2017 ANNUAL REPORT NATIONAL FINANCIAL INCLUSION STRATEGY IMPLEMENTATION

JULY 2018

FINANCIAL INCLUSION SECRETARIAT
CENTRAL BANK OF NIGERIA

STAKEHOLDER INSTITUTIONS

PROVIDERS:

THE NIGERIAN BANKERS' COMMITTEE

NATIONAL ASSOCIATION OF MICROFINANCE BANKS (NAMB)

NIA Nigerian Insurers Association

ASSOCIATION OF NON-BANK MICROFINANCE INSTITUTION OF NIGERIA ...promoting microfinance for sustainable development

FUND MANAGERS ASSOCIATION OF NIGERIA

PenOp Pension Fund Operators Association of Nigeria

BANK OF INDUSTRY ...transforming Nigeria's industrial sector

CEFAN

CeBIH

ENABLERS:

NDIC

NCC NIGERIAN COMMUNICATIONS COMMISSION

FEDERAL MINISTRY OF WOMEN AFFAIRS AND SOCIAL DEVELOPMENT

NATIONAL INSURANCE COMMISSION NAICOM

PENCOM

NIPOST

FEDERAL MINISTRY OF INFORMATION

National Identity Management Commission Nimc

FEDERAL MINISTRY OF EDUCATION

FEDERAL MINISTRY OF FINANCE

FEDERAL MINISTRