the logistical challenges and potentially lower profitability the agents need to be better incentivised to set up in these hard-to-reach areas. In addition across the board the quality of service available from agents needs to improve, by improving the range of available services and ensuring network reliability. Gender imbalance is another aspect that must be addressed, to encourage more women to make use of agents and to improve overall service levels. Similarly, identification for Know Your Customer (KYC) purposes has been a significant bottleneck and while the pace of rollout has accelerated over the years, many vulnerable groups are yet to be reached. There is need to map and reach the populations still excluded from a formal ID, to enable them to participate fully in the financial sector.

A relatively progressive payments system infrastructure is in place; however, challenges remain in how far this payment system has been able to reach into low income and excluded communities and address concerns on cost of digital transactions. Mobile money services have struggled to find traction, in large part due to reliance on a bank sector that has not been able to drive widespread adoption, and only 4% of Nigerians use mobile money services, most of them already using banking services. Similarly the fast-growing and innovative fintech sector has had limited impact on financial inclusion, being largely focused on improving service offerings to already-banked customers. The introduction of critical frameworks in the sector, including the fintech strategy, the payments sandbox, open banking, and the Payment Service Bank licenses promises to change the dynamics around digital financial services innovation for the better, and allow a suite of products to be developed and delivered cost effectively to

[1] Other potential alternative providers – Savings and Credit Cooperatives (SACCOs) and microfinance institutions remain outside of the formal financial sector

the target demographics. Government to Person (G2P) payments provide a viable primary use case for digital payments into currently excluded areas, that is as access points are extended.

Changing the course and pace of financial inclusion in Nigeria

Nevertheless, financial inclusion remains a crucial driver of economic growth, household resilience, and achievement of the Sustainable Development Goals. Redoubled efforts are therefore required, and in response the NFIS 2021 – 2024 seeks to dramatically change the trajectory and spearhead the country's progress towards achieving its financial inclusion goals. The NFIS strategic priorities have therefore been selected carefully, by assessing the current state of financial inclusion, implementation progress, and identifying opportunities, leveraging existing data sets and engagements with a range of stakeholders.

Drawing inspiration from key government policies and frameworks, the refreshed NFIS places significant focus on the economic inclusion and empowerment of women and youth, agriculture and MSME sectors, and the availability of alternative providers that can better serve these sectors. The strategy also places significant focus on creating robust digital platforms and innovation to drive financial inclusion through digital mechanisms, and the continued aggressive expansion of enabling infrastructure especially the access networks and ID for KYC purposes.

Customer protection and financial education are particularly **crucial in the era of digital** finance, especially as new digital players and products bring with them new risks. Capacity within the sector must therefore be enhanced, ensuring that consumer protection institutional set up aligns with international best practice.

Strategic Priorities and Immediate Priority Actions

The Central Bank has set an ambitious target to enable access to and usage of financial products and services to 95% of the adult population of Nigeria by 2024, to ensure that no one is left behind. To lead the effort towards this target, the NFIS 2024 seeks to build on progress made since 2018, while dramatically increasing the pace of progress towards 2024 and beyond. In particular, the refreshed NFIS outlines four Strategic priorities that will guide stakeholders as they each seek to contribute to the vision:

- **Strategic Priority 1:** Increase adoption and usage of financial services in priority demographics (women, youth, rural, North & MSMEs).
- **Strategic Priority 2:** Enable the growth and utilization of robust enabling financial services infrastructure and services, placing focus on expansion of ID and the agent network to bring financial services closer to low-income households.
- **Strategic Priority 3:** Expand Digital Financial Services and platforms by leveraging new business models to spur uptake and encourage digital adoption, and affordability.
- **Strategic Priority 4:** Enhance Capacity, Coordination, Communication and Governance of financial inclusion at Federal and State level.

While the NFIS outlines under these broad priorities an accompanying comprehensive set of actions to transform the financial inclusion sector in Nigeria, a few of the areas potentially provide immediate impact. These will be further prioritised and sequenced in the context of annual work plans and targets, where a balance will be sought between those actions that provide some immediate benefits especially in regard to the priority demographics, and those that lay a firm foundation for the long-term future.

The critical actions highlighted for short term impact in the immediate annual work plans and targets include the further expansion of ID (both NIN and BVN) and agent network, focusing on excluded and vulnerable market segments. In areas already served by agents, an improvement in range of services available, service quality, and gender balance will be emphasised.

Further immediate area of attention is an aggressive focus on sub sectors that can have short term impact in promoting financial services usage and the resilience of consumers, i.e. DFS, micro insurance, micro pensions, and micro investments, primarily through business model innovation and partnerships. Immediate results in the rollout of digital financial services in rural areas is possible through the PSB, fintech and other models, complemented wherever possible by the digitization of key use cases relevant to low income and rural households, especially government and social welfare payments.

Stakeholders need to immediately work more closely together towards the set out objectives. This will be underpinned by an increasing operational effectiveness of FIDU, through the capacity enhancement measures recommended elsewhere in this NFIS, and the operationalization of the financial inclusion trust fund. Meantime at the executive level the prioritising and integrating of financial inclusion objectives across all the relevant Ministries, agencies, and regulators, and ensuring all stakeholders work together to meet the broader objectives will be a critical enabler of success.

Coordination and monitoring

All stakeholders are expected to play their respective roles in implementing the activities, and to monitor impact on the priority demographics. Coordination is therefore vital, to ensure that the scope of stakeholder activities is strategically aligned and prioritized for impact. Most of the structures needed to coordinate the implementation are already in place, and this will be strengthened to increase its effectiveness. The coordination structure, programme management capabilities, in particular will be critical to help manage planning, dependencies and milestones.

The initiatives at the central point of coordination will be complemented by improvements at the FISSCO level, including the reenergizing of FISSCOs through a review and refresh of their terms of reference, and added capacity support from FIDU and other stakeholders.

A set of financial inclusion dashboard and strategic priority indicators will be used to help stakeholders to better focus activities at each review cycle.

National Financial Inclusion Strategy Nigeria

SECTION 1. INTRODUCTION TO NFIS DEVELOPMENT

1.1 BACKGROUND

Nigeria's National Financial Inclusion Strategy (NFIS) was first launched in Nigeria in October 2012 with ambitious financial inclusion targets set across several parameters, particularly in terms of reducing financial exclusion amongst adults to no more than 20% by 2020. The NFIS was subsequently refreshed in 2018 and included a reaffirmation of the targets set in 2012.

Some progress has been made since 2012, including in the banking sector where the proportion of banked adults increased from 33% in 2012 to 45% in 2020. Nigeria, as of 2020, had a higher proportion of banked adults than many comparator countries. However, progress measured by several other dimensions has been slow, and most notably the target to reduce the percentage of financially excluded adults has stubbornly remained out of reach, only marginally falling from 40% in 2012 to around 36% by 2020. The absolute number of financially excluded adults has, in fact, increased from 36.6 million to 38.1 million during the period.

In addition, key segments remain underserved, and the gender gap remains high at 8%. Exclusion amongst the youth and younger population where 47% were financially excluded in 2020 is also a significant challenge, particularly given that 55% of Nigeria's 106 million adult population is 35 years or younger. Further, research suggests that only 3% of Micro, Small, and Medium Enterprises (MSMEs) are borrowing from formal sources, despite these businesses forming the backbone of the Nigerian economy and contributing to 49.8% of GDP in 2021.

Despite these challenges, financial inclusion remains a crucial driver of economic growth and household resilience, and a key enabler of the Sustainable Development Goals to which Nigeria is a signatory. However, at the current rate of progress the targets that were set for 2020 cannot be met even by 2030, with several parameters needing to increase several times over: the percentage of adult population with a regulated credit product increasing from 3% to 40%, and savings penetration doubling from 32% of adults just to reach the 2020 target of 60%.

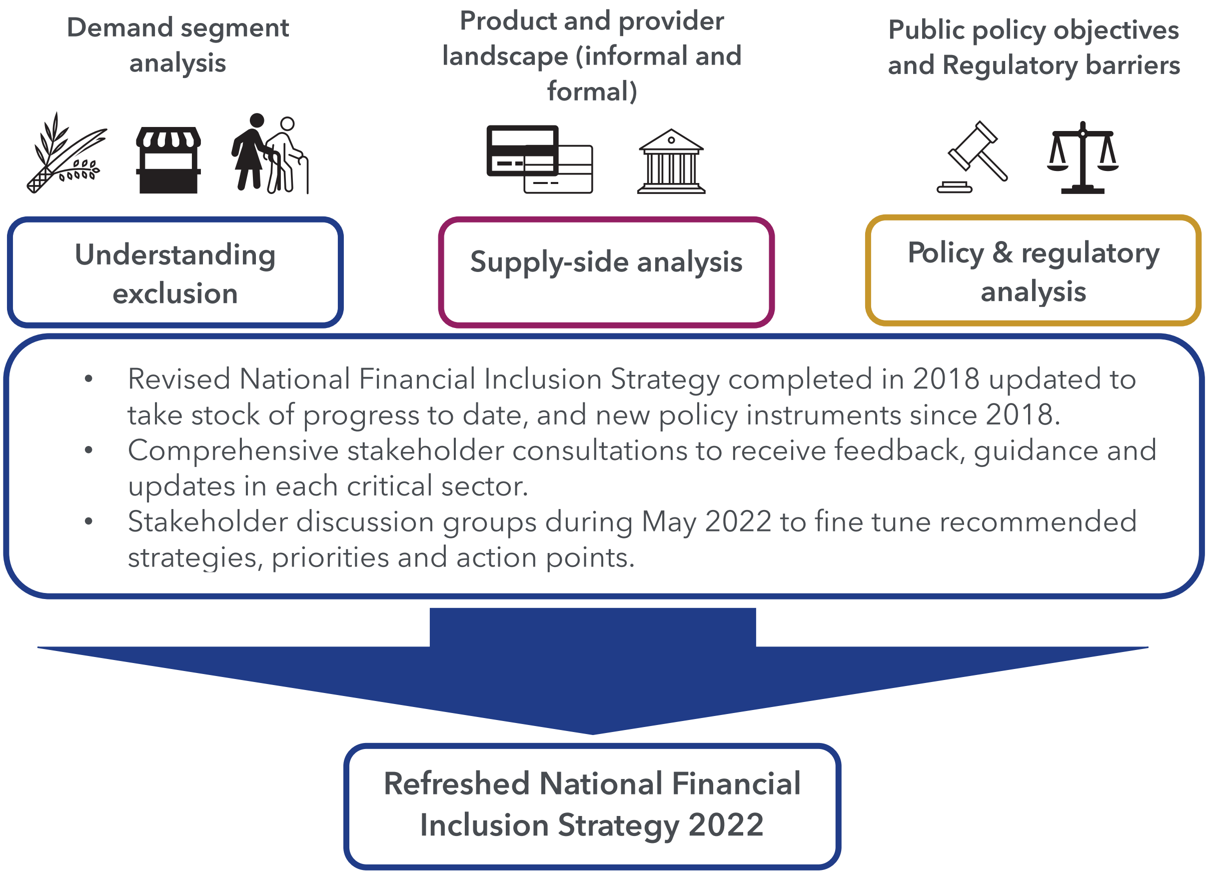
It can, therefore, not be business as usual going forward. The NFIS 2021 – 2024 seeks to dramatically change the course of progress and spearhead the country's progress towards achieving the national financial inclusion goals.

1.1.1 APPROACH TO NFIS 2021 – 2024 DEVELOPMENT

The NFIS 2018 has been refreshed by assessing the current state of financial inclusion in the country, implementation progress on the existing strategy, and opportunities, best approaches and key issues going forward. The state of financial inclusion is assessed based on demand and supply side data, drawing heavily on existing data sets and interviews with a range of stakeholders to identify bottlenecks and priorities. The refreshed strategy also takes stock of new policy instruments enacted since 2018. Finally, the strategy - in addition to identifying new initiatives to increase financial inclusion - also suggests relevant updates to the existing implementation schedule / arrangement.

Stakeholder interviews were conducted during the period February to June 2022, and encompassed a wide cross section of relevant Ministries, Departments and Agencies, Industry Associations, and Regulators. The recommended strategies, priorities and action points were fine-tuned during stakeholder discussion groups held in May 2022. The approach is summarised below:

Figure 1: Process undertaken to refresh the NFIS



1.1.2 DEFINITION OF FINANCIAL INCLUSION

Financial inclusion, for the purposes of this strategy, is achieved when adult Nigerians have easy access to a broad range of financial services that meet their needs at affordable costs. The services include, but are not limited to, payments, savings, credit, insurance, pension, and investment products.

The implication of the definition is that:

i. The financial products are within easy reach of all segments of the population and customers are able to be served through proper and appropriate distribution channels.

ii. There is not only access and usage of the financial services, but also a wide range of product categories available (e.g. payments, savings, credit, insurance, pension and collective investment products), choice of providers, and adequate quality.

iii. Financial products are designed to meet the needs of clients taking into account their real economy needs, income levels, behaviours and attitudes.

iv. Prices for financial services such as interest rates, transaction costs and other indirect costs are transparent and affordable to the target market segments.

v. Clients are sufficiently informed to be able to make choices about available products, and adequately protected from malpractices such as fraud, data theft, cybercrime, and others.

1.2 POLICY CONTEXT

The NFIS 2021 – 2024 is developed at a time when a number of policy instruments have recently been enacted or will shortly be enacted. The revised NFIS aligns to these instruments where relevant and seeks to promote progress in the overall national context. The most relevant of these policies are summarised below.

Figure 2: Key Policy References to NFIS 2024

The Nigeria Development Plan 2021 – 2025 lays out the national plan to accelerate growth and foster sustainable development. The plan outlines the role expected of the financial sector, including but not limited to ensuring adequate finance in the agriculture and MSME sectors, digital financial inclusion for rural dwellers (to increase from 2% to 25%), growth in payments as a percent of GDP, adequate financing for non-bank financial institutions (insurers, pension providers, Microfinance Banks (MFBs) and Primary Mortgage Banks (PMBs)), and the empowering of women and youth. The plan envisages expanded National Digital Identity from ≤ 20% of population to 80% by 2024.

The National Digital Economy Policy and Strategy (2020-2030) supports the National Development Plan by proposing the expansion of Nigeria's digital economy, based on the 8-pillars of Digital Nigeria. The financial sector plays a key role in two of these pillars, through the provision of robust digital platforms to drive the digital economy, and by supporting the Digital Society & Emerging Technologies Pillar which seeks to reduce the percentage of unbanked adults by 50% within the next four years.

The National FinTech Strategy 2024 was approved in 2022 to promote the fintech sector and its role in the development of Nigeria. The strategy recognises that despite growth in the Nigerian Fintech sector, impact on financial inclusion has been minimal. The strategy identifies the need for fintech models to serve highly excluded geopolitical zones (North-West and North-East), women, rural communities, and youth, and envisages the licensing of actors who can scale and stimulate financial inclusion in these and other underserved segments

The Framework for Advancing Women's Financial Inclusion 2020 outlines eight Strategic imperatives and these continue to be relevant and are included in the refreshed NFIS, including measures to support account opening; financial and digital literacy; convenient distribution channels; use of gender disaggregated data; use of gender lens in government strategies; sustainable products and delivery systems; DFS & Fintech; and women in leadership and staffing in financial institutions and other agencies.

The Agriculture Promotion Policy (2016 – 2020) has expired, nevertheless it does provide direction on key areas to be supported by financial inclusion interventions, particularly the financing of various priority value chain areas, availability of credit at reasonable conditions for farmers and agribusiness, the use of alternative finance mechanisms (e.g. warehouse-receipt financing, commodity-trade financing, equipment leasing, crowdsourcing), and the development of appropriate financial products relevant in rural areas for farmers, women and youth. New product development in micro-insurance and weather-index insurance, including by private insurance companies, can also help to advance the sector.

In support of the refreshed NFIS, **the National Broadband Plan 2020 – 2025** aims to improve telecommunication and data network coverage to at least 90% of the population, while the National Identity Management Commission (NIMC) and its global coalition led by World Bank ID4D aims to increase the number of persons with a National Identification Number (NIN) to 150 million by 2022.

In response to these policy initiatives, the refreshed NFIS places significant focus on financial services access in the agriculture and MSME sectors, including for food security, employment, economic diversification, and economic empowerment of women and youth. This includes the availability of credit at reasonable conditions for MSMEs, farmers and agribusiness, the availability of agricultural insurance, and the presence and capacity of alternative providers in these sectors. The strategy also responds to the need for investment in physical, financial, digital and innovation infrastructure, to enable robust digital platforms that drive the digital economy, digital financial inclusion for rural dwellers, and more broadly the growth of digital payments. A significant emphasis is placed on non-bank financial institutions (insurers, pension providers, MFBs and Primary Mortgage Banks), and the development of appropriate financial products targeting rural areas, MSMEs, farmers, women and youth.

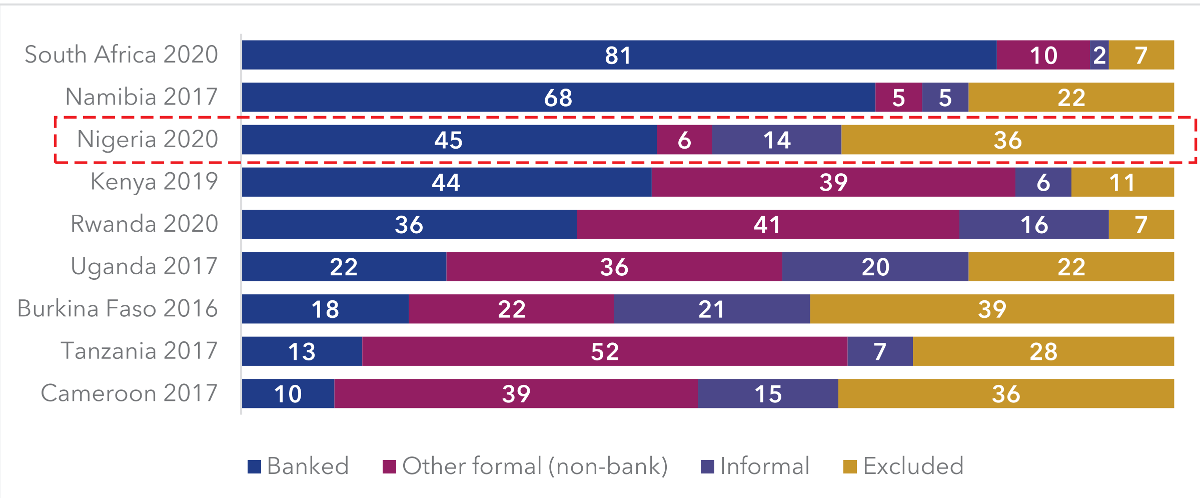
Key policies anticipated in the near future include a renewed financial literacy strategy, a new consumer protection framework, and a new payments systems strategy.

SECTION 2. LEARNING FROM NFIS 2018 – 2020

2.1 IMPLEMENTATION PROGRESS

As noted earlier, there has been very gradual progress in reducing the percentage of adults who are financially excluded in Nigeria – falling from 40% to around 36% by 2020, despite a high proportion of banked adults compared to many comparator countries (see figure 3 below).

Figure 3: Financial Exclusion in Nigeria vs other Sub-Saharan African countries



Source: EFInA Access to Finance Survey 2020, FinScope surveys for other countries

What has been clearly a challenge for Nigeria, compared to other similarly positioned countries in the region, has been the very limited role played by the non-bank sector, highlighted in the "other formal (non-bank)" sector in the figure above. Countries with a low penetration of bank services have been able to reduce formal exclusion by making better use of non-bank financial services, notably through mobile money, regulated Savings and Credit Cooperatives (SACCOs), and regulated Microfinance institutions. Informal providers such as savings groups have also played a significant role in some countries to reduce overall exclusion, and this too has been lacking in Nigeria.

The introduction of Payment Service Bank licenses in Nigeria, and the awarding of these licenses to leading mobile network operators promises to change the dynamics around digital financial services for the better. However, this process is still in its early days.

The slow overall progress is replicated across various product category targets. Figure 4 below highlights that although there has been progress since 2010, this has been too slow to meet financial inclusion targets and much effort is still needed.

Figure 4: Financial Inclusion Targets (set in 2018) and Progress Up to 2020

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

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

Source: EFInA Access to Finance Survey 2020

The NFIS 2018 identified five key objectives to advance the financial inclusion objectives in the period to 2020. Progress has been made on all these fronts; however, it has not been sufficient to close the gaps.

- **Conducive environment for expansion of DFS**: The number of active DFS users has been increasing, but only marginally (16% of adults in 2018 vs 28% in 2020). Several important measures have been implemented in the period since 2018, and these are still at an early stage of implementation / design. Examples include the recent introduction of the DFS and insurance sandboxes which are yet to be fully operationalized, the recent introduction of an open banking framework to spur innovation, the issue of PSB licenses, and the approval of the fintech strategy. These can be expected to have a greater impact in the coming years, if implemented in a flexible and progressive manner.

- **Rapid growth of the agent network**: The use of agency banking has been prioritised since 2012, but only recently has there been a significant increase in use of the agent network which increased from 3% of adults in 2018 to 19% of adults in 2020. The number of agent points increased from 38,416 agent points in 2018 to 1 million by 2022. Although there are counting overlaps and agency dormancy issues that need to be taken into account, this has been an impressive increase in rollout by stakeholders. Going forward there is need for better data analytics and strategies to drive usage and cover gaps.
- **Harmonised KYC requirements**: While the number of NIN registrations rose from 32 million in 2018 to 75 million in 2022, this is still well below target and the existing progress is yet to translate into accounts. NIN has traditionally not been used for bank accounts, and there is a need to ramp up BVN registrations or increase use of NIN for KYC – but there are challenges to be addressed with either approach. Current requirements for Tier 1 mobile wallets have potential for fraud, and this needs to be addressed going forward. In addition to this, proof of address remains a challenge in rural areas.
- **Environment conducive to serving the most excluded**: Priority demographics were introduced in the NFIS refresh of 2018 due to the high level of exclusion observed in five demographics: Women, youth, MSMEs and small holder farmers, rural dwellers and the North East and North West geographic zones. These priority groups remain highly excluded, with only limited progress being made since 2018. As of 2020, only 3% of SMEs borrow from formal sources, while changes for the other demographics are as shown in the accompanying table.

Demographic	2018 Gap	2020 gap
Gender gap	9.7%	8%
Rural / urban gap	28%	24%
Youth gap	12%	11%
North / South gap	25%	23%

Source: EFInA Access to Finance Survey 2020

- **Adoption of cashless payment channels**: During 2019 – 2020 there has been significant growth in retail e-payments, with volumes growing 269% to 10.7bn transactions, and value of transactions growing 288% to NGN 470 billion. However, this growth in retail e-payments did not significantly extend beyond already served customers, and the country thus failed to take full advantage of the COVID-19 crisis to digitize payments.

During the implementation period stakeholders also reviewed their progress against other countries. Based on stakeholder benchmarking tours to Kenya, Mexico and Rwanda, several areas have been prioritised for future focus as follows:

- There is potential for innovative pensions / savings products to promote short-, medium- and long-term savings in Nigeria, based on relevant models deployed elsewhere. Product development to cater to informal / low-income segments more generally should be more aggressively pursued, especially utilizing digital platforms
- Local presence is crucial for consumers and there is potential for financial service providers, including through agents and state sponsored entities such as NIRSAL MFB to be present in every LGA in Nigeria
- There is potential to scale cooperatives, savings groups and micro credit associations, and reposition them to play a strong role in financial inclusion particularly for priority demographics

- There is the opportunity to further accelerate NIN uptake, especially through acquisition at the local level and integration into social welfare programmes
- Financial education could be made more relevant by using technology (gamification, apps), local languages, mainstream media, and schools
- Countries have effectively utilised formal laws, policies, and instruments to anchor financial inclusion activities, and this has potential use in Nigeria specially to help focus stakeholders

2.2 SUMMARY OF LEARNINGS AND RECOMMENDATIONS

Moving forward there is a need for a step change in financial inclusion in Nigeria. There will be need for boldness, persistence, innovativeness, and flexibility into 2024, especially in the following areas:

- While there has been some growth in use of mobile money and other DFS technologies, the opportunity presented by COVID-19 to digitise has been missed and Nigeria remains behind peers. This presents a substantial opportunity to close gaps. Technology still has much potential and is evolving; however, there is need to be flexible to cater to future developments and innovations.
- The high priority demographics continue to be relevant, however a combination of existing and new strategies are needed to deepen inclusion in these segments. There is opportunity for new digital "micro" products for the low income and informal sector: pensions / savings, insurance, credit, payments, and investments. There is also the need for a reduction in the cost-of-service for delivery and transactions – especially for DFS.
- Opportunity to scale cooperatives, savings groups, and micro credit associations, and reposition them to play a strong role in financial inclusion particularly amongst the unserved and underserved populations, the majority of whom are women.
- Identity continues to be a key barrier to inclusion – and needs more sensitization, use of technology; localisation; and integration into social welfare programmes.
- Recent expansion of agent network has achieved targets; however, there is need to fully exploit this network, and to ensure that financial service providers reach every LGA in Nigeria.
- Opportunity to expand financial education by using technology (gamification, apps), local languages, mainstream media, and schools
- Increased enforcement authority over implementation agencies, with room for policy or legal instrument to strengthen

The refreshed financial inclusion strategy addresses the blockages the initiatives to date have met, but also the additional challenges faced as a result of the COVID-19 pandemic, and seeks to understand the key lessons that can be taken to improve outcomes and accelerate the process of financial inclusion.

SECTION 3. STRATEGIC CONTEXT

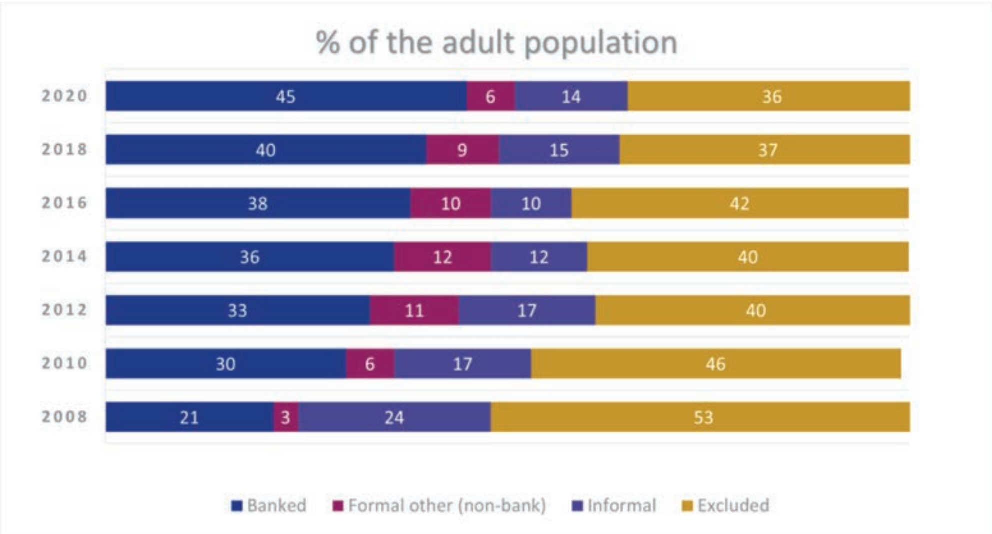
This Chapter outlines the relevant strategic context, focusing on the demand and supply side perspectives. The demand side perspective is based on data provided by the EFInA financial access surveys, augmented with other available demand side research, while the supply side analysis is based on interviews and available supply side data.

3.1 DEMAND SIDE PERSPECTIVES

3.1.1 FORMAL AND INFORMAL INCLUSION

Although financial inclusion continues to grow, progress has been too slow to meet the National Financial Inclusion targets set in the 2018 – 2020 Strategy document. Progress on inclusion is incremental, with exclusion levels falling very marginally, and while 50.5% of the population currently has access to formal financial institutions (44.8% through banks) – the proportion of formally served has only increased for the first time since 2014 (see figure 5 below). While banks have extended their reach within the already served segments in each subsequent survey, the financial sector as a whole has not been effective in extending inclusion beyond the current boundaries. There also continues to be a gap in access between various segments, for example women and men with 68% of men being financially included compared to 60% of women.

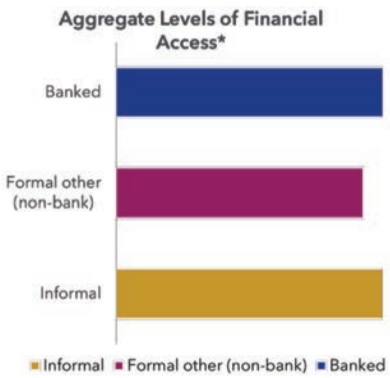
Figure 5: Formal vs Informal Inclusion



Source: EFInA Access to Finance Survey 2020

Those that are served use a combination of formal and informal mechanisms to meet their needs, indicating that their needs are not fully met by the formal sector alone. Of the banked population, 13.5% of these also use other non-bank formal providers, 7.5% also use informal providers and 8.8% use a combination of banks, informal and other non-bank formal providers. This suggests that they are unable to access or afford all of the financial products and services they need through the formal banking system and shows a significant opportunity for the non-bank sector to play a bigger role.

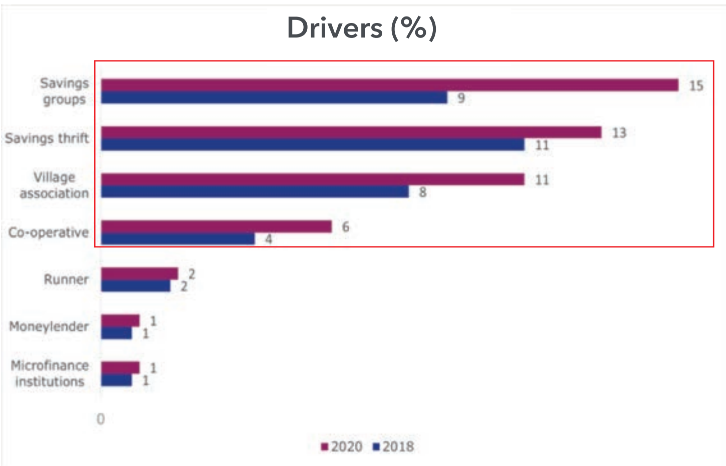
Figure 6 Aggregate Levels of Financial Access



Source: EFInA Access to Finance Survey 2020

If we consider the informal sector specifically, **informal financial service usage is growing but remains low**. In 2020, a third of Nigerians use informal financial services to manage some of their financial needs increasing from 29% in 2016. The number of adults using informal services increased by 5.3 million between 2018 and 2020, this is largely driven by an increase in the use of savings groups and, to a lesser extent, the growth in savings thrift, village associations and co-operatives (see figure 7).

Figure 7: Drivers of Informal Financial Service Usage



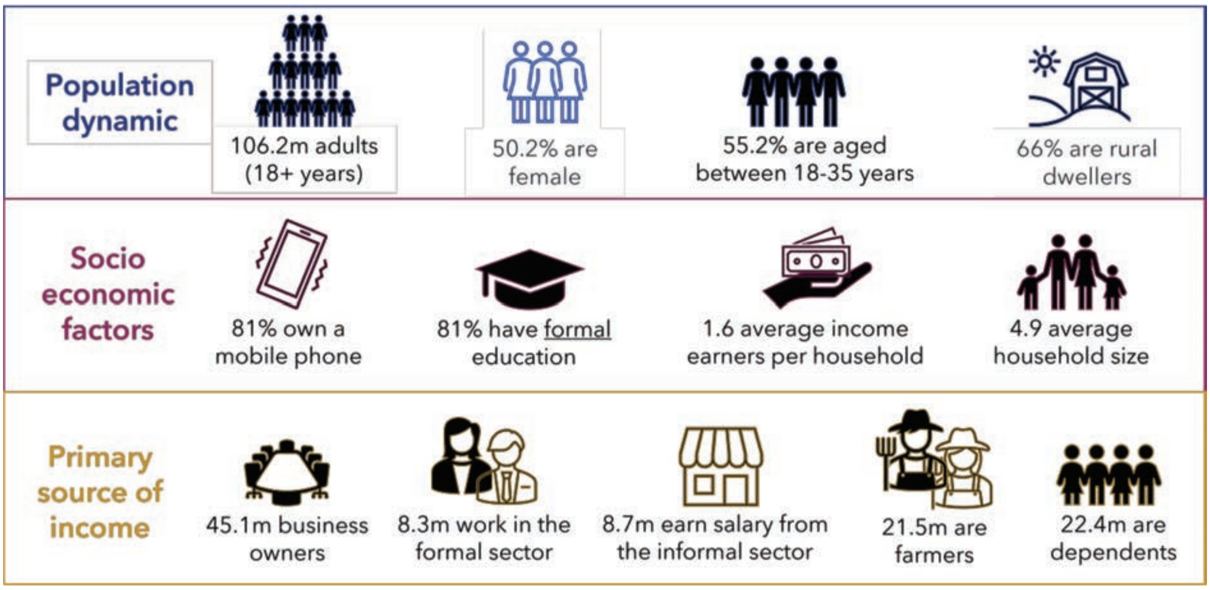
Source: EFInA Access to Finance Survey 2020

Going forward, it is clear that formal inclusion is the preferred mechanism for support, however informal financial services still have a significant role to play and forms part of the 2021-2024 targets. Some customers will continue to prefer informal options even when formal services are available (e.g. for personal / convenience / understanding reasons) and, as such, the informal sector remains important to inclusion.

3.1.2 POPULATION DYNAMICS

Nigeria's demographic dynamics has implications for financial inclusion. This section provides a snapshot of population demographics (see figure 8) and then goes on to consider inclusion issues for key segments of the population.

Figure 8: Population Dynamics



Source: EFInA Access to Finance Survey 2020

Inclusion by Gender

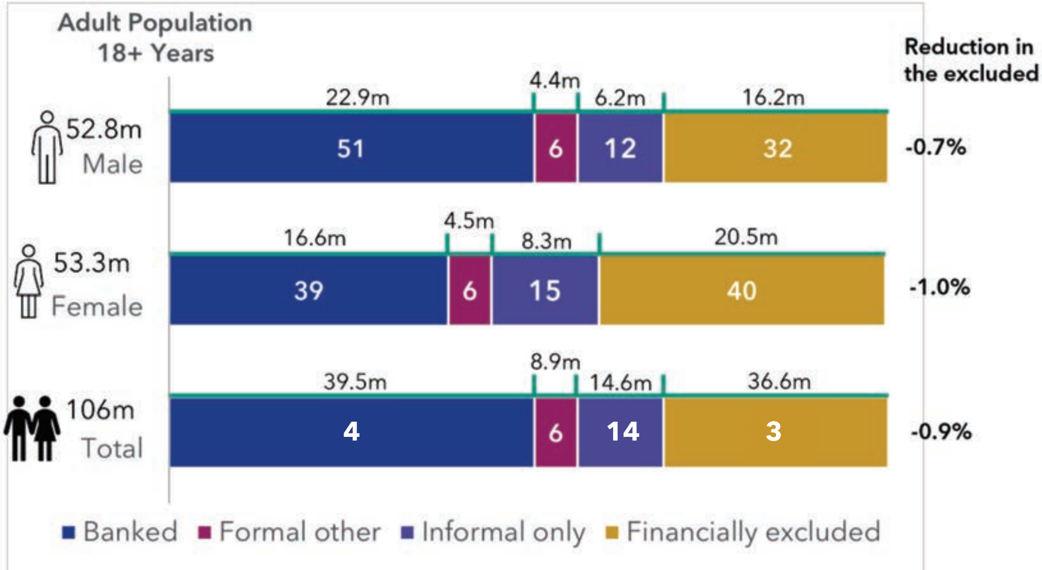
When women actively participate in the financial system, they can better manage risk, smooth consumption in the face of shocks, or fund household expenditures like education. Providing low-income women with the right financial tools to save and borrow money, make and receive payments, and manage risk is important for women's empowerment, but also for poverty reduction more broadly.

The population of Nigerian adult women, 19 years and above, is 53 million. Of this adult population, 13 million (26%) live in the South-West, 12 million (23%) live in the North-West, 12% (6 million) have no formal education, 23 million (44%) are business owners, 33 million (61%) live in rural areas and 17million (32%) are dependents. **This heterogeneous group is considerably less financially included than men and faces a number of core challenges in accessing and using financial products and services.**

Figure 9 below illustrates most common sources of financial services for women when compared to men. It shows that adult women are less likely to be banked than adult men (a gap of 12.8%), with adult women relying more on informal services to meet financing needs. The onset of COVID-19 and its impact on the informal sector has also had a profound impact on women, given that they make up the large majority of informal sector workers.

There is also a discrepancy in the usage of broader categories of financial products and services. Considering savings products specifically, Nigerian women are considerably less likely to save in a bank (25.8% of men compared to 16.3% of women) and are more likely to save through informal mechanisms only (21.9% of women compared to 15.1% of men).

Figure 9: Access to Finance by Gender



Source: EFInA Access to Finance Survey 2020

A number of issues exacerbate the challenges in accessing finance for women, including:

- Mobility - women tend to have smaller geographic networks compared to men, which limits their exposure to and awareness of financial services. Women also face constraints in getting to financial access points, for example safety and security concerns, and existing norms that limit their engagement to the domestic sphere.
- Education – women have a lower level of education that men, and women with low levels of education are seven times more likely to be excluded. Lack of education results in less women trusting financial service providers and a lack of understanding of financial products and their benefits.
- Social Norms – Women's financial needs, means and status are often defined by their relationship with men in their families. Men typically access available financial services on behalf of the household and, therefore on behalf of women.
- Women lack the time, resources, and orientation to use financial services. Women have less time due to a disproportionate burden for unpaid care work. They lack agency (control and decision making power) over the use of resources, and have less income compared to men. They also have low levels of financial literacy and awareness about existing financial offerings which limits their access and use of such products or services.
- Literacy levels - some excluded women own feature phones, but their illiteracy can limit usage and they often rely on their (more literate) 'gatekeepers' in their communities for support e.g. fathers, sons, uncles, village heads and Imams (especially in the north)
- Income – women have lower incomes than men and 17.7m Nigerian women earn N15,000 and below. Women with low levels of income are up to 8 times more likely to be excluded. The unserved and underserved women are concentrated in the lower income segments of the population (monthly income under NGN 40,000).
- Identification - women are often excluded from formal financial services because they are unable to meet the stringent account opening and loan requirements. Lack of ID and other documentation causes difficulties in account opening. Entering into loans can also be

constrained due to lack of required collateral as a result of patriarchal land/asset ownership and the inability to independently enter into contract due to lack of agency over resources.

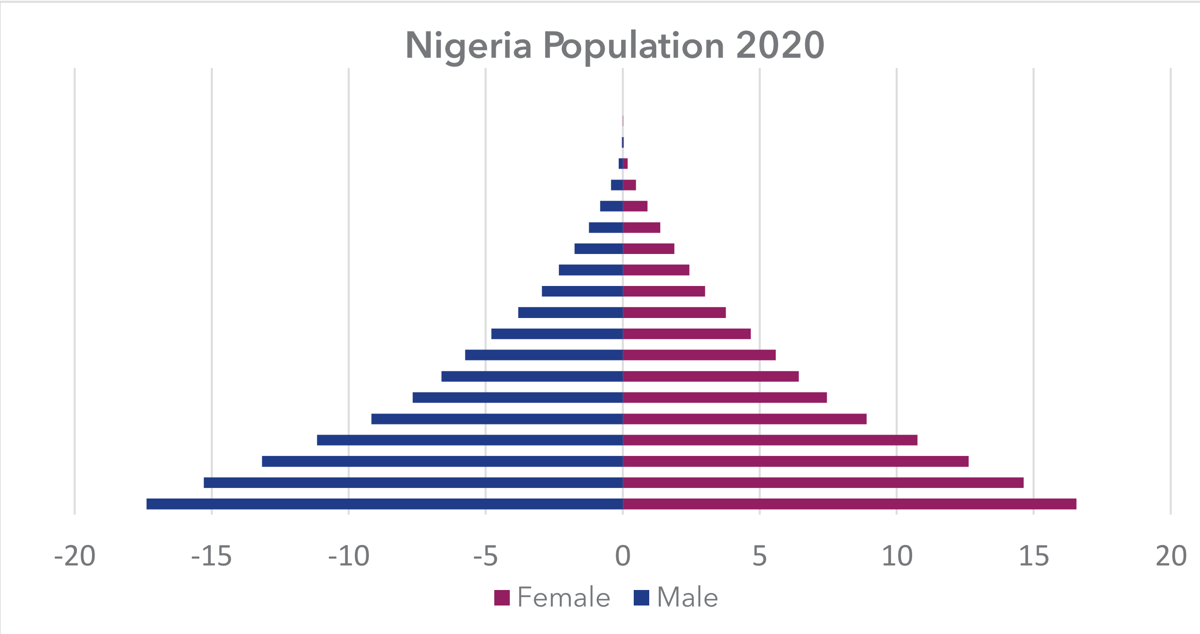
- Geographic Location – women located in the North are more excluded than women in the South and rural women are less likely than urban women to be formally served.

The recently developed ***Framework for Advancing Women's Financial Inclusion in Nigeria*** is taking important steps to addressing some of these issues. The Framework carves out the barriers of particular importance to women, laying out eight strategic imperatives and related recommendations with the greatest potential for addressing these barriers and bridging the gender gap in access and use of financial services.

Inclusion by Age

Youth, defined as all young people between the ages of 15 and 29 years old[2], dominate the population of Nigeria (see figure 10). Over 50% of the population are under 19 years old and the majority of these (77%) live in rural areas.

Figure 10: Population Age Distribution



Source: Nigeria Population Pyramid, (www.populationpyramid.net/nigeria/2020)

42.5% of youth are unemployed[3] and a large proportion are significantly excluded from the formal financial system. 78% of 15- to 17-year-olds are financially excluded with only 9% formally banked, and adults in the 18 to 25 age bracket are significantly more likely than older adults to be financially excluded (see figure 11). Adults between 36 and 45 years of age are the most likely to be formally banked but even this represents just over 50% of the population in that age range.

[2] Federal Ministry of Youth and Sports Development (2019) National Youth Policy

[3] Q4 2020 National Bureau of Statistics

Figure 11: Financial Exclusion by Age

Source: EFInA Access to Finance Survey 2020

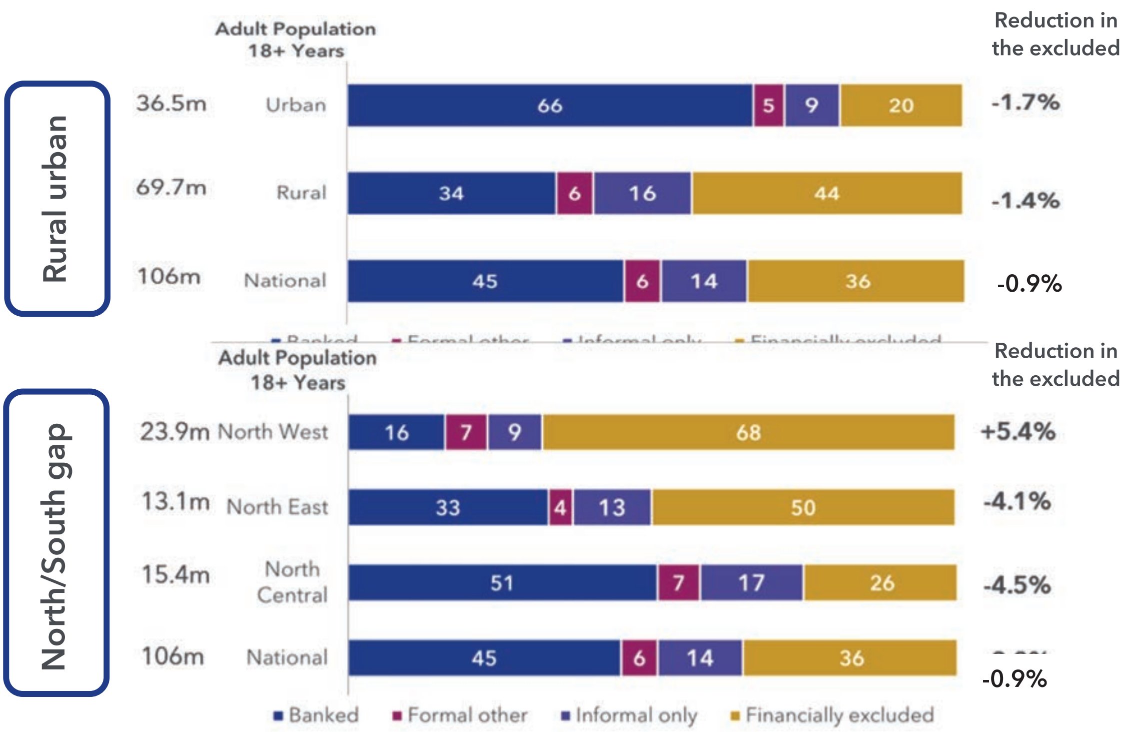
Given importance of youth as a proportion of the overall population, government should focus on initiatives to increase their inclusion. Evidence shows that 43% own a mobile phone and 39% are living in communities with financial access points. This could be leveraged by encouraging tech based products and services and considering initiatives to provide access to finance for youth in agribusiness.

Digital finance has enormous potential to provide access in hard-to-reach areas and may be particularly effective in targeting the large youth segment in Nigeria. Ensuring that consumer safety issues are addressed is essential in promoting confidence in digital take up as well as ensuring that potential customers have the understanding required to use products and services safely and comprehensively.

Inclusion by Geographical Location

There are huge variations in inclusion across different geographic areas with significant differences in access between rural and urban areas (see figure 12 below). The North West and North East zones continue to be most excluded and while between 2018 and 2020 some progress has been made in the NE, exclusion in the large North West population increased by 5.4 percentage points to 68% of adults.

Figure 12: Levels of Exclusion by Geographic Area



Source: EFInA Access to Finance Survey 2020

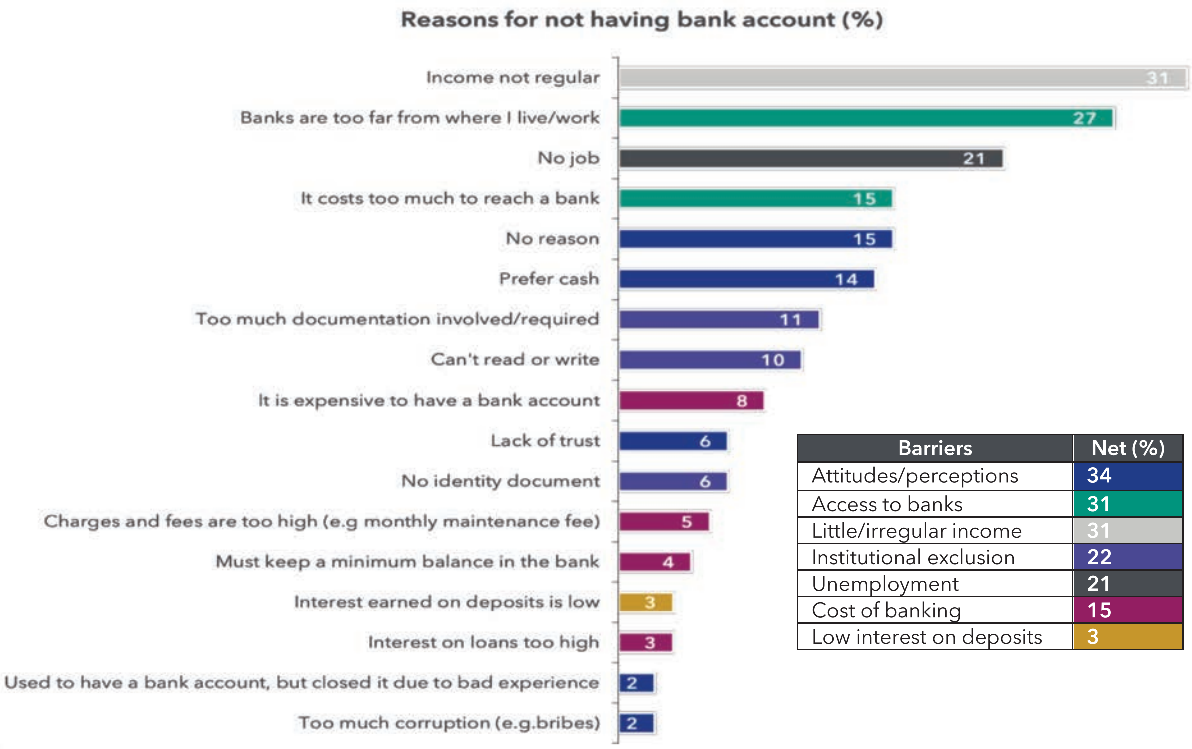
The financially excluded are predominantly dependents, live in rural areas and have low-income levels. 44% of adults in rural areas are excluded as opposed to 20% in urban areas. As a result of this, rural adults continue to be more likely than those in urban areas to rely exclusively on informal financial services (16% of adults in rural areas use informal sources of finance compared to 9% in urban areas). The proportion of the population using banks in rural areas is just over half that of urban adults (34% vs 66%).

There are a number of factors that contribute to exclusion in rural areas and can explain the particularly high rates in the North-East and North-West. Representation by financial institutions is limited in these areas with 31% of excluded Nigerian adults stating that lack of access to banks is a reason for not having a bank account (see figure 13 below). Reaching access points remains a key challenge - only 38%[4] of adults in rural areas are within proximity of financial access points and 82% are not aware of financial access points close to their home.

It is clear that although there has been some improvement since 2018, banking services are still not reaching all rural areas. The North-East and North-West remain underserved, especially due to insecurity, low levels of awareness, and limited access points. The government should work with service providers to ensure that financial education and relevant products and access points reach the north.

Expansion of access points more broadly is also critical to enhancing inclusion and this can be achieved through leveraging and enhancing agent networks, POS, and ATM machines as well as encouraging innovation in product and service development.

Figure 13: Reasons for not having a bank account



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

Source: EFInA Access to Finance Survey 2020

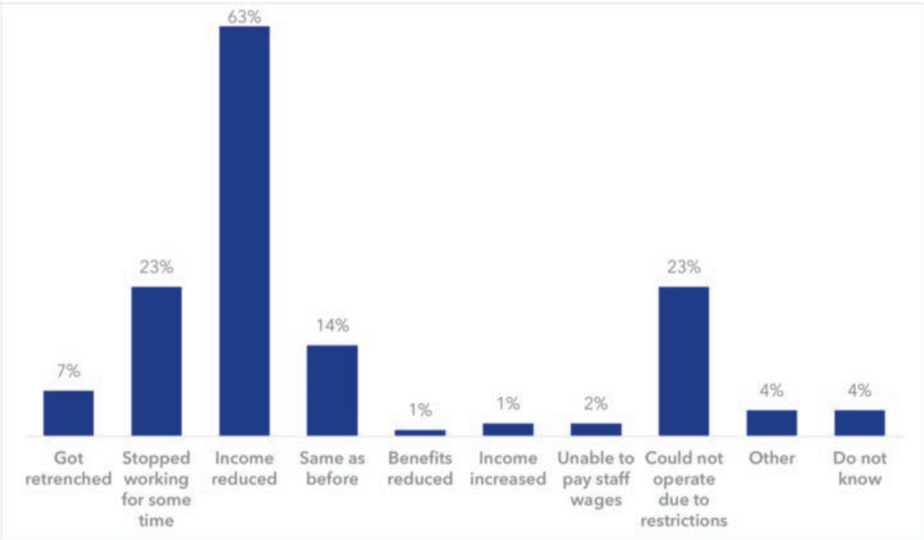
[4] Of the 38%, 84% are Financial Services Agents

3.1.3 INCLUSION OF MICRO AND SMALL ENTERPRISES

There are approximately 49.3 million business owners in Nigeria including 37.1 million individual entrepreneurs and 10.4 million business owners employing approximately 33.2 million people. Microenterprises make up 96% of the overall numbers and almost 98% of these are unregistered.

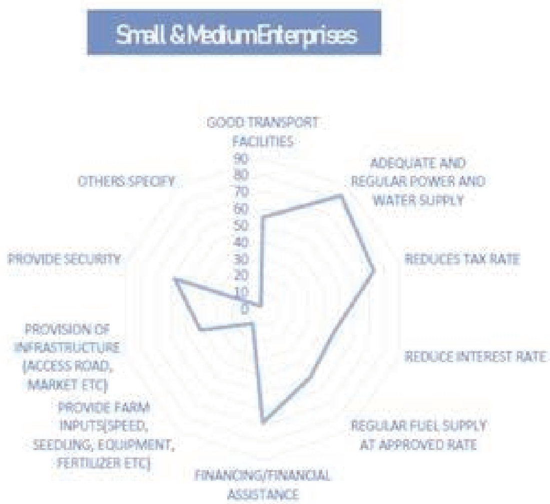
The pandemic has impacted negatively on over 80% of the adult population in terms of jobs and income generation which has led to the growth in self-employment and MSME creation in Nigeria. The profound impact that COVID-19 has had on incomes and working patterns forcing many to look for alternative sources of income is illustrated in figure 14 below.

Figure 14: Impact of COVID-19 on Income Generating Activities



Source: EFInA Access to Finance Survey 2020

Figure 15: SME Constraints to Growth

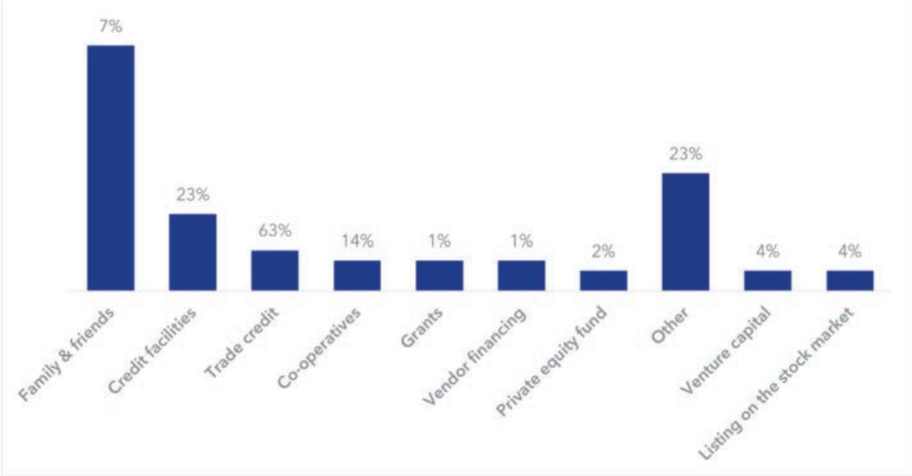


Source: MSME National Survey 2017 (SMEDAN)

Access to finance is consistently highlighted by business owners, at all levels, as a key constraint to investment and growth (see figure 15). Around 68% of SMEs and 90% of micro enterprises lack access to finance and are poorly integrated into the financial system. Only 3% of formal SMEs are borrowing from formal sources with most relying on friends and family to obtain credit. Women-led MSMEs are particularly starved of credit as a result of lack of collateral, inadequate credit histories and limited time to dedicate to their businesses due to added household responsibilities and unpaid care work. Figure 16 below illustrates the main sources of funding for MSMEs.

Beyond credit, access to broader financial products and services also remains limited. Only 96% of micro-enterprises, for example, do not have insurance and 64% of SMEs are in the same position.

Figure 16: MSME Funding Sources



Source: MSME National Survey, 2019 (SMEDAN)

3.1.4 INCLUSION OF FARMERS

Over 70% of Nigerians participate in agriculture, mainly at the subsistence level, and the majority of small-holder farmers are women (75% of the farming population). As a result, access to finance is critical to the resilience of Nigerians as well as a key facilitator of economic wellbeing and growth. Despite this, **financial services are out of reach to many smallholder farmers** with over 78% of rural small-scale farmers financially excluded and only 25% of farmers frequently using financial services. Access to credit is even lower and, despite accounting for 44% of Nigeria's GDP overall, the agricultural sector only receives 2% of the total loans by commercial banks. [5]

There are a number of contributory factors to low levels of inclusion amongst both MSMEs and rural farmers including:

- High interest rates/cost of credit making debt unaffordable
- Lack the collateral needed to borrow
- Limited or no credit history combined with a lack of reliable data on farmers and farm performance to support credit-scoring
- Low financial literacy
- Lack of access to financial service providers
- Lack of documentation/ID required to access financial products and services

Expanding product relevance, availability and affordability to MSMEs and smallholder farmers, to encourage recovery from the impacts of COVID-19, increase resilience and enhance potential for economic growth need to be key areas of focus going forward. Stimulating innovations in product development away from collateral reliant methods of lending will also have an immediate and significant impact on inclusion.

3.1.5 USAGE OF FINANCIAL PRODUCTS AND SERVICES

The diversity of financial products and services in use remains low which is impacting resilience as well as the longer-term economic growth potential of both individuals and businesses. Approximately three out of five adults experienced a financial shock or an event that had a large negative impact on their finances in the past 12 months, mainly driven by economic and health related shocks. Facing this

[5] To address this issue, banks are now mandated to allocate at least 5% to agriculture (either directly or via DFIs).

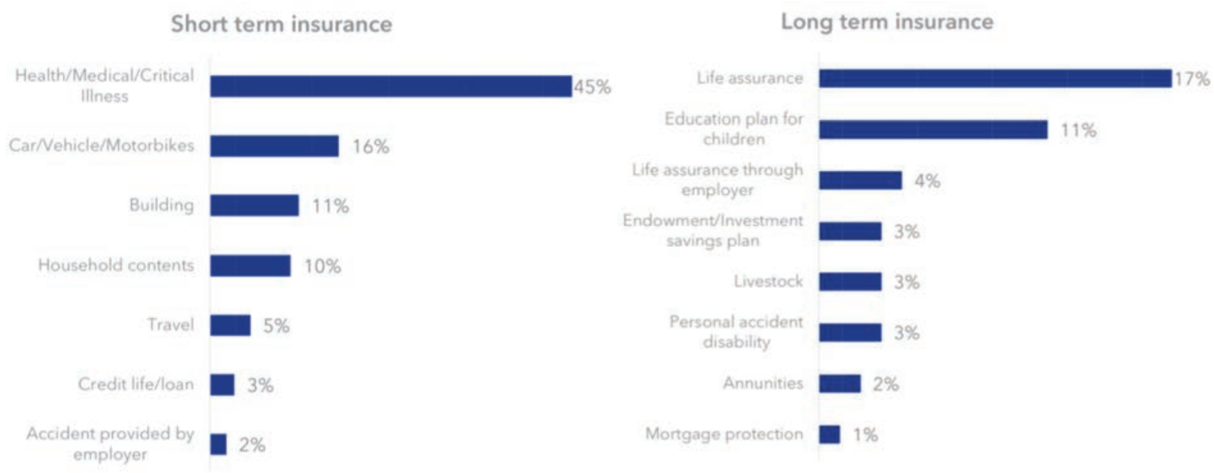
situation, Nigerians were more likely to do nothing, sell assets, or cut down on expenses than to use savings or other financial services to cope with these crises.

The country continues to fall short of targets set for financial service uptake in all key product areas. Approximately 45% of the population are now accessing payments[6] products against a target of 70%, while 32% of the population are using savings[7] against a target of 70%.

Pension penetration is particularly low, with only 7% of the population or 7.2 million adults (including 70,000 micro pension holders) contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme, against a target of 40%. Roughly twice as many men hold a pension product than women (10.6% of men, 5.4% of women) but most adults below the age of 55 plan to rely on savings or their children when they are old. Irregular income and not having enough money are the most frequent reasons given for not making regular retirement contributions and 98% (48.7m) of individuals working in the informal sector are without pension.

The lack of use insurance products is also striking with only 2% of the population (2.1 million adults) holding at least one insurance product against at target of 40% usage. Of these adults, surveys indicate 619,000 have microinsurance. There is also a significant discrepancy in usage between women and men with 2.4% of men and only 1.0% of women accessing insurance products. The key types of insurance in use are illustrated in figure 17 below.

Figure 17: Insurance Product Usage



Source: EFInA Access to Finance Survey – Insurance and Financial Inclusion Report 2020

3.1.6 USAGE OF DIGITAL FINANCIAL SERVICES

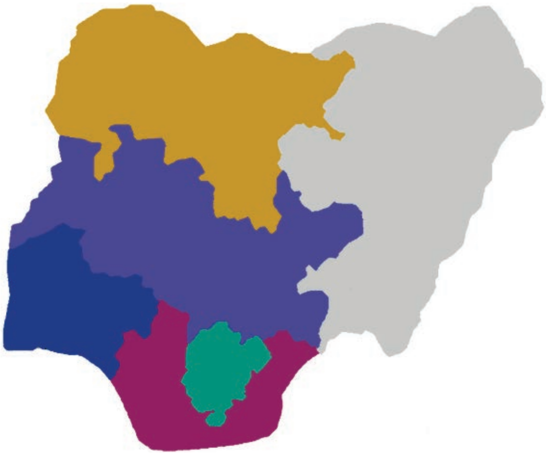
Nigeria has seen some progress in the top-level growth in usage of e-payments and digital financial services, and according to the last Access to Finance Survey 29.8 million Nigerians use digital payments. However, this growth has been largely driven by the deepening of usage by already-included groups, rather than spreading inclusion to new groups.

Low usage of digital financial services is heavily correlated with other areas of social and economic marginalization in Nigeria. The gaps in DFS usage between men and women, and between young people and older groups, remain persistent despite similar levels of access to technology. In the northwest and northeast of the country, only 9% of people make or receive digital payments compared to 32% in the southwest. Only 8% of farmers use digital payments.

[6] Payments is defined as having a transaction account with a regulated financial institution and/or has made an electronic payment through a regulated financial institution in the last 12 months.

[7] Savings is defined as having a savings-related product with a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months

Figure 18. Usage of digital payments by region



NW: 9%	NC: 16%	NE: 9%
SW: 32%	SS: 19%	SE: 15%

Source: Opportunities for promoting financial uptake through digital financial services, EFInA 2021

The Covid-19 crisis led to a spike in the demand for digital payments.

Electronic transaction volumes saw year-on-year growth of 108% between January and May 2021. However, large, and systemic challenges to further uptake remain. As well as generally low levels of financial- and digital literacy, there remains a strong preference for cash, particularly among rural and lower-income populations. Only 7% of Nigerians use digital channels for remittances, compared to 44% that use cash.

3.1.7 FINANCIAL LITERACY

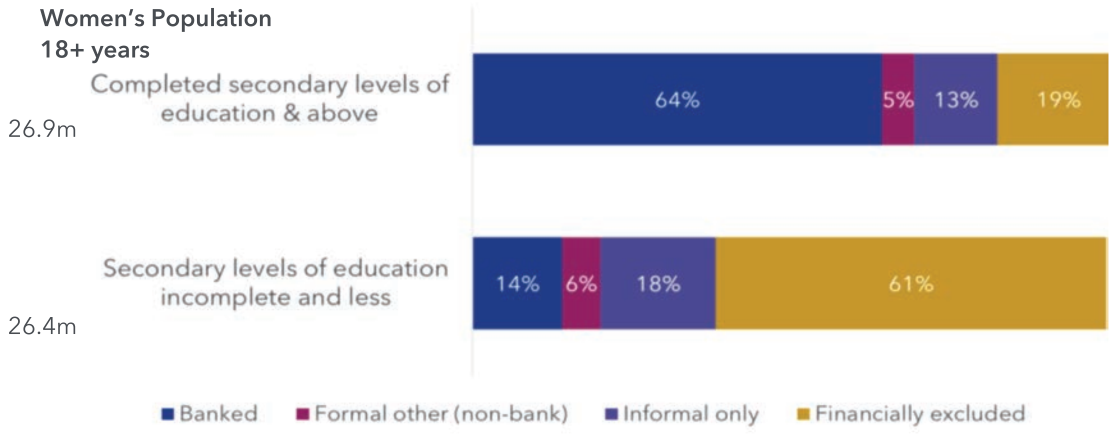
Financial Literacy relates to an individual's knowledge of financial concepts and products. This knowledge in turn affects the individual's value system and attitudes thereby impacting positively on his or her action/decision on financial matters.

The term '**financial capability'** encompasses 'financial literacy' and reflects the multiple dimensions of Knowledge, Skills, Attitudes, Confidence and Behaviour. It is "The ability of an individual to act with confidence in making optimal choices in the management of his/her money matters.

Central Bank of Nigeria (2015). National Financial Literacy Framework

Financial literacy remains a key barrier to financial inclusion across the country - a third of Nigerians are defined as having low financial capability. Women are particularly affected with evidence showing that those with higher levels of education are significantly more likely to be financially included (see figure 19) than those with only basic levels of education. Smallholder farmers and others in rural areas are also disproportionately affected and have not benefitted from financial inclusion initiatives due to remote locations impeding access.

Figure 19: The impact of education on the financial inclusion of women

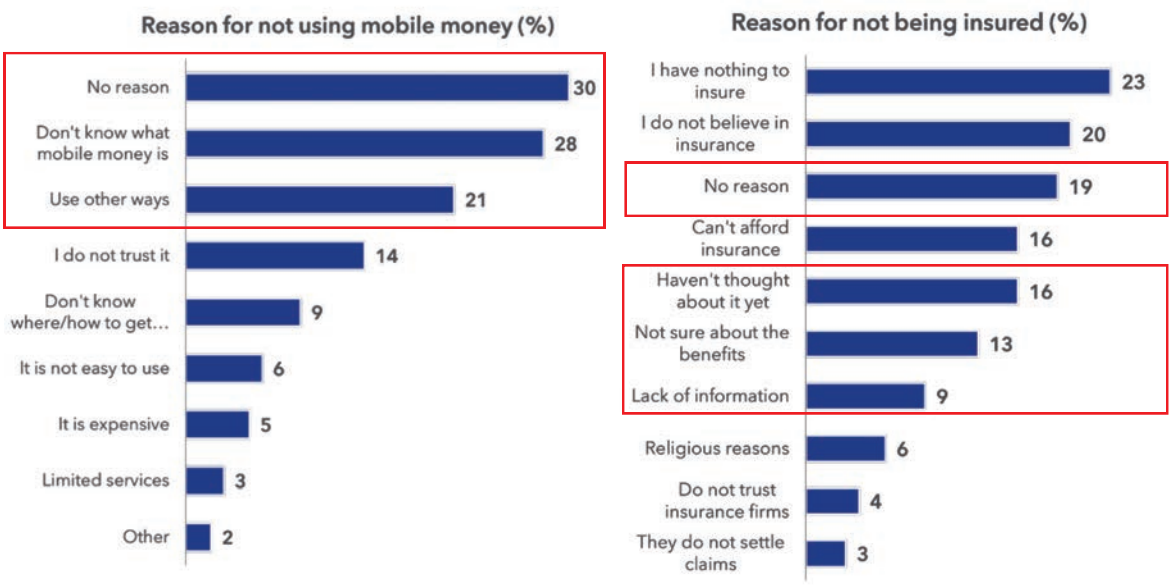


Source: EFInA Access to Finance Survey 2020

The Government of Nigeria recognized the need for improving the levels of financial inclusion and in 2012, launched the National Financial Inclusion Strategy, which aimed to increase financial inclusion from 53.7% in 2010 to 80% in 2020. The Strategy set as one of its goals client empowerment, defined as 'an increase in the bankability of the population through the increase of financial literacy and coordinated national financial literacy initiatives that are complemented by consumer protection'. This aim was supported by the introduction of a financial literacy framework in 2015 to provide a blueprint for implementing financial literacy.

The lack of financial literacy results in extremely low levels of awareness and trust of products and services particularly amongst women clients. For example, only 8% of Nigerians are aware of micro pension plans, 12% are aware of micro insurance and only 22% are aware of mobile. Figure 20 below illustrates the primary reasons that specific products are not being used with knowledge-based reasons featuring highly.

Figure 20: Reasons for not using mobile money and insurance



Source: EFInA Access to Finance Survey 2020

As well as these specific examples, the lack of financial literacy hinders the uptake of products across the board, and new techniques are needed to move this area forward with technology (gamification, apps), mainstream media, schools, and use of local languages representing key ways that this can be achieved. In addition to this, the federal authorities will need to work with state authorities and private sector players to ensure that communities in each LGA receive the financial education they need.

3.1.8 DEMAND SIDE CONCLUSIONS

Conclusions from the demand side analysis are summarised below:

Women face unique challenges including limited awareness, time, ability to travel and access to mobile phones as well as existing gender norms which promote men as responsible for financial activities and decisions. They also often lack the documentation required to enter the formal financial system

Youth dominate the Nigerian population and, as a result, government should focus on initiatives to increase inclusion in this segment, including encouraging tech-based products and services and considering initiatives to provide access to finance for youth in agribusiness

The North-East and North-West remain underserved, especially due to insecurity, low levels of awareness, and limited access points. The government should work with service providers to ensure that financial education and relevant products and access points reach the north.

Expansion of access points more broadly is critical to enhancing inclusion and this can be achieved through leveraging and enhancing agent networks, POS, and ATM machines as well as encouraging innovation in product and service development.

Digital finance has enormous potential to provide access in remote areas and may be particularly effective in targeting the large youth segment (including young women) in Nigeria. Ensuring that consumer safety issues are addressed is essential in promoting confidence in digital take up as well as ensuring that potential customers have the digital understanding required to use products and services safely and comprehensively.

Financial literacy hinders the uptake of products across the board, and new techniques are needed to move this area forward particularly technology (gamification, apps), mainstream media, schools, and use of local languages. The federal authorities will need to work with state authorities and private sector players to ensure each LGA receives the needed financial education.

Product relevance, availability and affordability needs to be expanded to SMEs and smallholder farmers, to encourage recovery from the impacts of Covid, increase resilience and enhance potential for economic growth. Innovations in product development away from collateral reliant methods of lending also need to be encouraged.

3.2 SUPPLY SIDE PERSPECTIVES

3.2.1 FINANCIAL SECTOR LANDSCAPE

Over 1,500 regulated institutions operate within the financial sector in Nigeria including 33 Commercial and Merchant Banks, seven Development Finance Institutions, 105 Finance Companies (FCs), 875 Micro-finance Banks (MFBs), 34 Primary Mortgage Banks (PMBs), 5 Payment Service Banks (PSBs), 113 Payment Service Providers (PSPs), 64 insurance companies (including 13 composite, 15 Life, 28 General, 4 Micro insurance, 4 Takaful), 508 Capital market operators, and 32 Pension Operators. In addition to this, a large number of Micro Finance Institutions (MFIs) and Cooperatives and Savings groups operate in the semi and self-regulated / informal sector.[8]

Despite the large number of financial sector players**, commercial banks dominate the financial landscape**, by several measures being several times larger than the next largest category**.** Nigeria's

[8] CBN, NAICOM, SEC, and Pencom; NDIC 2019 and 2020 Annual reports; IMF FAS https://data.imf.org

banking sector is the second largest in sub-Saharan Africa, behind South Africa, with total assets worth Naira 53.7 trillion in Q2 2021. The services provided by banks play an important role in extending financial inclusion, complemented to some extent by MFBs, insurance and pension companies, PMBs, mobile money players, and PSB operators. The overall size of these providers is small when compared with banks (see figure 21 and 22), however their numbers and outreach potential provide significant opportunities for increasing and deepening financial inclusion going forward.

Figure 21: Financial Sector Assets[9]

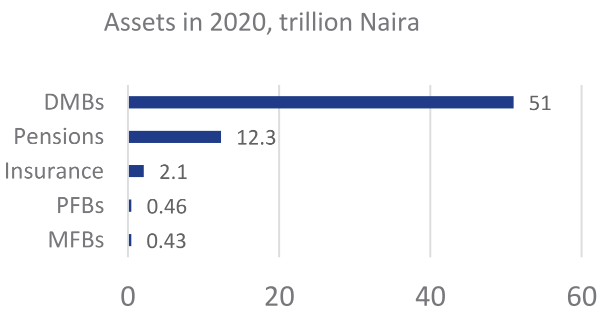
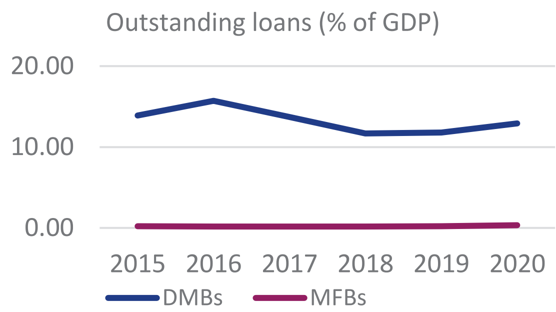


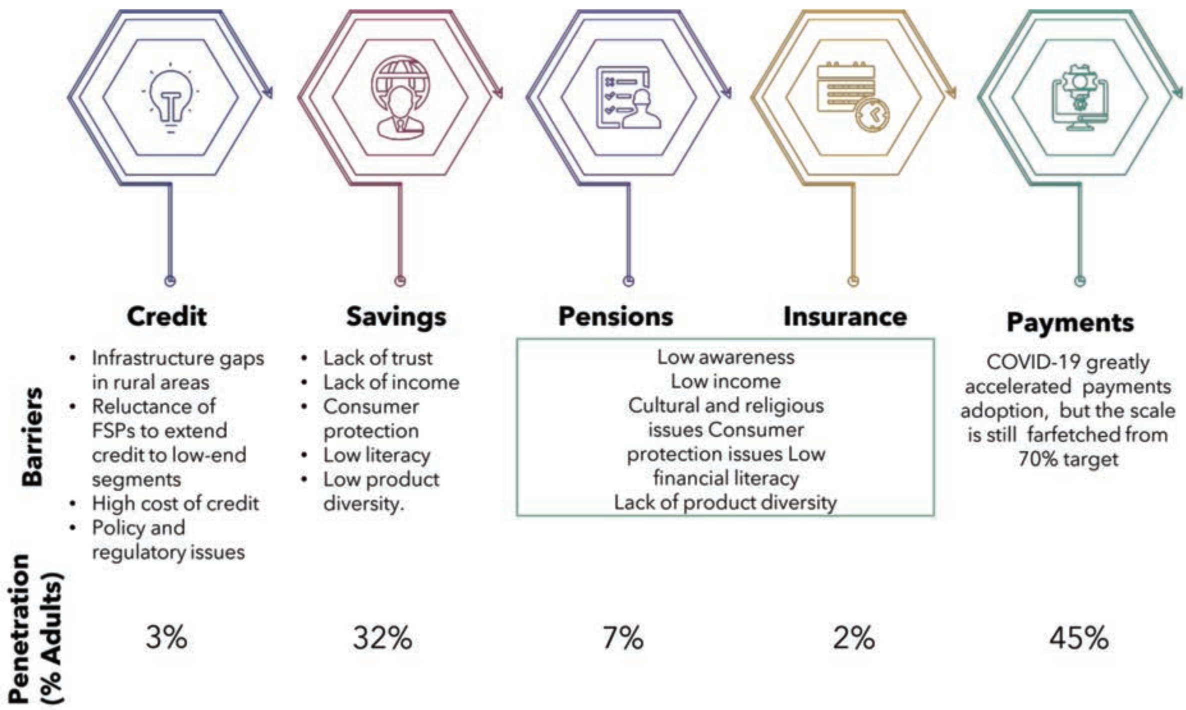
Figure 22: Financial Sector Loan Distribution



Sources: CBN, NAICOM, and PENCOM websites; NDIC Annual reports 2019 and 2020; IMF FAS https://data.imf.org

Despite an overall growth trajectory across the various provider categories, penetration of various products remains low and there are considerable challenges across all product categories leaving much potential for action by all provider classes. These challenges are summarised in figure 23 and considered in more detail in the sections that follow.

Figure 23: Challenges facing the Financial Sector



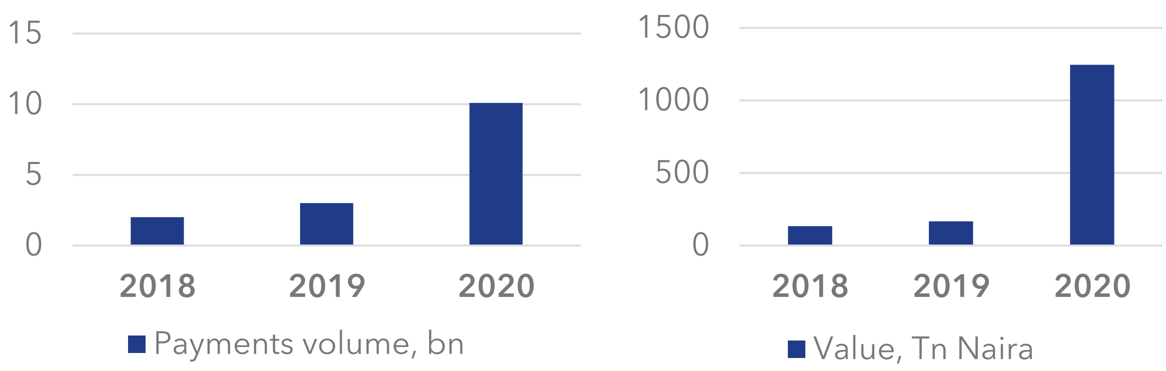
Sources: Interviews with stakeholders, EFInA Access to Finance Survey 2020

[9] DMBs refer to Deposit Money Banks, also known as Commercial and Merchant Banks

3.2.2 PAYMENT PLATFORMS & SYSTEMS

The financial system is underpinned by a relatively mature and progressive payments system infrastructure that plays a critical role in the financial system but challenges remain especially in how far this payment system has been able to reach into low income and excluded communities. For example, although most recently there has been significant growth in electronic payment volumes[10] (see figure 24 below) which has especially been driven by the COVID-19 pandemic, this has served to deepen usage across already included segments. The country as such has not taken full advantage of the pandemic to push towards digitization and to include new categories of consumers. A preference for cash remains especially in the informal and low-income market segments.

Figure 24: E-Transaction volumes (billions) and Value (Trillion Naira)



Source: 2020 Annual Financial Inclusion Strategy Implementation Report, FIDU, 2021

The extent to which the payments infrastructure in general and DFS in particular, has been unable to reach excluded populations is perceived to be driven by the predominance of the bank-led model, as opposed to a telco led model in peer countries that have progressed in the area of DFS. This has been a significant constraint on innovation and uptake but is currently being addressed through the introduction of the PSB licenses. In addition to this broad constraint, innovators have focused on the upper end market segments, and critical use cases for the informal and low-income segments have not been effectively digitized. As a result, there are few use cases to encourage users to adopt digital mechanisms, and limited incentives to keep money digitally.

Innovation therefore needs to be nurtured and targeted at the priority demographics, and a number of important instruments recently developed provide a platform to drive this effort. The recent approval of the fintech strategy, the ongoing operationalization of the payments regulatory sandbox and the open banking framework all provide useful tools to encourage new models to emerge. Stakeholder collaboration will be needed to ensure that new innovations are provided with the right environment to thrive, as well as to leverage other emerging mechanisms and tools including the eNaira which now requires stakeholder focus to take off and thrive, artificial intelligence, and Digital Ledger Systems.

Going forward, there are a number of opportunities to enhance uptake of electronic payments and DFS, including the digitisation of G2P and social protection payments, and the successful implementation of PSB model mentioned earlier. The PSB model needs to be supported through a careful monitoring process to ensure bottlenecks are addressed as they arise, however there are also existing service limitations that could be lifted in due course as the licensees prove their ability to extend the frontier of inclusion.

[10] Although the figures include reclassifications at wholesale level, there has been similar growth in retail e-payments and for example during 2019 – 2020 retail volumes grew 269% to 10.7billion transactions while value grew 288% to NGN 470 billion. Source: 2020 Annual FI Strategy Implementation Report, FIDU, 2021

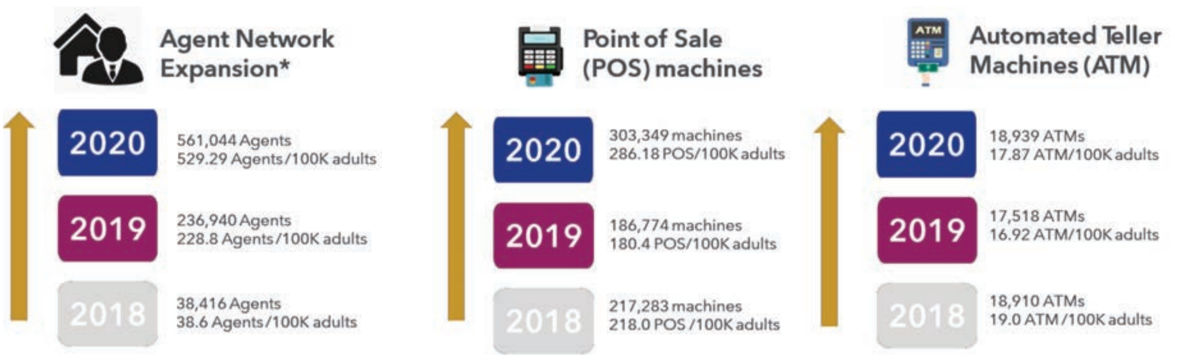
At an operational level there have been challenges with cost of services and network downtimes, which has served to discourage uptake and in cases motivate use of overlapping infrastructure by merchants and providers.

3.2.3 ACCESS NETWORKS

There has been significant growth in access networks over the last few years (see figure 25) but more can be done to leverage this success. The number of agents per 100,000 adults has increased massively from 38.6 in 2018 to 529.29 in 2020, with most recent estimates indicating the presence of 1 million agents of which 75% are active. However there is significant double counting, and anecdotal data suggests that there are still significant rural areas yet to be reached by agents. Some extension of the agent network is therefore still a priority. In addition the agent network suffers from a significant gender imbalance – yet evidence suggests that many women prefer services from agents of the same gender, and women agents offer a better customer experience to both men and women. Female agents are perceived as more patient, particularly important for female customers with low literacy levels. Other challenges to be addressed in the agent network include a lack of equitable agent spread, dormancy, high agent attrition rates, limited product offerings and low incentives to set up in hard-to-reach areas.

There has also been a considerable, 62% increase, in Point of Sale (POS) machines over the same period, from 218 per 100,000 adults in 2018 to 286 per 100,000 adults in 2020, although challenges are faced including high dormancy rates and low penetration in rural areas – particularly the North East and North West. The growth of Automatic Teller Machines (ATMs) has, however, been much less pronounced, with an increase of only 8% from 18,910 machines in 2018 to 18,939 in 2020. These low levels of growth have largely been due to challenges during the roll out of ATMs including low maintenance of ATMs and interoperability issues between providers.

Figure 25: Access Networks

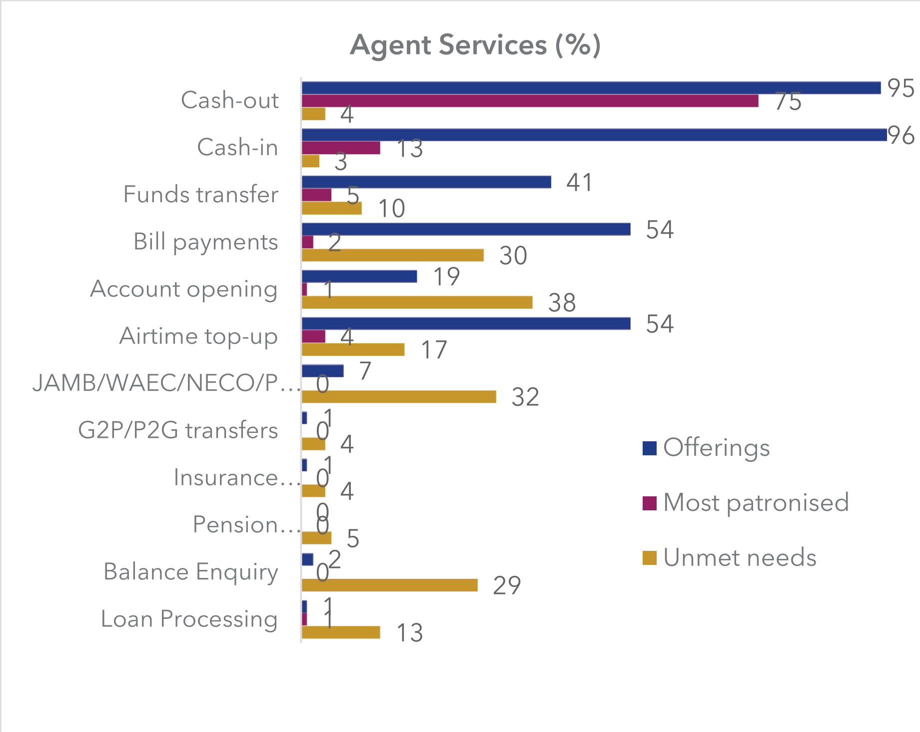


Source: Financial Inclusion Delivery Unit (FIDU) 2021

The main priority going forward is to make the best use of the now wide-reaching agent network. Although the agent coverage target of 452 agents per 100,000 adults in the NFIS 2018-2020 has been exceeded, more analysis is needed to establish exact reach and gaps in provision so that they can be covered. The CBN in collaboration with stakeholders is implementing an agent platform that will allow agents to be uniquely identified, and that will help with better understanding of the gaps and opportunities.

Another important opportunity is to identify additional services that agents can profitably provide to improve financial inclusion, and this will need collaboration between stakeholders to ensure that the right incentives are in place. There is already some gap between services that customers need and what is being provided, sometimes due to a mismatch in incentives, and this may provide some areas for consideration. For example, Figure 26 below shows that although cash-in / cash out is the most widely offered and patronised service, there are other services that are sought but not readily available. The majority of unmet needs focus on bill payment, account opening, airtime top-up, balance enquiries and loan processing with account opening numbers showing a particularly worrying gap.

Figure 26: Services offered by agents



Source: EFInA Financial Services Agent Survey 2020

Agent profitability and attrition will also need attention, and this should include the identification and implementation of a wider range of partnerships, most notably with PSB operators, but also with insurance, pension and investment operators.

Agent pricing remains a challenge, and currently there are pricing guidelines issued by CBN to ensure that services remain affordable especially for the excluded populations. However, these prices guidelines are not always adhered to, and agents often price above the allowed price points. There is therefore the potential for stakeholders to consider some market-based pricing given the difficulty to enforce price guidelines, however this must be balanced with the need to protect the most vulnerable consumer segments.

3.2.4 MICRO FINANCE BANKS

MFBs are crucial to choice and convenience, yet they have a limited reach – in 2020 only 2% of Nigerians used MFBs, down from 3% in 2018. Nevertheless, the sector, if reformed and properly repositioned has potential to serve rural small holder farmers and MSMEs - especially given its target loan sizes and rural presence. However, currently MFBs lack the scale and capacity needed to innovate and sustainably extend services.

The sector is highly fragmented, and with 875 institutions at National, State and Unit level (as of April 2022), it houses more than 50% of all financial institutions in the sector. National level MFBs, although only 8 in number, dominate the sector in terms of market share, with around 40 percent of the MFB sector's assets and deposits. The Unit MFBs, on the other hand, are numerous and small, comprising around 90% of MFBs by number and with average assets per institution being five times less than State level MFBs, and 100 times compared to national level MFBs.

The MFBs experience many challenges resulting in a high failure rate – especially at Unit MFB level – and 42 licences were revoked in 2020. This is unfortunate as MFIs are more likely to operate in marginalised and hard to reach areas than traditional banks. Some of the challenges include:

- Undercapitalisation, lack of scale, lack of innovation and poor liquidity
- Lack of adequate systems, poor internal controls and record keeping
- Inappropriate business models, huge operational losses, poor asset quality
- Low technology leverage – most MFBs relying on rudimentary technology and brick and mortar branches that do not reach excluded Nigerians
- Non-performing insider related loans
- Inadequate staffing/ weak oversight, poor corporate governance
- Inadequate compliance with laws and regulations

The sector is seeing a number of positive developments that if properly implemented and managed may solve some of the challenges. The most significant of these are as follows:

- **Recapitalisation.** The CBN has increased MFB capital requirements, but the recapitalisation initiative has been slow and over several years. The process is challenging as many MFBs may struggle to meet the new requirements. However, it is also important to use the process to encourage consolidation and adequate capitalisation in the sector, to ensure that it has the resources needed to deliver on its business model.

- **Revised MFB guidelines.** In January 2020, CBN commenced a review of the guidelines to address challenges in the previous guidelines of 2011. The revised guidelines are currently out for public comment, and are still a work in progress. The guidelines have split Unit MFBs into Unit MFBs with urban and with rural authorization.

- **Shared IT platform**. In an effort to improve MFB operations, stakeholders - led by the CBN - have been working to on-board MFBs onto the subsidised NAMBUIT platform, a cloud based core banking system that is integrated into NIBSS. The platform also allows standardised reporting, smooth on-boarding into the national payment system and will help MFBs achieve lower operating costs. There are challenges however – and only 150 MFBs are on-boarded so far in this ongoing effort.

- **Non-interest products**. Four MFBs have recently commenced non-interest loan products, however uptake will require time with awareness raising efforts being still at an early stage.

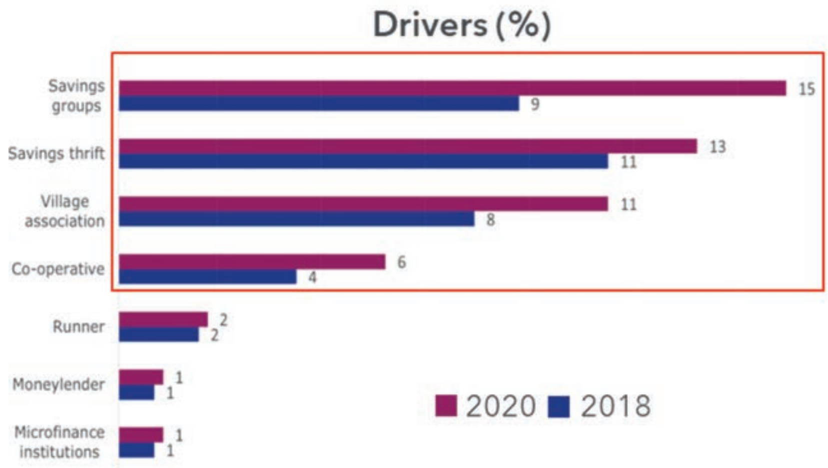
- **Entry of fintech players**. Some FinTechs have started to apply for MFB licences to offer their services (savings, payments and lending). While this could encourage innovation, it is also critical that the new players adhere to the financial inclusion objectives anticipated of MFBs.

Development of new business models. Going forward it is essential that MFBs develop sufficient capital, liquidity, efficiencies and skills in order to extend their reach among excluded customers. New product development targeted at smallholder farmers and MSMEs, coupled with better use of technology and partnerships, especially with DFS players and agents, will help lower operating costs and extend reach. This should be complemented by tighter supervision, to ensure each MFB operates professionally and in line with license conditions and within the broader stakeholder vision for the sector. Stakeholders throughout the sector Association can also help to develop a wider range of shared services (beyond IT) to lower costs and improve quality.

3.2.5 COOPERATIVES, MFIS AND INFORMAL PROVIDERS

Cooperatives, MFIs and informal providers such as savings groups, micro credit associations and, to some extent, money lenders can play a stronger role in financial inclusion, outreach and digital literacy amongst unserved and underserved populations - the majority of whom are women. These types of organisations have been leveraged elsewhere with success, but currently remain underutilized in Nigeria and only a third of Nigerians use these types of mechanisms to manage some of their financial needs (see figure 27). In addition, women's collectives (savings groups, associations etc.) have great potential to drive women's economic empowerment and to help build a culture of savings and loans amongst low-income women who are mostly excluded from formal financial services. They also act as a bridge to help women graduate to formal financial services.

Figure 27: Use of Informal Services in Nigeria



Source: EFInA Access to Finance Survey 2020

Need to better organize and coordinate the cooperative sector. Currently cooperatives are housed under the Directorate of Cooperatives in the Federal Ministry of Agriculture and Rural Development – however registration and supervision are handled by State governments in ministries that vary from state to state – e.g. State Ministry of Agriculture, State Ministry of Commerce or State Ministry of Cooperatives, or in State Cooperative Bureaus. The current level of supervision is low or non-existent, largely due to lack of capacity and budget at state level to perform this function.

Potential to reposition cooperatives as vehicles for financial inclusion: Although historically underdeveloped with inadequate funding, stakeholders are aware of the potential role cooperatives can play given that they have been used to increase inclusion in peer countries such as Rwanda and Kenya to great success. In Nigeria they could help reach new groups of consumers as well as expand credit and savings services within communities, and stakeholders are already instituting improvements in the sector such as digitization of activities, introduction of DFS, and linkage to formal sector products and platforms such as the Credit Reference Bureau. Nevertheless, given the scale of the challenge these existing improvements are inadequate, and need to be supported with wider reaching interventions that will transform the sector.

Reforms to reposition the cooperative sector for financial inclusion could include the following:

- The renewal of the sector's policy anchors (Cooperatives Act 2004 and supporting regulations) to provide the required impetus
- Stakeholders should consider the creation of a National Cooperatives Development Commission (functioning at both federal and State level) to register and regulate cooperatives in a more comprehensive manner
- In the short term it will be essential to provide capacity support for increased supervision and enforcement to state governments, to help formalise the sector and establish minimum standards (currently there is little capacity for supervision).

MFIs fall under the Federal Ministry of Commerce and Industry and comprise the institutions that can provide micro loans but not collect deposits from the general public, a distinct category from MFBs that fall under CBN. Similar to cooperatives, MFIs are registered at state level, in practice they are self-regulating and hardly supervised by the state governments due to lack of capacity.

Stronger CBN and stakeholder support is needed for the MFI and Cooperatives sector, given their potential importance to inclusion, international best practice and considering the low level of existing capacity at state government level. It is important for stakeholders, led by CBN, to partner with responsible federal and state MDAs (i.e. FMARD, FMCI, Federal Department of Cooperatives and State governments) to improve supervision and enforcement. In particular, there is room to develop a common regulatory framework to guide responsible State entities, and ongoing capacity building to strengthen supervision and enforcement especially on financial matters. In parallel, CBN should consider a new class of licenses, anchored on a tiered financial oversight framework that ranges from capacity support and high level monitoring for all states, to directly supervising the largest MFIs / cooperatives across the country.

Moneylenders as an institution have also not received adequate attention from policy makers and regulators and this needs to be redressed. The Federal Money Lenders Act was repealed in 1990, and regulation is currently done via state laws based on the original 1958 Act. There is an urgent need to develop an up to date federal-level policy and legal framework that will help guide states in managing and regulating money lenders.

Savings groups are also important and worthy of consideration, given that they are the most popular among the semi-formal and informal providers (however at 15% penetration they also significantly lag behind other countries). Savings groups, strongly supported by NGOs and others, have also been very effective in other countries, extending savings and credit services to excluded segments, and providing linkages into formal institutions. Nevertheless, unlike cooperatives and MFIs which have long term potential for formalisation, savings groups have no legal standing and are likely to remain informal.

Increased linkages between informal savings groups and the formal sector would bring significant benefits. In particular, the high involvement of female consumers in informal groups provides a route to gender inclusivity. The positive perception of banks as being 'secure' can be leveraged to attract informal savings customers into banks as well as using short term and flexible tailor-made loans to attract current users of savings groups. In addition to this, financial literacy can be promoted via savings groups by formal organisations.

3.2.6 INSURANCE AND PENSIONS

Insurance penetration rates are extremely low, with only around 2 million insurance policies country wide (representing only 2% of adults) and those who do use insurance mainly live in urban areas leaving the demand for resilience promoting products unmet. Key challenges include inadequate distribution channels, cultural and religious bias, lack of trust and insufficient market information to support product design.

Despite the high **potential of microinsurance** given low incomes and high levels of informality nationally, uptake is very low and a recent survey estimated that only 0.3% of Nigerians are covered by a microinsurance policy[11]. The lack of distribution footprint and awareness is a major barrier, especially outside of the urban areas. For example, the 2020 Access to Finance Survey found that 18m adults without microinsurance showed an interest in it when the service was described to them (including 68% of rural dwellers). Consequently, there is need to sell micro-insurance through a wider array of channels – particularly in partnership with mobile network operators and community groups, for which more regulatory alignment CBN/ NCC/ NAICOM is necessary. In addition there is need for flexibility – and there have been limitations on traditional insurers distributing microinsurance that are now relaxed, however gains from the removal of the restriction are yet to be realized. Similar limitations on bancassurance models can also expect to be lifted in due course. Currently microinsurance policies consist mainly of health (46%), life (26%) and accident (18%) insurance.

There are a number of mechanisms that should be encouraged to **facilitate greater uptake of insurance** (see figure 28). Improved distribution channels could be facilitated through a wider range of partnerships, especially through DFS and fintech players, community groups and agency networks, supported by financial education and awareness. There is also much potential for bundled products to improve uptake, e.g. loans bundled with insurance, which has been shown to work elsewhere.

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11 EFInA Access to Financial Services in Nigeria 2020 Survey/ Microinsurance Assessment and Landscape Study in Nigeria: Supply side Perspective

New business models could be encouraged through a wider range of providers and business models being licensed, especially those working in the DFS / fintech space. The regulator has been working to implement an insurance sandbox, a process that is well advanced with draft regulations issued. This together with the necessary partnerships and regulatory flexibility will be needed going forward.

Public sector support for insurance should include indepth market research to close information gaps; investment in insurance awareness, and an adequate level of engagement and cooperation between the regulators.

Agri-insurance is an important product to support small holder and other farmers, and these is need to create greater awareness around it, as well as for timeous honouring of claims. This topic is considered further below under specialised finance.

Pension is another important resilience product, however penetration remains relatively low in Nigeria compared to its potential, with penetration of 7% vs target of 40% by 2020. Currently there are an estimated 9 million Nigerians contributing to pension schemes supervised by Pencom, with 6.3 million males and 2.6 million females as at the end of December 2020. Contributions are either under the mandatory scheme (for those in formal employment in both public and private sectors) or voluntary for self-employed individuals and those in organisations employing less than 3, mainly informal sector.

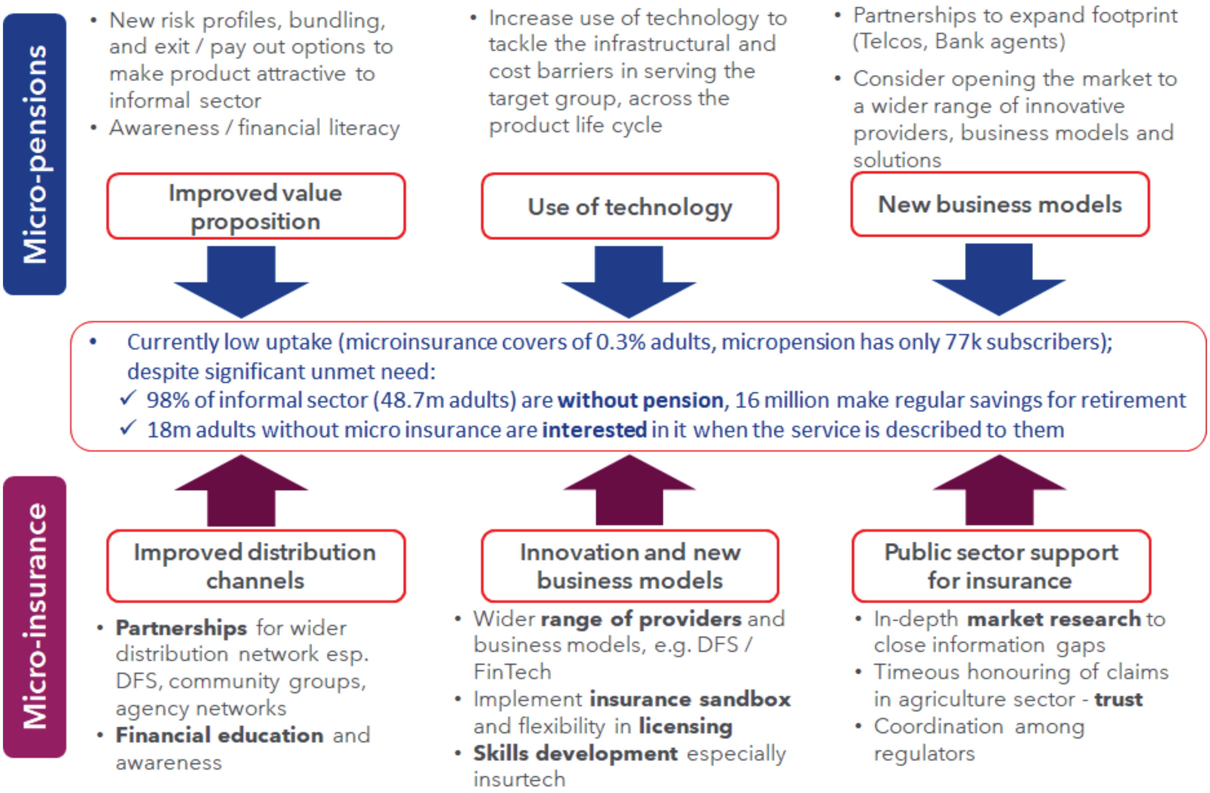
There is opportunity to transform the pensions sector through the further **development of Micro Pensions**, a product category introduced through the Pension Reform Act of 2014, and micro pension regulations of 2018. However, with 77,689 subscribers as at 30 April, 2022 uptake remains poor despite a high need for the product. An estimated 3 in 5 Nigerian adults save, with 9% specifically saving for old age - the majority of it in banks or informally held – and 98% (48.7m) of individuals working in the informal sector are without any pension at all. This limited uptake is driven by a clear lack of awareness and understanding of available products and low levels of trust.

There is a significant need for relevant products and the current micro-pensions product is being adapted to better meet the needs of the informal sector through changes to contribution amounts, frequency of contributions and the introduction of a contingent portion. Ongoing improvements are however needed to further develop the micro pensions sector, particularly in further improving the value proposition, deepening the use of technology, and introducing new business models to reach a wider range of consumers. Key recommendations in this respect include:

- Improving value proposition by considering further adjustments to the micro pension product e.g. new risk profiles, bundling of services, and further revising exit /payout modalities to make the product attractive to the informal sector.
- Increasing use of technology to tackle the infrastructural and cost barriers in serving the target group, across the product life cycle
- Creating partnerships with private sector participants to expand footprint (particularly Telcos and Bank agents)
- Increasing awareness / financial literacy including understanding the protections in place for pension holders.
- Considering opening the market for a range of new innovative providers, business models and solutions.
- Continued focus on micro-pension products to address the significant gender gap, as many women are engaged in the informal sector and may not afford formal premiums given their income cycles.

The potential actions for the insurance and pensions industry are summarised below:

Figure 28: Opportunities for the Pensions and Insurance Industry



Source: Stakeholder interviews (February to June 2022), EFInA Access to Finance Survey – Pension & FI 2021; and Insurance & FI 2021

3.2.7 INVESTMENTS

Investments provide an opportunity to deepen rather than increase financial inclusion, however they are crucial for resilience and income generation for households, and more generally for the growth of the country. However due to low incomes many investment products remain out of reach for citizens, and there is need for development of products that can better cater to the informal and low-income segments.

Of particular relevance are the **collective investment schemes**, which are able to reach a wider range of consumers. These have had some success to date but need to be expanded further especially in the North. There is potential as demonstrated by the proliferation of (unwanted) Ponzi schemes, and it is necessary for investment operators to innovate and market more creatively, using technology, fintech, social media, and indirect mechanisms for those that might not be able to purchase directly e.g. children and community / faith groups. New products also must meet needs of consumers more creatively, for example non-interest and over the counter products.

Crowd funding is proving a useful tool especially for MSMEs to raise funding, and the SEC is currently considering a framework for crowdfunding that could in time widen capital sources for MSMEs, building on ongoing registration of initial platforms.

Awareness and trust are critical to encourage savings and investment, and there is potential to utilize the school curriculum to recruit youth in schools. More generally, the protections around investments and savings need to become better understood, and awareness campaigns are needed, for example around deposit insurance. In contrast, negative experiences can discourage investments, and as such there is need to develop a framework to aggressively tackle emerging digital transaction fraud and Ponzi schemes, by innovating new mechanisms and coordinating across agencies.

3.2.8 OTHER SPECIALISED FINANCE PROVIDERS

The specialised finance sector needs to continue and strengthen its role to support the Agri and SME Sectors with credit and insurance services. The sector is particularly challenging, with MSMEs being highly informal and dominated by nano and micro enterprises, while small holder farmers are located in often difficult to reach areas.

As with peer countries, the commercial **banks have been unable to fully meet MSME finance needs**, however in Nigeria this is exacerbated by the MSMEs' highly informal nature, limited access to KYC documentation, and many MSMEs being unable to meet stringent bank conditions such as high interest rates, credit history and collateral requirements. The introduction of Global Standing Instructions (GSI)[12] that allow banks to collect unpaid amounts from any account held by the creditors or their guarantors has helped improve the situation, however much unmet need remains.

Government interventions to further support MSMEs through the Development Finance Institutions (DFIs) span the spectrum - i.e. from the small informal survivalist businesses to the highly formal - however a big funding gap remains unaddressed due to limited resources. Given the informal nature of the sector there is the opportunity to utilise these existing development programmes to digitise and formalise MSMEs, to allow for better engagement and support. The programmes can also be more closely tied to financial inclusion objectives, and to the closure of gaps in finance, skills and capacity. In parallel, measures can be implemented to encourage banks to increase credit extension to individuals and small businesses, and to leverage MMO model to offer wider range of credit solutions to MSMEs (especially women-led and rural MSMEs)

Further, there is need to **empower MSMEs** by expanding access to Bank Verification Numbers (BVNs) and other suitable identity for wider reach to informal MSMEs especially in rural areas. This should be coupled with an expansion of mechanisms to assist MSMEs with low credit history to access finance, e.g. through GSI, and increased use of the CRB and asset registry. The CRB has not yet proven fully effective and needs to widen the range of providers and information collected, while the asset registry needs to become effective – for example by focusing on fewer assets.

Agrifinance is another area where banks have been unable to address need. Banks are traditionally risk averse and have limited capacity and presence in agricultural and rural areas. In addition to this, high collateral requirements and high interest rates mean that the services offered are out of reach to the majority of small holder farmers and agribusinesses. MFBs and MFIs have a more relevant and widespread presence, but these lack the capacity to properly address need. The reform of the sector as elsewhere described in this report will be important to help small holder farmers and agribusinesses to access finance in a meaningful manner.

Government has supported the agrifinance sector through several initiatives most notably the CBN intervention via the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL). The NIRSAL plc was created to stimulate flow of affordable finance and investments into the agricultural sector, however the reach of this scheme is limited in comparison to need. It is complemented by NIRSAL MFB, whose reach however is also relatively limited. While these could be expanded subject to funding availability, the private sector needs to continue to be incentivised to develop targeted agri financing products.

To support the supply side interventions, **farming cluster cooperatives** provide opportunity for aggregation that can lower the cost to serve, and improve access to finance and information. There is also the opportunity to strengthen emerging mechanisms including warehousing receipting and storage infrastructure, leasing finance for agricultural equipment, microinsurance and crowd funding as well as potential for non-interest loans.

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[12] Global Standing Instruction allows a creditor bank to access funds from accounts linked to a defaulter's or guarantors' BVN at any other institution in the financial system

Agri-insurance is currently provided through private sector players and comprises of a mixture of products. 15 companies currently offer index-based products, including area yield, weather index and hybrid products, however, there is very low awareness among farmers and agri businesses. Uptake is also hampered by poor literacy, poor perception of insurance as a whole, and cultural religious issues.

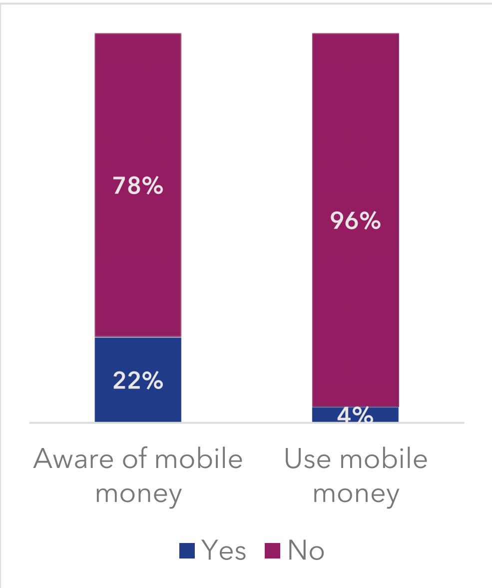
The Government offers **subsidised premiums via NAIC** – unfortunately there are delays especially in receiving subsidies due from state governments, and lack of infrastructure such as access roads to facilitate the quick assessment of losses. In addition to this, the industry suffers from inadequate actuarial data.

Looking forward, there is the opportunity for the **expansion of the agri-insurance sector** for stakeholders to consider. Government subsidies, while helpful could be targeted away from premium subsidies towards indirect subsidies which could provide, for example, for needed infrastructure and data. There is also the opportunity for more bundling approaches to be introduced by players, for example the bundling of insurance and input products such as fertilizer.

3.2.9 DFS AND FINTECH

Nigeria's DFS landscape remains **dominated by the banking sector**. Before the recent introduction of Payment Service Bank (PSB) licenses, which may prove to be disruptive to the payments ecosystem, traditional banking institutions have been the primary players in expanding the digital finance system. While these banks have significant scale, they have not been successful in innovating new models for large-scale, low-costs digital payments outside of their core markets.

Figure 29: Mobile Money – A Snapshot



Source: EFInA Access to Finance Survey 2020

Mobile money services have struggled to find traction in Nigeria's digital finance landscape. Only 4% of Nigerians use mobile money services and the vast majority of these already use banking services. Only 250,000 Nigerians use a mobile money wallet without also having access to a bank account, implying that mobile money has had minimal impact on financial inclusion. Although a USSD-based system that works on feature phones exists, usage is low due to low reliability and relatively high and non-transparent pricing structures. 78% of Nigerians remain unaware of what mobile money is.

Nigeria has a fast-growing and **innovative fintech sector**, which has been able to attract significant investment from commercial and impact investors, and has seen the development of ecosystem players such as incubators and accelerators. However, the sector remains relatively small (revenues of the fintech sector amounted to 1.25% of retail banking revenues in 2019).

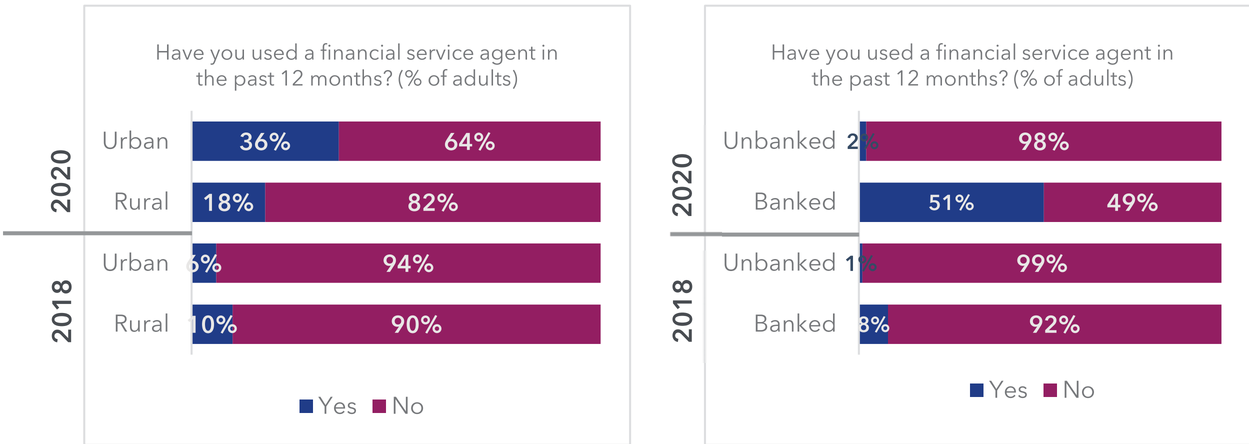
The **impact of fintech** on financial inclusion in Nigeria **has been minimal**. Competition has focused on improving service offerings to already-banked customers. Fintechs have thus far not been able to innovate and scale solutions that effectively target unbanked and marginalized populations.

There has been **very little innovation on the range of financial products and services** offered digitally. Where people are using digital financial services, the primary use cases are person-to-person transfers, merchant payments and as a digital store of value. Additional use cases, such as digital credit and digital insurance products, remain nascent. The design of DFS products remains focussed on the needs of wealthier, urban and salaried customers.

Support functions and regulatory perspectives: The financial infrastructure required for a mature digital **payments system is in place for wealthier customers** in urban centres. The Nigeria Inter-Bank Settlement System (NIBSS) Instant Payments (NIP) follows many international best practices and provides strong core infrastructure for fast, low-cost payments. However, it has not achieved much scale beyond traditional core markets. The digital rails serving rural and marginalized areas remains significantly weaker.

Rapid growth in agent networks has done little to improve the broadening of digital financial services across the country. The number of banking agents in Nigeria increased from just 11,000 in 2017 to 944,000 in 2021, driven by the Shared Agent Network Expansion Facility (SANEF – a public-private partnership to promote growth and collaboration in the agent network). However, the growth in usage of these agents by DFS and other players has again been dominated by urban and already-banked populations.

Figure 30. Usage of financial service agents



Source: Opportunities for promoting financial uptake through digital financial services, EFInA 2021

A **lack of differentiated regulatory structure** may have hampered innovation and competition. Up until the introduction of new licenses for Payment Service Banks, the regulatory system has favoured traditional banking institutions over new entrants and potential new models that may have brought more innovation and lower costs into the sector.

Government to Person (G2P) payments, a primary initial use case for digital payments in many countries, have been slow to develop. While digitization has led to some efficiencies, government initiatives like the National Social Safety Nets Coordinating Office (NASSCO) conditional cash transfer (CCT) programme still rely on last mile cash-based distribution.

3.2.10 KNOW YOUR CUSTOMER (KYC) REQUIREMENTS

While issues surrounding identification (ID) are on track to be resolved, regulatory intervention is still needed for the benefits of this to be felt. Vulnerable groups are typically last to be reached by national ID campaigns, and lack of eligible ID impacts women more than men. There is therefore need for concerted effort to map and reach the populations still excluded from having an ID.

The National Identification Number (NIN)[13] ID issuance has overtaken the Bank Verification Number (BVN)[14] – see figure 31 – with 75 million NIN issued as of April 2022. However, while commonly used in the non-bank sector, the NINs are not typically used for bank account opening purposes. Therefore,

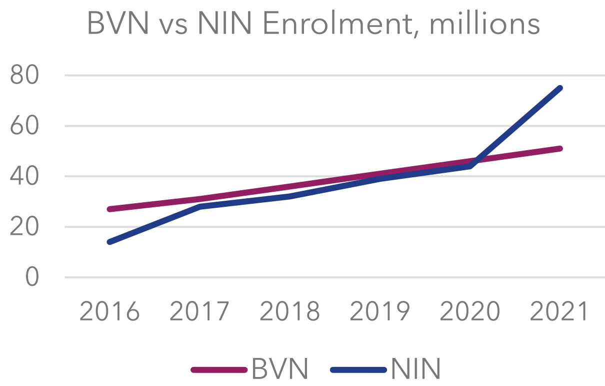
[13] The National Identification Number (NIN) consists of 11 assigned to an individual at the completion of enrolment into the National Identity Database (NIDB).

[14] BVN gives a unique identity that can be verified across the Nigerian Banking Industry (not peculiar to one Bank)

the increased NIN uptake, while immediately relevant for non-bank services, only provides a future longer-term option for the bank sector. In addition, the current uptake is well below target (of 140 million ID), and difficult to reach areas are yet to access NIN ID. For ID uptake to fully benefit low-income households, registration agents must be better incentivised to get to remote areas, and coverage of at least 95% of adults achieved. Furthermore, a concerted effort is still needed to increase BVN rollout – through closer linkages between the NIN and BVN databases, and by extending BVN capture points beyond banking halls into communities. Prior efforts to increase capture points have faced challenges of cost and fraud potential, and this will also need to be addressed.

There are other challenges to be addressed. As a start, the tier 1 KYC requirement is seen by FSPs and stakeholders as risky, and a potential cause of fraud. The unwanted consequence of this has been that there are few Tier 1 bank accounts being opened. There is, therefore, the need to assess the extent and impact of this fraud and develop options to overcome the issue while supporting inclusion. Secondly, to enable a wider and safer use of NIN for financial services it is recommended to establish mechanisms for FSPs to validate / verify NIN credentials at volume and in real time. Finally, proof of address is currently perceived as excluding rural populations from accessing tier 2 and 3 accounts, and flexibility and innovation are needed to address this issue.

Figure 31: ID Enrolment progress in Nigeria



Sources: Nigerian Payments Ecosystem & FI, Bill & Melinda Gates Foundation, 2020; FIDU Annual FI Report, 2020

3.2.11 CONSUMER PROTECTION

Customer protection (and related to it, financial education) is particularly **crucial in the era of digital** finance. The Innovation for Poverty Action (IPA) estimates, for example, that 51% of DFS users in Nigeria were exposed to scams or fraud during the pandemic (IPA 2021). The experiences in more developed DFS markets (e.g. Kenya and India) demonstrate new risks associated with new digital players, and that consumer protection is even more important for people with low levels of financial, digital and overall literacy levels many of whom are women. As such, capacity within CBN and at the other regulators around fraud, complaints-handling and consumer protection issues should be enhanced to ensure that consumer protection institutional set up aligns with international best practice.

In 2016, CBN implemented a strong overarching regulatory / supervisory **Consumer Protection Framework** to ensure that consumers of financial services are protected and treated fairly. The 2016 CBN Framework is guided by nine principles: (i) Legal, Regulatory & Supervisory Structures; (ii) Responsible Business Conduct, (iii) Disclosure & Transparency; (iv) Consumer Financial Education; (v) Fair Treatment, (vi) Protection of Consumer Assets, Data & Privacy; (vii) Complaints Handling & Redress; (viii) Competition; and (ix) Enforcement. The act is supported by the following regulations and guidelines:

- 2015: Cybercrimes Prevention Act

- 2018: Risk-Based Cybersecurity Framework and Guidelines for Deposit Money Banks and Payment Service Providers
- 2018: Federal Competition and Consumer Protection Act
- 2019: Nigerian Data Protection Regulation

Nevertheless, it is also clear that **many end-users are not aware of the risks** of unfamiliar technology which places them at risk of fraud or financial abuse. The expansion of digital financial services further exacerbates these risks which opens up new challenges and responsibilities for regulators and consumers alike. Consideration needs to be given to how new entrants in the financial service landscape (such as fintech providers and platform technology companies) are regulated. Similarly new products need to balance innovation with consumer safety (for example, on-demand digital loans can support short term consumption but can be problematic if made irresponsibly). Issues such as predatory lending and aggressive debt collection practices need to be monitored and addressed and new risks (such as loan stacking, over-indebtedness, fraud and links to sports betting) may become prominent and need to be monitored and addressed on an ongoing basis.

Given that challenges around fraud and consumer protection are growing the **need for strengthened consumer protection** is clear. Capacity for complaints handling for example is limited within CBN, and limited / non-existent at the other regulators. This needs to be addressed, however the current institutional set up does not align to international best practice as the existing structure only covers a portion of the sector that is regulated by CBN. There is potential for complaints mechanisms to be handled in a new institution outside of the various regulators, to support the financial sector holistically. This may mean reviving the (now expired) draft Financial Ombudsman Bill. Consumer awareness is also needed on available complaint mechanisms.

Stakeholder also need to collaborate more to address **broader risks associated with the data era** – for example in managing the sharing of data between providers, awareness of consumers of risks around data sharing, as well as cybercrime that is affecting all the sub sectors within the financial sector.

Fraud has a particularly strong **potential to erode trust in the financial sector** and needs to be addressed in the short term from a consumer trust perspective. There is a stronger role that the insurance sector can play in this, by insuring banks so that customer losses are immediately refunded in cases of genuine fraud.

3.2.12 SUPPLY SIDE CONCLUSIONS

Conclusions from the supply side analysis are summarised below:

More should be done to **utilize the expanded access network**. Increased usage of the agent network as well as extension into unserved areas should be encouraged as well as the development of technology and new (micro) products to reach underserved segments including women, MSMEs and the underserved in the North- East.

Leverage the Non-Bank Sector to reach the unbanked through capitalisation, consolidation and innovation in the microfinance sector considering the cost and relevance of both credit and other financial products and services. Encouragement should be given to new players and models for micro insurers to grow their footprint and to increase innovation in product development. Similarly, efforts should be made to improve the micro pension value proposition and open the market to more innovation.

Reposition the semi-formal and informal sector to deliver financial inclusion in rural areas by supporting improved regulation and modernisation of the cooperatives, MFIs, and money lender sectors, and ensuring improved linkages between the formal and informal sectors.

Optimize payments systems and DFS to serve the poor. This should include the implementation of the PSB model and digitisation of critical use cases. Product development to incorporate behaviours and needs of low income segments should be encouraged with a focus on appropriate pricing and total cost to serve to stimulate take-up. Women in rural areas are particularly sensitive to price due to their lower incomes.

Ensure gains in ID uptake translate to financial inclusion by allowing regulatory flexibility and proper attention to consumer protection and responsible digital finance in key product categories.

3.3 PROPOSED STRATEGIC IMPERATIVES

3.3.1 BARRIERS TO UPTAKE AND USE OF FINANCIAL SERVICES

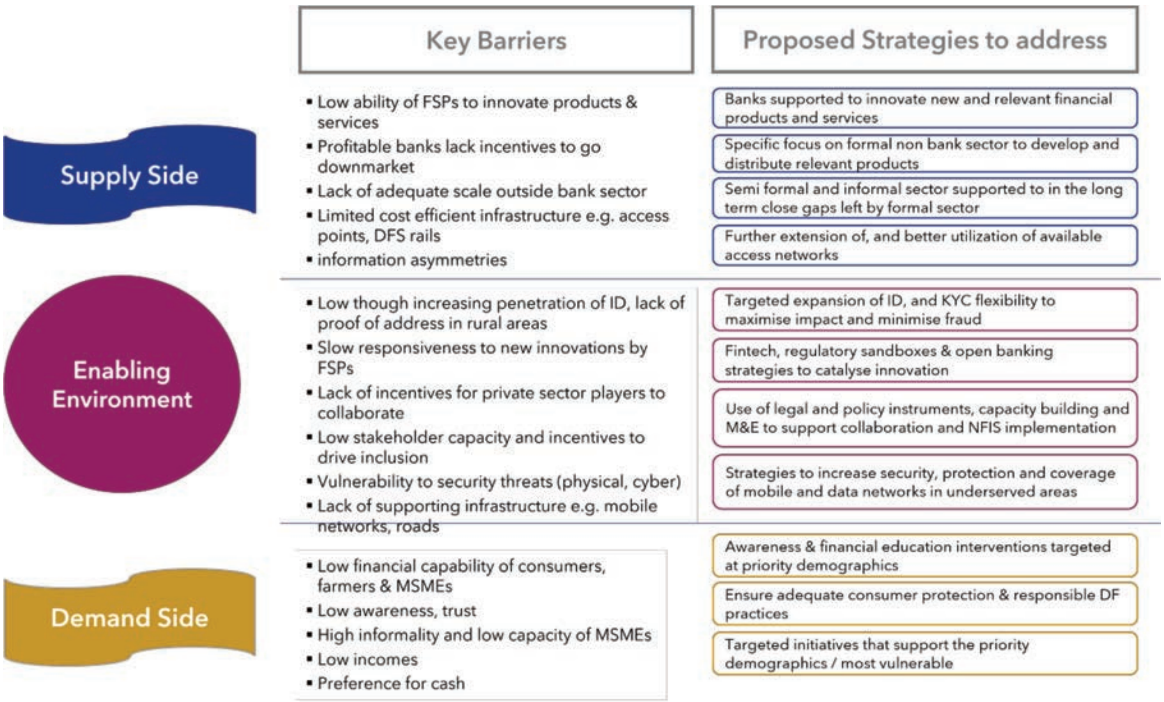
It is clear from the foregoing that the priority demographics (women, youth, MSMEs and small holder farmers, rural households, and the North-West / North-East) continue to lag mainstream demographics in terms of access to and use of financial services. Concerted effort is needed to address the constraints and barriers to uptake in each of these priority demographics, a number of which are cross cutting:

- Limited access to financial access points, especially in rural areas
- Gaps that persist in terms of availability of acceptable ID for KYC, and proof of address
- Lack of providers with capacity and will to address rural and marginalised areas – banks lack incentives and capacity, the non-bank sector lacks adequate capacity and scale, and there are limited incentives for private sector collaboration
- Low ability of financial service providers to innovate the required products and services
- Low capacity of consumers, including insufficient awareness, trust and literacy, a general preference for cash, and high informality among farmers and MSMEs
- Low incomes among target consumer groups
- Vulnerability to security threats (physical, cyber) that deters investments and undermine trust in the financial sector
- Lack of adequate support infrastructure e.g. mobile networks, roads

3.3.2 PROPOSED STRATEGIC IMPERATIVES

The strategic imperatives going forward have been outlined in Sections 1.2, 2.2, 3.1 and 3.2, and these are aimed at addressing the above barriers in order to increase uptake, relevance, convenience and choice of products generally, but for the priority demographics in particular. These strategic imperatives and the constraints they address are illustrated in the figure below.

Figure 32: Strategic Imperatives



Source: Stakeholder interviews (February to June 2022)

The most notable among these imperatives are summarised as follows:

1. More should be done to close large remaining gaps in the reach and quality of access points. Further extension of the agent network into unserved areas, and increased usage of all available access points but especially agent networks is critical to enhancing inclusion.

2. The inadequate coverage of ID (NIN / BVN) among key demographics must be addressed, where possible leveraging on recent gains in NIN uptake, through process enhancements and innovations, regulatory flexibility and careful balance with consumer protection.

3. The enormous potential of DFS should be better leveraged to provide access in more convenient ways, and more widely, especially in rural and remote areas. DFS will allow existing and new providers to develop new products and value propositions, and channels. Regulatory support, investment and product development will be required to stimulate take-up. Consumers must also be supported to become aware of, and use the products and services safely and comprehensively.

4. The lack of capacity on the demand side needs to be addressed, through increased awareness and financial and digital literacy campaigns, complemented by adequate consumer protection. Public and private sector players will need to collaborate to ensure wider reach of campaigns, and to address safety issues essential in promoting confidence especially in digital take up.

5. In the longer term the non-bank alternatives must be leveraged better to truly provide choice, relevance, and convenience to consumers, many of whom find the bank sector inadequate to meet their needs. The formal and semi-formal non-bank sectors should be supported to create the business models, capacity and scale needed to address marginalised communities. These include the micro insurance, micro pension, micro investment, and microfinance sectors and others, all of which need to grow their footprint and increase innovation.

6. Product relevance, availability and affordability needs to be addressed by all players in the sector, including to help consumers increase resilience, and to support economic growth and recovery from the impacts of Covid-19. Technology combined with the appropriate product approaches will help reach more underserved segments especially women, MSMEs, farmers and the informal sector.

The linkage between these strategic imperatives, the barriers that they address, and the anticipated outcomes going forward are laid out further in the high level theory of change, Annex 3.

SECTION 4. NFIS 2021 – 2024

4.1 ADVANCING THE FINANCIAL INCLUSION AGENDA INTO 2024

The NFIS 2024 seeks to build on progress made since 2018, while dramatically increasing the pace of progress going forward towards 2024 and beyond. The 2018 Strategy prioritized the comprehensive addressing of **foundational constraints**, the importance of catalysing **innovation**, and the need to create an **enabling environment** to promote financial inclusion. As such there was comprehensive focus on addressing the insufficient agent networks, lack of Identity cards in Nigeria and the limited adoption of digital financial services and cashless payment channels including through the development of a regulatory sandbox for innovative financial services.

While there are still a number of gaps remaining, there has been movement on all these fronts, and focus must now shift to the utilization of agent networks that have been rolled out in the recent past, recognizing the large remaining gaps in difficult to reach areas, and towards further expansion and effective utilization of ID (NIN & BVN) to support financial inclusion. In addition to this, the positive movements made in the area of DFS and payments systems need to be taken advantage of, through the rollout of consumer education and awareness interventions, the digitization of critical use cases to drive cashless adoption, the addressing of cybercrime and fraud issues, the implementation of regulatory sandboxes and open banking, and the promotion of FinTech to drive innovation.

There is also need to increase the range of players able to reach the last mile and hence the priority segments, to increase **usage** of financial services, **relevance** to consumers, and to provide **choice** both from the supply and demand side.

4.2 VISION

The Central Bank has previously set an ambitious target for financial inclusion in the country, which is to enable access to and usage of financial products and services to 95% of the adult population. This remains a long term target, which when achieved will ensure no one is left behind in line with objectives of the Sustainable Development Goals. However given the pace of progress to date, population growth, and current state of enablers such as security and infrastructure in the country, the target recommended under this NFIS for the period to 2024 is less ambitious, to reduce exclusion to 25% (currently at 35.9%).

While access (formal and informal) is emphasised in this overall vision, focus is also placed on formal access, with adequate protection mechanisms for consumers, and the usage and depth of financial services across target groups in order to fully meet the needs of consumers.

4.3 STRATEGIC PRIORITIES

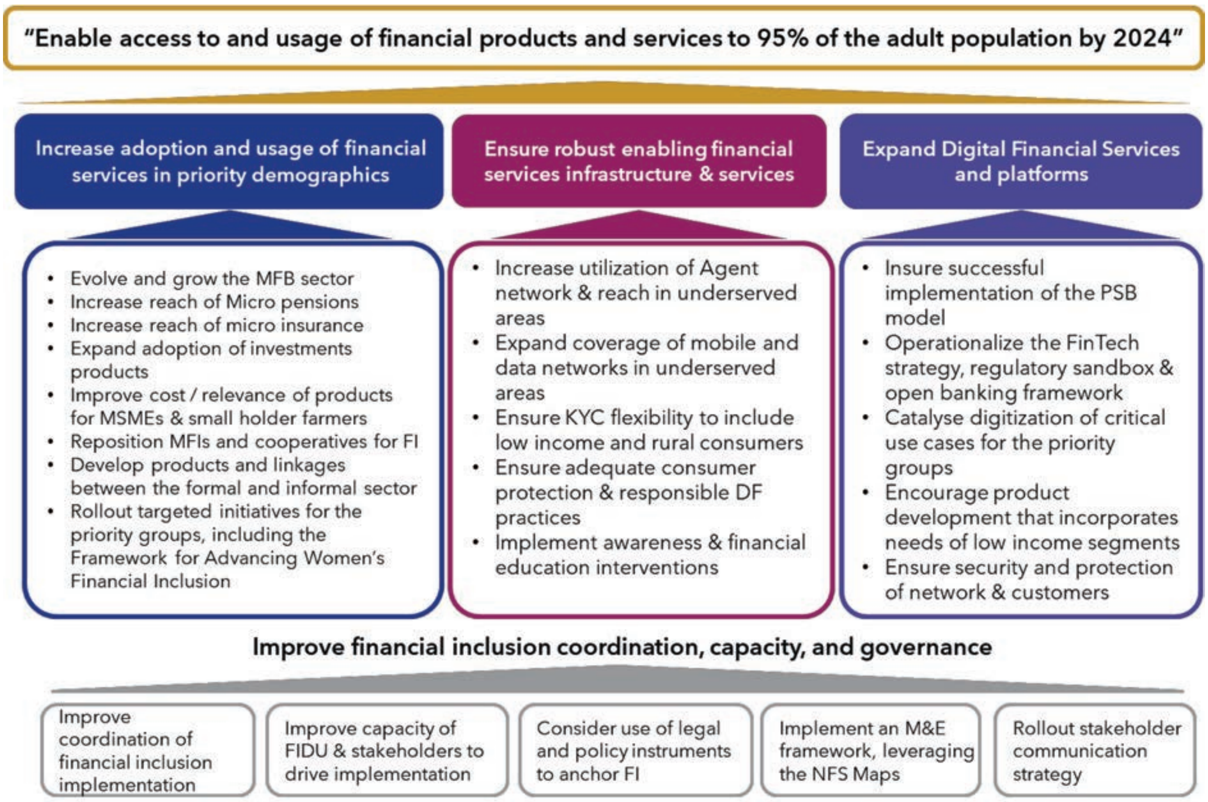
The NFIS 2024 is underpinned by four Strategic priorities that emphasise the focus on stimulating the supply side to serve more customers especially through the adoption of digital technologies, and supporting the demand side to understand and adopt financial services as follows:

- **Strategic Priority 1:** Increase adoption and usage of financial services in priority demographics
- **Strategic Priority 2:** Enable the growth and utilization of robust enabling financial services infrastructure and services
- **Strategic Priority 3:** Expand Digital Financial Services and platforms to grow financial inclusion

- **Strategic Priority 4:** Enhance Capacity, Coordination, Communication and Governance of financial inclusion at Federal and State level

The overarching framework for the updated NFIS is illustrated below.

Figure 33: Overarching Financial Inclusion Framework – NFIS 2024 Strategic Map



SECTION 5. IMPLEMENTATION FOCUS AREAS

The NFIS 2024 outlines a set of actions that, taken together, will transform the financial inclusion sector in Nigeria, extending access into previously excluded segments while deepening access in already served segments. The strategy envisages a supportive regulatory environment that is flexible, and through regular check points will identify new issues as they arise and address these in order to move the overall agenda forward. Through a risk-based approach, regulators will balance the need for innovation with the need for financial sector stability, including in light of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) considerations.

All stakeholders are expected to play their respective roles in implementing the financial inclusion activities, each according to their respective areas of responsibility and core strength to engender high impact. Stakeholders will also be expected to monitor and report on the impact of their activities, particularly regarding their responsibilities as outlined against each activity area. Stakeholders will also ensure that they focus on impact on the priority demographics, i.e. women, youth, MSMEs and small holder farmers, and people living in the rural areas with emphasis on North East and North West Geo-political Zones.

The deployment of financial and non-financial resources from public and philanthropic sources are anticipated in support of the strategy, to support implementation especially by catalysing innovation in various areas but also to help in data collection and research to move forward the financial inclusion agenda.

Implementation activities are proposed across each of the strategic priorities.

5.1 ADOPTION AND USAGE IN THE PRIORITY DEMOGRAPHICS

Strategic Priority 1 seeks to promote adoption and usage of financial services in the priority demographics (women, youth, rural, North & MSMEs). These priority demographics have been identified as a result of their high levels of exclusion, described earlier under the strategic context. It is essential to develop mechanisms that meet the specific needs of these groups, addressing their challenges as identified earlier.

While multiple channels and platforms such as digital financial services can be expected to play a major role in extending services to the priority demographics, there is also a need to rethink the range of financial services providers available at the last mile. Commercial banks have continued to extend their reach into rural and underprivileged areas through the agency model, however other types of financial services providers remain unable to substantially penetrate the rural populations.

A key priority is therefore to increase the capacity of and empower alternative formal financial service providers (i.e. MFBs, pension providers, insurers and investments providers) to reach deeper into rural areas and into excluded segments. In the MFB sector, the major bottleneck remains the business practices and models employed that are so far unable to deploy deeply enough into communities, with players lacking the scale, technology, cost efficiencies, skills, innovation and approaches needed to address a significant number of customers. In the other sectors, it is the limited distribution network that remains a hindrance to extending reach, and thus there is need for more partnerships and new technology powered business models that can extend their reach.

The MSME and small holder sector continues to pose challenges in terms of available products and supporting frameworks, and interventions are focused on improving the cost and relevance of credit and insurance products for MSMEs and smallholder farmers.

A further opportunity to reach priority demographics and especially women is identified through the semi-formal sector, comprising the cooperatives, MFIs, and money lenders. These entities are currently under regulated, and there is an urgent need to look at how they are managed, and to reposition them as financial inclusion vehicles. In parallel to the formalisation there is also a need to facilitate their modernisation and digitisation, to enhance their relevance and role. Informal sector organisations such as savings groups can complement the semi-formal sector, especially if these are accredited in some form (e.g. by reputable NGOs), but also through the introduction of products and linkages between them and the formal sector.

Lastly targeted initiatives are essential to address specific vulnerabilities in the priority demographics, and these include the Framework for Advancing Women's Financial Inclusion that is targeted specifically at women. Social welfare interventions, targeted product development and similar efforts can help empower the priority demographics and mainstream them not only into financial services but also more broadly into the economy.

In summary the following strategy objectives are proposed under Strategic Priority 1:

1. Promote the consolidation, professionalization, and innovation in the MFB sector
2. Improve micro pension value proposition, and open the market to new players and innovation
3. Allow and promote new players, models, and partnerships in micro insurance to grow footprint and innovation
4. Expand range of investment and long-term savings products to be widely available to lower income segments
5. Improve cost and relevance of credit and insurance products for MSMEs and small holder farmers
6. Facilitate the modernisation, formalisation, and digitisation of the MFI and cooperative sectors
7. Facilitate the introduction of products and linkages between the formal and informal sectors, including for savings groups
8. Design and implement targeted initiatives to address the target demographics (i.e. Women, Rural, Youth, North and MSMEs), including the Framework for Advancing Women's Financial Inclusion

Existing supporting strategic Initiatives include the Access to Finance Framework for Women 2020, the Financial Literacy Framework 2015, and the Financial Inclusion Week (Account Opening Drives).

5.2 ROBUST ENABLING FINANCIAL SERVICES INFRASTRUCTURE AND SERVICES

Agents are anticipated to play a vital role in bringing financial services closer to low-income households, providing alternatives to bank branches or other physical financial access points. The network has seen extensive growth as a result of current efforts of the Committee of Bank CEOs, Mobile Money Operators, Super Agents and the CBN through the Shared Agent Network Expansion Facility (SANEF), as well as expansion by super agents not currently part of the SANEF plan. This network will be leveraged on to enable the attainment of the financial inclusion targets, the expansion target previously set of 476 agents for every 100,000 adults seemingly having been achieved though this is to be confirmed.

In parallel there is need to address gaps in the agency network, as well as in the coverage of mobile and data networks which is currently estimated at 80%.

Further interventions will be made to expand availability of KYC for low income and rural customers, ensuring adequate consumer protection and responsible digital finance practices, and through financial education campaigns.

The five strategic objectives under this priority are summarised as follows:

1. Increase utilization of the agent network, and extend into still unserved areas
2. Expand coverage of mobile and data networks into un/under-served areas

3. Ensure regulatory flexibility to further streamline KYC for lower income and rural customers
4. Ensure adequate consumer protection and responsible digital finance practices
5. Introduce awareness and financial education campaigns in key product categories, including via technology, schools, and local languages

Supporting strategic Initiatives include the Financial Literacy Framework, the consumer protection framework and the Nigerian Financial Services Data Portal.

5.3 EXPANSION OF DIGITAL FINANCIAL SERVICES AND PLATFORMS

Digital Financial Services remain a high potential opportunity to directly deliver as well as to enable other players in the sector to deliver financial services. Efforts to date have been slow to reach the last mile, however the successful implementation of the PSB and fintech models offers much potential for the future. As these expand and reach the last mile, it is important that they are able to deliver a fuller suite of products, as there are currently some limitations. Innovation is critical, and CBN and other regulators have already laid the foundations through the development of regulatory sandboxes and open banking frameworks, and through these and other interventions it will be essential to develop new and relevant products that can spur uptake. Of critical importance is the digitization of critical use cases that can allow the priority demographics to experience and adopt digital mechanisms.

The cost of services remains a bottleneck, and this will be addressed through collaborative efforts between the regulators and industry. Collaboration is also of utmost importance to ensure the security and protection of the network against vandalism and security incidents, and customers both from fraud as well as to keep their data and information safe.

Five strategic objectives under this priority are summarised as follows:

1. Facilitate successful implementation of the PSB model
2. Operationalize the fintech strategy, regulatory sandbox, and open banking framework to spur innovation
3. Catalyse digitization of critical use cases targeted at the priority demographics, including via FinTech
4. Facilitate product development to incorporate behaviours and needs of low-income segments, paying attention to DFS pricing for low-income people particularly women
5. Coordinate across the telecoms, financial and security clusters to ensure the security and protection of the network and customers

Supporting Strategic Initiatives include the recently approved Fintech strategy, and the payments systems strategy currently under development.

SECTION 6. COORDINATION AND MEASUREMENT

6.1 CAPACITY, COORDINATION AND GOVERNANCE

A majority of the structures needed to coordinate the implementation of the NFIS are already in place, as illustrated in Figure 34 below which summarises the structure as currently constituted except for the interface to the National Economic Council which is yet to be established. The coordination structure does need to be strengthened in order to deliver on the NFIS 2024 strategy, and to ensure that the scope of stakeholder activities is strategically aligned and prioritized for impact. The coordination structure also requires sufficient influence to effectively drive the achievement of the NFIS objectives, supported by adequate programme management capabilities to manage dependences and monitor milestones.

Figure 34: Financial Inclusion Coordination Structures for NFIS 2024

Source: Financial Inclusion Delivery Unit 2022

In order to be fully effective, a number of recommendations are made to enhance the functioning of the coordination structures, and these are as follows:

Transformation: The transformation of FIDU from a Secretariat to a strategy delivery unit operating as a semi-autonomous unit under the CBN was already commenced, and it is essential to complete this process. A key element that still needs implementation is to implement an internal policy that would allow FIDU to obtain on secondment basis staff and expertise from other departments of CBN and from other stakeholders, to augment sectoral expertise available for successful implementation of activities.

Governance: The NFIS 2018 recommended the securing of national-level (NEC) representation at regular intervals to elevate financial inclusion to a national priority, and this is yet to be implemented. In addition, going forward it will be essential to review executive level participation in key committees, ensuring they align to the formal terms of reference already in place.

Mandate and services: A structured and comprehensive NFIS program management framework is lacking, and there is need for FIDU to bolster capacity in this area. This is in addition to required capacity to develop and maintain a robust M&E framework to improve monitoring; and to extend M&E beyond access / Number of accounts opened towards other multidimensional measures of impact.

Stakeholder and policy influence: Given that financial inclusion is not core to many of the implementing departments, it is necessary for FIDU and development partners to provide technical support to stakeholders in the planning and execution of financial inclusion initiatives. This can be made even more effective by stakeholders through introduction of permanent financial inclusion desks within their departments as a number have done. The financial inclusion desks in addition to owning the financial inclusion objectives within the department will also anchor and direct the capacity development programmes, and provide continuity for interventions and objectives. In addition to the targeted capacity support, FIDU and the FISC can also help shape the sector through broader thought leadership initiatives in collaboration with development actors, and the rollout of a communication strategy that ensures the positioning of the NFIS as a joint responsibility of all stakeholders.

Organisation: It is proposed to revamp the FIDU organisation structure to focus on key priority areas and to drive sectorial focus, leveraging seconded staff as needed. In parallel the existing talent pool and capacity of FIDU staff in key competency areas needs to be strengthened, especially in Programme management and M&E.

Processes and technology: FIDU should deploy fit-for-purpose digital technology, data & analytics and Management Information Systems (MIS) to enhance operations / delivery.

Policy development: In order to ensure stakeholders place a high priority on financial inclusion, it is recommended to catalyse the development of, or to develop tailor made policies to drive financial inclusion initiatives that serve the financially excluded. This may include laws, regulations or policy papers to guide various sector players on their role towards financial inclusion goals. In parallel it is important that stakeholders evolve from a “guidelines driven” approach, towards formal, evidence based, ‘test and learn’ policy approaches.

Funding: A Trust Fund to help implement financial inclusion initiatives is already in place, however it is yet to be operationalized. As a priority the Financial Inclusion Trust Fund guidelines need to be developed and approved, to support high priority financial inclusion initiatives that stakeholders agree upon. There will be need to source additional funding to augment what is currently in place, however some impact from existing funds needs to be demonstrated first.

FISSCO Structures: The initiatives at the central point of coordination need to be complemented by improvements at the FISSCO level, as follows:

Refresh the FISSCO mandate

- Review and refresh the FISSCO terms of reference, ensuring all relevant institutions are included; and the roles/ responsibilities of each stakeholder are clear and agreed upon
- Develop and ensure the implementation of structured and comprehensive FISSCO program execution plans, highlighting activities, initiatives, resources and expected outcomes/ impact on state targets
- Institute a clear monitoring and evaluation mechanism to assess respective FISSCO performance and overall progress towards financial inclusion objectives

Engage the stakeholders

- Develop and implement a targeted stakeholder engagement strategy to secure support and buy-in from all state level stakeholders
- Increase visibility and advocacy with the state government, state departments and state agencies
- Develop a detailed public awareness strategy to create a clear understanding of the objectives and impact of financial inclusion to various target groups within all states

Resource and incentivise

- Assign responsibility for FISSCO operations to specific personnel within FIDU to ensure effective coordination and support for state FISSCOs
- Develop a sustainable funding strategy for FISSCO operations to enable timely and effective program execution
- Introduce a FISSCO recognition system to incentivize and promote healthy competition amongst respective state FISSCOs

The figure 35 below summarises the anticipated impact as a result of implementing these recommendations.

Figure 35: Summary of Improvements to the Coordination Structures for NFIS 2024

6.2 ACTION PLAN

Annexure 1 summarises the actions proposed under each strategic priority and objective in order to meet the financial inclusion targets. The table summarises the activities, and prioritizes these actions, and assigns roles and responsibilities in the period to 2024.

Actions are assigned high, medium, or low priority status based on the following:

High: These are to be urgently executed as they have a high potential impact and / or a high number of dependencies (i.e., other actions relying on its implementation);

Medium: Less urgent actions, with fewer dependencies. Important longer-term activities that will take time to complete are assigned a medium priority.

Low: Actions that are recommended for implementation as they will have significant longer-term impact, and on which there are very few dependencies.

This plan also contains actions to achieve the proposed improvements for effective coordination and implementation of the overarching design principles. In addition, each stakeholder is expected to articulate its own financial inclusion implementation activities towards NFIS 2024 with guidance from the FIDU. Progress will be monitored and reported on a regular basis against the overall plan.

6.3 COMMUNICATION

The Communication plan is summarised in Figure 36 below. The plan highlights four main engagement areas, in order to raise awareness around financial inclusion, and ensure that stakeholders are fully informed and are able to make decisions to move the sector forward:

Publications that inform stakeholders of activities that are ongoing in the sector, focusing on progress made, and impact especially on the priority demographics. These will also help raise stakeholder awareness of financial inclusion goals and priorities and galvanise stakeholders to action.

Formal reports to governance structures, particularly to the Steering Committee, the Technical Committee, and to the CBN Committee of Governors. These reports, including M&E progress reports will assist stakeholder take key decisions needed to move forward.

Presentations to key forums, including to the National Economic Council, the FISSCO engagement forum, the Nigeria Governors Forum, and to sector associations and structures. These presentations will help raise the profile of financial inclusion and encourage stakeholders to prioritise financial inclusion objectives. In the NFIS 2024 the sector engagement is extended beyond the Bankers Committee and Strategy officers, to include institutions in other key sectors (MFBs, fintechs, Insurance, and Pensions.

National and Public stakeholder engagement, for example through the national financial inclusion forum, development partner forums and the press will help raise general public awareness of ongoing interventions, and to receive feedback on how existing mechanisms and interventions can be strengthened.

Figure 36: Financial Inclusion Communication Strategy

Publication	Frequency	Audience
Financial Inclusion Newsletter	Quarterly	All Stakeholders
Financial Inclusion Brochure (4 pages)	Annual	All stakeholders
Financial Inclusion highlights Digest	Monthly	All stakeholders
Financial Inclusion Annual Report	Annual	All Stakeholders

Forum	Frequency	Audience
National Economic Council	Twice Annually	President and Cabinet
FISSCO Strategy Engagement forum	Quarterly	BCS / DFOs / State stakeholders
Sector structures & Associations*	Quarterly	CEOs of FSPs
Nigeria Governors' Forum	Twice-Annually	Executive Governors of States

Report / Presentation	Frequency	Audience
CBN Committee of Governors	Quarterly	COG
Report to FI Steering Committee	Six Monthly	FISC
Report to FI Technical Committee	Quarterly	FITC

Forum	Frequency	Audience
FI National Forum	Annual	National & International
Development Partner engagement	Twice Annually	Devt Partners, NGOs
Press engagements	Twice Annually	Journalists

FISSO Engagement plans: Separate engagement plans will be developed at the FISSCO level, to raise awareness at State government level, and to ensure that stakeholders understand the importance of financial inclusion. These plans will be developed in partnership with FISSCOs, taking into account the refreshed mandates of the FISSCOs as further described above.

6.4 MEASUREMENT AND RESULTS MONITORING

6.4.1 MEASUREMENT APPROACH AND HIGH LEVEL TARGETS

The measurement framework is aligned to the theory of change as summarised at a high level in Annex 3. Two levels of indicators are used:

Dashboard indicators: These indicators measure progress made towards achieving the overall financial inclusion goals as set out in this NFIS. Demand side survey data is primarily used for this purpose, and at the apex the level of financial inclusion (formal and informal) is tracked. Currently (in 2020) financial inclusion stands at 64.1% of adults, and the CBN target is to increase overall financial inclusion to 95%.

Supporting dashboard indicators track the level of formal inclusion, and overall exclusion. Formal inclusion is preferred to informal inclusion given the level of consumer protection that is possible with formal products compared to informal ones. The current level of formal inclusion (2020) is at 50.5%, and the target is to increase this to 75%. A further supporting indicator tracks the level of financial exclusion, and the target is to reduce this from 35.9% (2020) to 5%, and usage of informal mechanisms from 14% (2020) to 10%.

Product level targets complete the list of dashboard indicators. These were set out in the NFIS 2012 and carried forward in 2018 and are reaffirmed. They cover payments, savings, credit, insurance, and pensions. The dashboard indicators are summarised below.

Dashboard indicator	Baseline (2020)	Target (2024)
Percentage of adult population that have / use at least one financial product and / or service from a formal or informal financial service provider	64.1%	95%
Percentage of adult population that have / use at least one financial product and / or service from a regulated financial service provider, disaggregated by region, rural/urban, gender, and youth	50.5%	75%
Percentage of adult population who do not use any financial products/services to manage their financial lives, disaggregated by region, rural/urban, gender, youth/other	14%	10%
Percentage of adult population that has a transaction account with a regulated FI and/or has made an electronic payment through a regulated financial institution in the last 12 months	45%	70%
Percent of adult population that has a savings-related product at a regulated FI and/or has saved through a regulated FI in the last 12 months	32%	60%
Percent of adult population that has had a credit product through a regulated financial institution in the last 12 months	3%	40%
Percent of adult population that is covered by a regulated insurance policy	2%	40%
Percent of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme	7%	40%

[15] See Annex 2 (M&E Framework) for a fuller explanation of why these targets have been recommended

Percent of adult population that has had a credit product through a regulated financial institution in the last 12 months	3%	8%
Percent of adult population that is covered by a regulated insurance policy	2%	8%
Percent of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme	7%	20%

Strategic Priority Indicators will be used to track progress on a more regular basis that the dashboard indicators, and these are summarised in Annex 2. They are primarily based on supply side data, to be collected and reported on every 3 – 6 months by FIDU.

6.4.2 DATA COLLECTION AND REPORTING

A manual Excel based system is in place for data collection, with reports being prepared every 3 to 6 months. However, the process has been slow, with unreliable data from some sectors, and time consuming.

CBN is in processing of implementing a system that will automatically collect some of the M&E data from within CBN / NIBBS in an initial phase – with other stakeholders being migrated onto the system in future phases. The platform formally known as the Nigeria Financial Services Maps (or NFS Maps) was initially commissioned in 2018 and is nearly complete. It will allow the collection of data from some CBN related databases automatically, and manual feeding of Excel based data from other regulators directly onto the platform via a data warehouse functionality. Four key databases will connect to the platform initially (via an API) – the CBN Agent database, CBN Credit Risk Management System (CRMS), CBN Consumer Protection and NIBBS.

Based on the collected data an M&E report will be prepared and shared with governance committees and stakeholders at the end of each reporting period, and in the annual financial inclusion report, covering the full range of indicators as outlined above.

In the past data has been collected directly from FSPs through templates developed in conjunction with regulators, but response rates have been mixed, being very low for example in the MFB sector. Overall, the data collection process also has been slow. This process will be revamped where possible, and wherever practical data will be collected through existing standard procedures already in place via the respective regulators, agencies, and departments (BSD, OFISD, NIBBS, NAICOM, PENCOM, SEC, NAIC, NIMC, NCC, and FIDU.).

Some level of data disaggregation is already in place and this will be strengthened where possible especially in respect of the priority demographics. For example CBN has been working on a Women's Financial Inclusion (WFI) Dashboard and this should be leveraged to strengthen gender disaggregated data collection and analysis both on the demand and supply side, and to track outcomes.

6.5 RISKS AND MITIGATION STRATEGIES

Several risks are identified and these will need to be managed on an ongoing basis. Of these the most critical is the potential lack of intended impact from implemented interventions, or conversely the occurrence of unplanned negative consequences. Stakeholders led by FIDU will need to monitor interventions to ensure that they lead to an increase in access and usage of financial services, and where necessary to develop corrective actions to ensure maximum impact is obtained.

Other anticipated risks, together with the proposed mitigation strategies are summarised in the table below.

Risk	Rating	Potential Impact	Mitigation Plan	Resp.
Macroeconomic instability	High	• Could potentially depress income and ultimately discourage uptake and usage of financial services	• Social payments/interventions • MSME development funds as buffers • Moratorium on interests	CBN, NDIC, FMF
Non-Cooperation from stakeholders	High	• Loss of support for the initiative and potential for non-adoption of financial services widely	• Continuous engagement • Sensitization and awareness • Moral suasion • Development of policy instrument	FITC, FISC
Lack of coordination amongst implementing agencies	High	• Delays in implementation • Loss of goodwill amongst beneficiaries • Loss of support from implementing partners	• Engage implementing agencies frequently • Courtesy calls to management of agencies for support • Involve agencies in planning and implementation early on in process	FIDU
Low Funding for Financial Inclusion Activities	High	• Non-implementation of initiatives • Low morale amongst partners	• Operationalization of the trust fund • Seek funding from development partners for specific projects	FIDU
Insecurity and insurgency	Medium	• Inaccessible terrain in some parts of the federation • Inability to roll out initiatives and financial products in these areas	• Facilitate innovative use of digital financial services to reach these areas • Enlist the help of security agencies during rollout	FIDU

ANNEX 1. DETAILED ACTION PLAN

Strategic Priority 1: Increase adoption and usage of financial services in the priority demographics (women, youth, rural, North & MSMEs)						
Strategic Objective	Actions	Priority	Responsible	Timeline		
				2022	2023	2024
1.1 Promote the consolidation, professionalization and innovation in the MFB sector	1.1.1 Encourage consolidation of MFBs through ongoing recapitalisation and follow up initiatives, to allow larger more professional organisations to emerge	M	CBN			
	1.1.2 Ensure closer supervision, seamless connection to payment systems and standardised reporting by completing the on boarding of MFBs onto NAMBUIT	H	CBN			
	1.1.3 Support MFBs to evolve their business model by adopting DFS, collaborating with others e.g. with PSBs & FinTech's, and innovating new relevant DFS powered products to spur uptake	H	CBN, Devt partners			
	1.1.4 Work with sector association to implement shared services for MFBs, to lower operational costs (e.g. risk management, IT)	M	CBN, NAMB			
	1.1.5 Reform MFB geographic licences to align to the role to be played by digital platforms in the sector	L	CBN			
	1.1.6 Clarify permissible activities in MFB sector in line with FI mandate, and scrutinize business plans of applicants and existing MFBs to ensure they align to FI objectives e.g. permissible activities, target customers, loan sizes	H	CBN			
1.2 Improve micro pension value proposition, and open the market to new players and innovation	1.2.1 Improve micro pension product value proposition: e.g. new risk profiles, product bundling	H	PENCOM			
	1.2.2 Promote partnership with Private sector participants to expand footprint (Telcos, Bank agents)	M	PENCOM. FSPs			
	1.2.3 Roll out awareness / financial literacy campaigns for micro pension products and protections in place, including in coordination with FSRCC	H	PENCOM. FSPs			
	1.2.4 Consider regulatory adjustments especially around exit and pay outs to make the product attractive to the informal sector	H	PENCOM			

1.3 Allow and promote new players, models and partnerships in micro insurance to grow footprint and innovation	1.3.1 Implement regulatory adjustments to promote innovation: • Consider licensing a wider range of existing and new providers and business models (e.g. MNOs, MMOs, PSBs, FinTech's, PSPs) • Implement insurance regulatory sandbox • Frequent industry engagement – including new entrants (e.g. early stage FinTech's)	H	NAICOM			
	1.3.2 Create a cross-regulatory framework for the use of mobile airtime and support/ foster/ enable collaboration on product development between DFS and insurance providers	H	NAICOM, NCC, CBN			
	1.3.3 Promote distribution partnerships, especially with faith-based organisations, cooperatives, Telcos and the growing agent network	H	NAICOM, NIA			
	1.3.4 Promote engagement with Takaful Insurance operators to create awareness and encourage uptake by marginalised sectors especially in Northern Nigeria	M	NAICOM, NIA			
	1.3.5 Invest in in-depth market research to close micro-insurance information gaps e.g. profile target customers and how to meet their needs	M	NIA			
	1.3.6 Rollout Financial education and awareness campaigns (for operators & consumers) on micro insurance and agriculture insurance	H	NAICOM, NIA, FSPs			
1.4 Expand range and reach of investment and long term savings products to be widely available to lower income segments	1.4.1 Expand collective investment schemes to reach a wider range of consumers (e.g. using technology, indirect mechanisms for children & faith groups), and learn from successful informal schemes (e.g. social media marketing)	H	SEC			
	1.4.2 Implement framework for crowdfunding to widen capital sources for MSMEs, building on ongoing registration of initial platforms	M	SEC			
	1.4.3 Encourage fund managers and FinTech's to innovate new products to meet needs of consumers e.g. non interest products, over the counter products	H	SEC			
	1.4.4 Infuse investor education into curriculum for youths in schools	M	SEC, CBN, FME			
	1.4.5 Support first time house buyers with credit guarantees and rebates to increase access to house finance	M	CBN, MDAs			
	1.4.6 Implement awareness campaigns for deposit insurance	H	NDIC, FSPs			
1.5 Improve cost and relevance of credit and insurance products for MSMEs	1.5.1 Re-energise the National Council on SMEs to better coordinate MSME issues	H	SMEDAN, VP, MDAs			
	1.5.2 Strengthen the commodities trading ecosystem to integrate smallholder farmers particularly women into the financial sector	H	SEC			

and small holder farmers	1.5.3 Continue / expand existing support to MSMEs (development finance, grants and skills), utilising the platform to encourage digitisation of MSME information, their use of formal financial services, and formalisation	H	CBN			
	1.5.4 Expand / institutionalise measures to reduce dependence on collateral, e.g. GSIs, use of data based approaches for credit scoring, and stimulate new products to support their uptake	M	Banks, CBN			
	1.5.5 Awareness campaigns for MSMEs and banks to increase uptake of alternative mechanisms e.g. moveable collateral, warehouse receipting, leasing	M	CBN, FSPs, SMEDAN			
	1.5.6 Consider ways to make the available MSME financing frameworks more relevant, effective and utilized ○ National Collateral Registry e.g. focus on fewer asset classes ○ CRB by incorporating additional types of information and more participants (e.g. MFBs, MFIs, cooperatives) ○ Leverage NAMBUIT to mandate and audit standardised use of CRB by MFBs ○ IT interfaces between players to automate and encourage use	M	CBN, SMEDAN, FSPs			
	1.5.7 Assess potential for a unique MSME identifier in the financial sector, building on existing markers i.e. CAC, IFRS, BVN, etc.	L	CBN, NIBSS, MDAs			
	1.5.8 Consider increased infrastructure support (roads, water, electricity), and infrastructure-based subsidies to lower costs for small holder farmer agri insurance	L	FMARD			
	1.5.9 Encourage bundling of agri and micro insurance products with agri inputs e.g. fertilizer and / or MSME support services	M	FMARD			
	1.5.10 Implement additional demand side studies and surveys on MSMEs to support stakeholder efforts	M	SMEDAN			
	1.5.11 Implement measures to encourage banks to increase credit extension to individuals and small businesses	H	CBN			
	1.5.12 Leverage MMO model to offer wider range of credit solutions to MSMEs especially women led and rural MSMEs	M	MMOs, CBN			
	1.5.13 Develop targeted agri financing products for women, youth and rural small-holder farmers	H	Banks, MFBs, CBN			
1.6 Facilitate the modernisation, formalisation, and	1.6.1 Strengthen regulatory framework for MFIs and financial cooperatives: • Develop and roll out a regulatory framework and capacity support program to support responsible State supervisors	H	CBN, FMARD, FISSCOs, FMCI			

digitisation of the MFI and cooperative sectors	• Support the State authorities to enforce regulations – systems, data collection, mandatory filing, etc. • Consider a tiered regulatory guideline for monitoring and direct CBN supervision of the largest MFIs and cooperatives					
	1.6.2 Consider establishing a National Cooperatives Development Commission (functioning at both federal and State level) to register and regulate cooperatives	M	FMARD, FMCI, CBN			
	1.6.3 Enhance coordination in the cooperative sector, and reposition based on other countries' experiences, including by updating the anchor 2004 law and supporting regulations	L	FMARD, FMCI			
	1.6.4 Continue to build capacity of, and to digitize cooperatives, towards creating digital transactions history and formal recognition of the groups	H	Private sector, FMARD			
	1.6.5 Implement State and Federal level MIS systems to allow data availability of MFI & Cooperative sectors	M	FMARD, FMCI, FISCCOs			
	1.6.6 Continue to implement critical linkages between cooperatives and the formal sector, especially to the CRB, and to insurance, housing, micro pension, loans and savings products, and credit guarantee facilities	M	FMARD, Private sector			
	1.6.7 Develop an up to date federal-level moneylender policy and legal framework, to ensure the protection of customers and alignment to FI objectives across all states	M	CBN			
1.7 Facilitate the introduction of products and linkages between the formal and informal sectors, including for savings groups	1.7.1 Facilitate account opening by Savings groups and cooperatives through commercial banks, PSBs and other service providers e.g. savings via direct debits, group accounts	M	CBN, FSPs			
	1.7.2 Support digitization of informal groups to allow creation of digital records and transaction history	M	NGOs, private sector			
	1.7.3 Encourage banks to identify ways to foster personal relationships with cooperative and savings groups members, e.g. collect deposits, pay out on request	M	CBN			
1.8 Design and implement targeted initiatives to address the target demographics (i.e. Women, Rural, Youth, North and	1.8.1 Engage relevant MDAs on deployment of digitized social payments to target financial inclusion beneficiaries	H	CBN, MDAs, Other Regulators			
	1.8.2 Analyse and disseminate data on the reach of interventions and digitized social payments in rural areas, and among the target groups	M	CBN, MDAs, Other Regulators			

MSMEs), including the Framework for Advancing Women's Financial Inclusion	1.8.3 Promote the development of economic capacity programmes for target beneficiaries	M	CBN, MDAs, Other Regulators			
	1.8.4 Develop a product diversification and sustainability plan for the target groups, and ensure compliance through regular engagement with regulators / FSPs	M	CBN, NAICOM, PENCOM, SEC, FSPs			
	1.8.5 Encourage deepening of financial inclusion in target groups by encouraging uptake of relevant products e.g. pension payments into accounts or wallets	M	CBN, Other Regulators, MDAs			
	1.8.6 Implement the Framework for Advancing Women's Financial Inclusion in Nigeria	H	CBN			

Strategic Priority 2: Enable the growth and utilization of robust enabling financial services infrastructure and services						
Strategic Objective	Actions	Priority	Responsible	Timeline		
				2022	2023	2024
2.1 Increase utilization of the agent network, and extend into still unserved areas	2.1.1 Explore ways to introduce and / or incentivise sought after services that are not available or that are declining e.g. account opening, bill payment, study registration	H	CBN, FSPs, SANEF, Super agents			
	2.1.2 Implement the Agent management platform, with unique agent IDs and mapping of access points, and leverage data analytics to increase utilisation / reach of the agent network	H	CBN, NIBSS, SANEF, Super agents			
	2.1.3 Ensure Agent network expansion into unserved areas	H				
	2.1.4 Address gender balance in agent network, by recruiting and incentivising female agents, and adapting operational model to suit their needs	H	CBN, Banks, Super Agents			
	2.1.5 Consider market-based pricing for Agents in selected services / areas that do not need price intervention	M	CBN			
	2.1.6 Research and regularly consult FSPs on access point economics, identify issues and potential resolutions	M	CBN, FSPs			
2.2 Expand coverage of mobile and data	2.2.1 Design and implement interventions through the Universal Service Provision Fund, licence conditions, and / or new and existing licence categories to expand coverage to (under) unserved areas	H	NCC			

networks into un / underserved areas	2.2.2 Increase reliability of financial services infrastructure by monitoring downtime of different platforms and resolving with stakeholders (Monthly)	M	NIBSS, CBN			
	2.2.3 Conduct surveys to establish areas with high exclusion gaps for priority demographics like women and youth in terms of networks and NIN issuance, and develop strategies to improve uptake / coverage	H	FIDU, Devt partners, NCC, NIMC			
2.3 Ensure regulatory flexibility to further streamline KYC for lower income and rural customers	2.3.1 Assess extent and impact of Tier 1 KYC-related fraud, and consider options to overcome the issues while supporting inclusion	H	CBN			
	2.3.2 Rollout of NIN into unserved areas, to achieve at least 95% adult coverage	H	NIMC			
	2.3.3 Consider ways to simplify "proof of address" requirements in rural areas to increase use of Tier 2 accounts, e.g., digital mechanisms	H	CBN, NIBSS			
	2.3.4 Complete the harmonization of BVN, NIN and NCC databases	H	CBN, NIBSS, NIMC, NCC			
	2.3.5 Roll out sensitization campaign for Target Population groups on BVN / NIN acquisition	H	NIMC, CBN			
	2.3.6 Increase available rural capture points for BVN through agents and mobile desks, addressing fraud risk, agent incentive mechanism and cost issues previously encountered	H	NIBSS, CBN, NIMC			
	2.3.7 Establish mechanisms for FSPs to validate / verify NIN credentials in real time, and consider longer term use of NIN to replace / complement BVN	M	NIMC, CBN, NIBBS			
2.4 Ensure adequate consumer protection and responsible digital finance practices	2.4.1 Review and consider options to achieve an improved consumer protection institutional structure: • Revive the (now expired) draft Financial Ombudsman Bill • Set up a shared financial sector complaints handling Authority	M	FSRCC, CBN, other regulators, FLWG			
	2.4.2 Ensure adequate staff at CBN to handle consumer complaints	H	CBN			
	2.4.3 Expand complaints handling capacity at the other financial sector regulators, possibly setting up staffed complaints departments	H	FSRCC, FLWG			
	2.4.4 Promote stronger role for insurance to ensure that customers are refunded for losses in cases of bank / FSP fraud	H	CBN, NAICOM, FSPs			
	2.4.5 Rollout campaigns for consumer awareness of the complaints mechanisms, and the risks of sharing data and passwords	M	CBN			

	2.4.6 Incorporate risk-based consumer protection frameworks into regulation frameworks to help deal with fraud and accelerate financial literacy	M	CBN			
2.5 Introduce awareness and financial education campaigns in key product categories, including via technology, schools and local languages	2.5.1 Renew the Financial Literacy Framework of 2015, ensuring there is sufficient funding and capacity to implement	M	CBN, FLWG			
	2.5.2 Design and deploy awareness and sensitization programmes to target groups (NE&NW, Rural, Women, Youth, MSMEs)	H	CBN, FSPs, Devt Partners			
	2.5.3 Engage FSPs to design and deploy customized content on their products for target segments, leveraging technology and local languages	M	CBN, FSPs			
	2.5.4 Leverage industry forums including SANEF, FSRCC, development partner forums and others to roll out joint financial education campaigns	H	CBN, FLWG, FSRCC			
	2.5.5 Build on recently developed curricula for basic and secondary schools, rolling out the curriculum across the country, and extending into tertiary schools	M	CBN, FME			
	2.5.6 Design and roll out financial literacy programmes to hard-to-reach segments and areas, including local language radio focusing on women, youth, and rural communities	M	CBN, FLWG			
	2.5.7 Engage other critical stakeholders e.g. consumer advocacy groups, community heads, religious bodies to reach highly excluded segments and the North East / West regions	M	CBN, FLWG, Regulators, civil society			

Strategic Priority 3: Expand Digital Financial Services and platforms to grow financial inclusion						
Strategic Objective	Actions	Priority	Responsible	Timeline		
				2022	2023	2024
3.1 Facilitate successful implementation of the PSB model	3.1.1 Support the implementation of the PSB model, with regular checkpoints to address any issues identified as bottlenecks to roll out especially in rural areas	H	CBN			
	3.1.2 Ongoing monitoring to ensure rural and total customer coverage is achieved as per business plan	M	CBN			
	3.1.3 Implement SLAs with other FSPs that will enable reach into rural areas e.g. SANEF, MNOs	L	CBN, FSPs			
3.2 Operationalize the fintech strategy, regulatory sandbox, and open box	3.2.1 Operationalize the sandbox regulations, and create a conducive environment for new innovative products and services, especially for the target groups	H	CBN, FSRCC, FSPs			
	3.2.2 Operationalize the open banking regulations, and support creation of new products and services based on the shared data, focusing on the target groups	H	CBN, NIBSS, FSPs			

framework to spur innovation	3.2.3 Implement the fintech strategy, especially through operating licenses to actors that can stimulate financial inclusion by focussing on the priority demographics	H	CBN			
	3.2.4 Draft and enact the FinTech regulations	H	CBN, FSRCC			
3.3 Catalyse digitization of critical use cases targeted at the priority demographics, including via FinTech	3.3.1 Promote stronger handshake between NCC and CBN; to ensure all players in the sector play a bigger role in driving inclusion	H	CBN, NCC			
	3.3.2 Digitize key federal and state government payment flows, including social welfare payments as an initial use case for lower income populations, linking with FSPs where appropriate	H	CBN, FMF, MDAs, FISSCOs			
	3.3.3 Create incentives for Payment Service Provider, FinTech's, other financial service providers and development partners to digitize critical use cases targeted at the priority demographics	H	CBN, FSPs			
	3.3.4 Champion collaboration between stakeholders in the financial sector to encourage faster adoption of eNaira by creating compelling use cases and trust to deepen financial inclusion	H	CBN, FSPs, MDAs			
3.4 Facilitate product development to incorporate behaviours and needs of low-income segments, paying attention to DFS pricing for low-income people	3.4.1 Promote segmented approaches to digital financial inclusion, incorporating behaviours and needs of poorer populations	M	FSPs			
	3.4.2 Support FinTech's and promote expansion of solutions to improve financial inclusion for women, youth, and excluded geographies	H	Regulators, Devt partners			
	3.4.3 Identify ways to lower the absolute cost to serve low-income customer segments, e.g. operational efficiencies, and lower USSD and Agent costs	H	CBN, NCC, FSPs			
	3.4.4 Identify mechanisms to leverage Agent networks to digitize key activities / value chains in the informal sector	M	CBN, SANEF, NIBSS, PSMD			
3.5 Coordinate across the telecoms, financial and security clusters to ensure the security and protection of the network and customers	3.5.1 Develop a framework to aggressively tackle emerging digital transaction fraud and Ponzi schemes, by innovating new mechanisms and coordinating across agencies under existing MoU	H	FSRCC, CBN, other regulators, MDAs			
	3.5.2 Ensure sufficient data protection protocols are in place, including between MMOs and Telcos, between FSPs and to other 3rd parties to protect client data	M	NCC, CBN, NDPB, NITDA			
	3.5.3 Rollout campaigns to increase consumer awareness on the value and risks of sharing data and passwords	M	CBN, NCC			
	3.5.4 Continually build regulator and FSP capacity in cyber-crime prevention, and in ensuring secure financial apps are deployed	H	CBN, other regulators, FSPs			

	3.5.5 Collaboration between relevant security Agencies to ensure safety of infrastructure (NCC, infrastructure providers, network service providers, security agencies) especially in the North West and North East	M	NCC, CBN, MDAs			
	3.5.6 Continually evolve the consumer protection framework – especially in respect of new entrants outside of current regulatory system, and digital micro lenders	M	CBN, other regulators			

Strategic Priority 4: Enhance Capacity, Coordination, Communication and Governance of financial inclusion at Federal and State level						
Strategic Objectives	Actions	Priority	Responsible	Timeline		
				2022	2023	2024
4.1 Coordinate financial inclusion implementation across Nigeria	4.1.1 Secure national-level (NEC) representation to elevate financial inclusion to a national priority	H	FISC, FIDU			
	4.1.2 Review executive level participation in key committees to be in line with formal ToR	H	FISC			
	4.1.3 Develop a structured and comprehensive NFIS program management framework	H	FIDU, Devt partners			
	4.1.4 Conduct regular NFIS refinement, every 2 years, and coordination	M	FISC, FITC			
	4.1.5 Operationalize the Financial Inclusion Trust Fund to support financial inclusion initiatives	H	CBN, FISC			
	4.1.6 Source for additional funding to support the implementation of financial inclusion initiatives	L	FIDU, FISC			
4.2 Build capacity of FIDU for driving financial inclusion	4.2.1 Revamp the organisation structure to focus on priority areas and drive sectoral focus, leveraging seconded staff as needed	H	FIDU, Devt partners			
	4.2.2 Strengthen FIDU staff capacity in key competency areas i.e. M&E, Project management, others	H	FIDU, Devt partners			
	4.2.3 Deploy fit-for-purpose digital technology, data & analytics and MIS to enhance operations / delivery	L	FIDU, Devt partners			
	4.2.4 Develop or utilise existing CBN staff secondment policy to procure expertise from CBN, other NFIS stakeholders and / or the private sector on a term / outcome basis	H	FIDU, FISC			
4.3 Support Stakeholders and	4.3.1 Provide technical support to key stakeholders in planning and execution of FI initiatives under the NFIS	H	FIDU, FITC			

FISSCOs to implement the financial inclusion agenda	4.3.2 Build gender capacity of key stakeholders at Federal and State level to drive women's financial inclusion	H	FIDU, Devt partners			
	4.3.3 Support each critical stakeholder to set up a financial inclusion desk to anchor FI activities in the organisation, and to ensure continuity over time	M	FIDU, FITC			
	4.3.4 Refresh the FISSCO mandate • Review and refresh the FISSCO terms of reference, to ensure roles and responsibilities of each stakeholder are more explicitly stated, and to refine overall mandate in light of available capacity and resources • Develop and support the implementation of structured and comprehensive FISSCO program execution plans and M&E mechanism	M	FIDU, FISC			
	4.3.5 Develop a FISSCO engagement strategy, including Stakeholder engagement; Visibility and advocacy with State governments, and Public awareness	M	FIDU, FITC			
	4.3.6 Improve resourcing and incentives for FISSCOs • Assign responsibility for FISSCO operations to specific personnel within FIDU • Develop a sustainable funding strategy for FISSCO operations	M	FIDU, FISC			
	4.3.7 Institute a recognition / award system in financial inclusion, to build a culture of reward and incentivize high performance on FI targets, including for FISSCOs	L	FIDU, FISC			
	4.3.8 Create templates and mechanisms to institutionalise, record, implement and follow up key decisions from FI Committees and Working Groups	H	FIDU, FISC			
	4.3.9 Establish mechanisms for increased coordination between the FI working groups, and the Gender COPs	M	FIDU, FITC			
4.4 Utilize legal and policy instruments to drive financial inclusion	4.4.1 Secure high level financial inclusion policy position paper from the Presidency to guide stakeholders	H	FIDU, FISC			
	4.4.2 Roll-out Nigeria Financial Inclusion thought leadership initiatives in collaboration with development partners (at least annually)	M	FIDU, FITC			
	4.4.3 Identify areas to catalyse development of tailor made policies to drive financial inclusion and to serve the financially excluded, and to anchor key guidelines more formally	H	FIDU, FISC			
4.5 Measure and evaluate performance of financial inclusion	4.5.1 Develop a robust M&E framework (including gender-disaggregated data) to improve monitoring, and enhance monitoring beyond access and the number of accounts opened to include usage, quality, and impact	H	FIDU			

implementation, leveraging the NFS Maps	4.5.2 Improve collection and visualization of FI data, through the National Financial Services map and financial inclusion dashboards	H	FIDU			
	4.5.3 Produce and share at least annual M&E reports, within the framework of the Annual FI report	M	FIDU, FITC			
	4.5.4 Mobilise funding to commission biennial financial inclusion surveys to monitor progress, in partnership with others e.g. A2F	H	FIDU, FISC			
	4.5.5 Enhance within FIDU capacity for analysis and increased utilisation of supply side data to complement available demand side data	H	FIDU, Devt partners			
4.6 Drive and coordinate communication on financial inclusion across stakeholders	4.6.1 Roll-out the NFIS communication strategy and reposition NFIS as a responsibility for all stakeholders	H	FIDU			
	4.6.2 Review format of the NFIS Annual Report in line with revised NFIS 2024, and prepare annually	M	FIDU			

ANNEX 2. M&E FRAMEWORK

Dashboard Outcomes	Key Performance Indicators	Source
Overall outcome	Percentage of adult population that have / use at least one financial product and / or service from a formal or informal financial service provider	Access to Finance Survey
Supporting outcomes	Percentage of adult population that have / use at least one financial product and / or service from a regulated financial service provider, disaggregated by region, rural/urban, gender, and youth (NB; Modified form of SDG indicator 8.10.2)	Access to Finance Survey
	Percentage of adult population that have used at least one financial product in the last 12 months from an informal or semi-formal provider (e.g. financial cooperative, MFI, savings group), disaggregated by region, rural/urban, gender, youth	Access to Finance Survey
Product outcomes	Percentage of adult population who do not use any financial products/services to manage their financial lives, disaggregated by region, rural/urban, gender, youth/other	Access to Finance Survey
	Percentage of adult population that has a transaction account with a regulated FI and/or has made an electronic payment through a regulated financial institution in the last 12 months	Access to Finance Survey
	Percent of adult population that has a savings-related product at a regulated FI and/or has saved through a regulated FI in the last 12 months	Access to Finance Survey
	Percent of adult population that has had a credit product through a regulated financial institution in the last 12 months	Access to Finance Survey

	Percent of adult population that is covered by a regulated insurance policy	Access to Finance Survey

Strategic Priority Outcomes	Key Performance Indicators	Source
1: Increased adoption and usage of financial services in priority demographics	Number of micro pension subscribers, disaggregated by region, rural/urban, gender, youth/other	PENCOM
	Number of micro insurance policies, disaggregated by region, rural/urban, gender, youth/other	NAICOM
	Number of collective investment schemes members, disaggregated by region, rural/urban, gender, youth/other	SEC
	Number of MSME bank loans and accounts disaggregated by region, rural/urban, gender, youth/other	CBN
	Percent of MSME loan portfolio to total loans	CBN
	Number of agricultural insurance policies issues	NAICOM, NAIC
	Number of e-transactions, disaggregated by region, rural/urban	CBN, NIBBS
	Value of e-transactions, disaggregated by region, rural/urban	CBN, NIBBS
	Number of Tier 1 accounts, disaggregated by region, gender	CBN, NIBBS
	Number of deposit accounts at commercial banks, disaggregated by region, rural/urban, gender, youth/other	CBN
2: Robust enabling financial services infrastructure & services	Number of active agents, disaggregated by region, rural/urban, gender	CBN, NIBBS
	Average number of transactions per agent disaggregated by region, rural/urban, gender	CBN, NIBBS
	Number of access points per 100,000 adults (a) commercial bank branches; (b) ATMs; (c) POS; disaggregated by rural / urban, NW/NE (modified form of SDG indicator 8.10.1 (a))	CBN, NIBBS
	Number of unique ID (NIN) issued (millions) disaggregated by region, rural/urban, gender, age	NIMC
	Number of unique ID (BVN) issued (millions) disaggregated by region, rural/urban, gender	CBN, NIBBS
	Total number of unique ID (NIN and BVN) enrolment centres, disaggregated by region, urban/rural	NIMC, NIBBS
	Proportion of population covered by a mobile network, by technology, disaggregated by region, rural/urban (SDG indicator 9c1. Indicates coverage by mobile infrastructure)	NCC

	Number of adults reached by the Financial Literacy and awareness interventions, disaggregated by gender, region, demographics, rural/urban	FIDU
3: Expand Digital Financial Services and platforms	Number of active (90 day) DFS (including MMO + PSB) accounts by region, rural/urban, gender	CBN, NIBBS
	Total number of mobile money transactions, disaggregated by region, rural/urban	CBN, NIBBS
	Total value of mobile money transactions, disaggregated by region, rural/urban	CBN, NIBBS
	Average value of mobile money transactions per user per year, disaggregated by region, rural/urban	CBN, NIBBS
	Number of active DFS access points, disaggregated by region, urban/rural, region (NE, NW)	CBN
	Percentage of adult population that uses DFS disaggregated by, region, rural/urban, gender, age	Access to Finance Survey
	Percentage of government payments to end users (G2P) done digitally (by value), disaggregated by national, state	CBN
4: Improve financial inclusion coordination, capacity, and governance	Number of stakeholders that have benefitted from capacity support to drive implementation	FIDU
	Number of policies, regulations, strategies, or other legal or government documents amended to anchor financial inclusion	FIDU
	Stakeholder feedback on coordination and engagement activities, and governance meetings	FIDU
	Compliance of governance practices in terms of meetings to terms of reference and standard operating guidelines developed by FIDU (e.g. compliance rating, % deviation)	FIDU

Rationale behind the proposed targets in Section 6.4.1

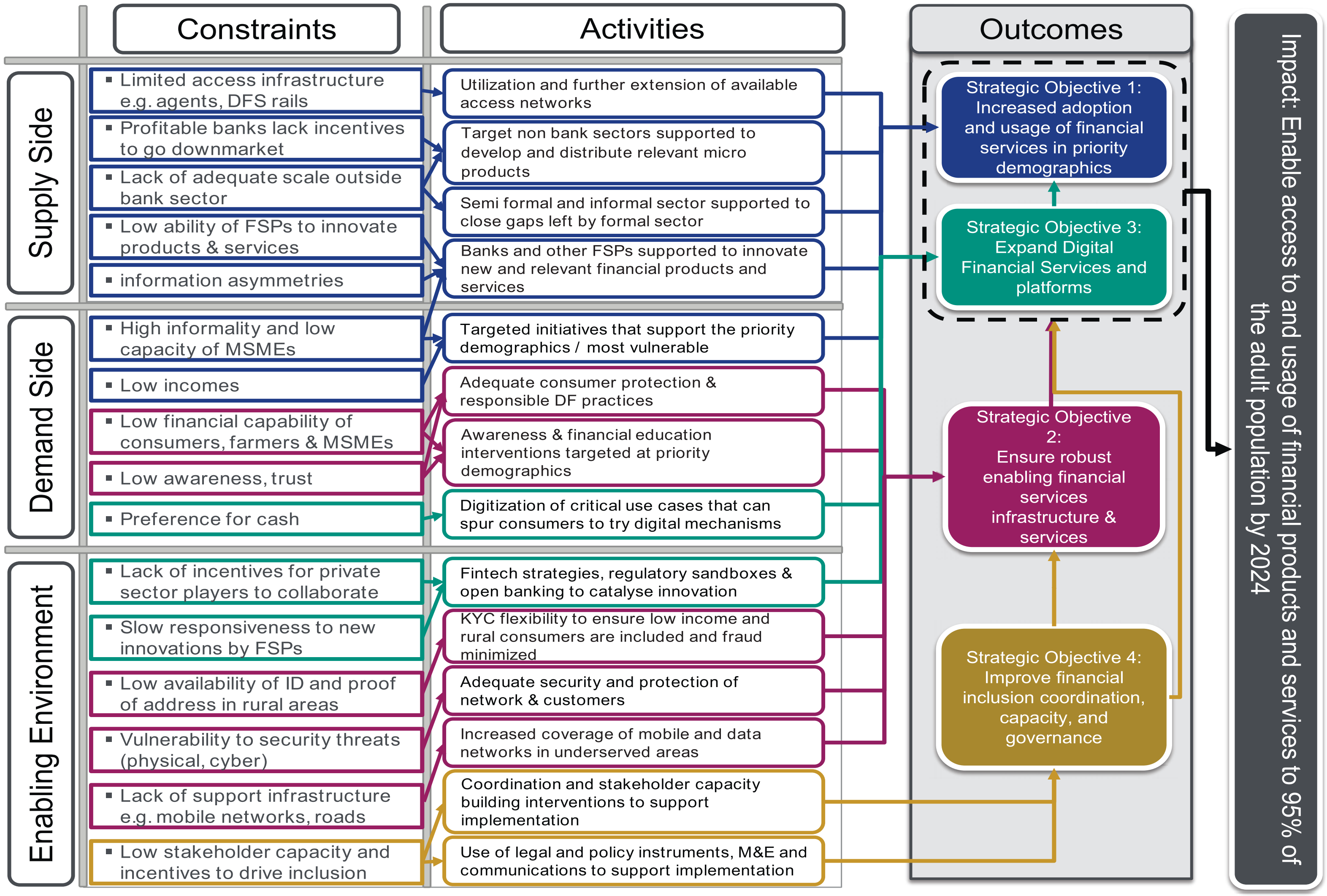
The targets set in 2012 have been revised to take into account current realities. Nigeria has lost some time in the digital race, while the strong reliance on banks to extend services to the last mile has not yielded the anticipated results. In order to increase the pace of progress, the strategy has re-emphasised the need to rethink current approaches, and to strongly support agents and new entrants in the DFS area to allow all financial service providers a deeper reach in the excluded areas.

In setting specific targets an approach previously preferred was to base the targets on international benchmark, however this has proven difficult to achieve. Each country has its own challenges and realities and political economy, and care is needed in setting targets. The following table summarises the basis for the recommended targets

Dashboard indicator	Baseline (2020)	Target (2024)	Rationale
Percentage of adult population that have / use at least one financial product and / or service from a formal or informal financial service provider	64.1%	95%	Since 2012 inclusion has increased from 60% to 64% of adults – an extremely slow pace. With targeted rollout of agents and digital technologies, and strongly leveraging these, it is practical to reach a new 10% of adults in the short term, and many more in the longer term. All players will be encouraged to leverage the agent, PSB and Fintech platforms to reach new clients , and a target of 10 – 15 million new consumers is considered reasonable. This target is well below best performing African peers.
Percentage of adult population that have / use at least one financial product and / or service from a regulated financial service provider	50.5%	65%	Given challenges with the semi / informal sector in terms of consumer protection, service quality and low integration into the financial sector, efforts in the short term are focused on the currently formal sector. Nevertheless formal services will also start to reach more of the 32.7% of adults who currently use informal only – hence a higher increase in formal inclusion is expected compared to the increase in total inclusion above.
Percentage of adult population that have used at least one financial product in the last 12 months from an informal or semi-formal providers	32.7%	10%	Informal and semi-formal providers remain outside of the financial sector, and need to overcome many challenges to truly transform. Nevertheless the expansion of formal services and platforms will also allow informal channels to provide a better and wider reaching service, and some increase in informal inclusion is anticipated.
Percentage of adult population who do not use any financial products/services to manage their financial lives	35.9%	5%	Rationale as for total inclusion – see above.
Percent of adult population that has a transaction account with a regulated FI	45%	55%	The expanded rollout of agent networks, DFS and fintech services will at the forefront benefit transactional accounts and payment instruments. This is already the most developed financial services product, and significant improvement is anticipate d in the next few years.

and/or has made an electronic payment through a regulated financial institution in the last 12 months			
Percent of adult population that has a savings-related product at a regulated FI and/or has saved through a regulated FI in the last 12 months	32%	45%	Savings products have a high pent up demand and already a high 32% of adults use formal savings products. There is opportunity to convert informal savings to formal savings, with adults saving at all (including at home and with family and friends) increasing from 55% to 60% between 2018 and 2020. Progression to savings from transactions and payments instruments is also a natural progression.
Percent of adult population that has had a credit product through a regulated financial institution in the last 12 months	3%	8%	Formal credit products currently have very few users, at just 3%. Addressing the root constraints (such as cost, lack of rele vant financial providers at grassroots level and information asymmetries) will take time to address. While Digital credit might pl ay a role, there are still significant constraints on players allowed. Thus despite pent up demand (total adults accessing credit including through family and friends stands at 27%), not much progress is anticipated in the short term.
Percent of adult population that is covered by a regulated insurance policy	2%	8%	Insurance is typically a lagging product, and a "grudge purchase" for many consumers. The low levels of awareness and trust will take time to address. Nevertheless insurance is needed, and take up will increase in the longer term (but in line with other countries remain well below other product categories).
Percent of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme	7%	20%	There is pent up demand for pensions, a very high potential area: 18m adults without micro insurance showed an interest when the service was described to them, indicating that with micro products already introduced, and recommendations made here, there should be significant take up of micro pensions.

ANNEX 3. HIGH LEVEL THEORY OF CHANGE



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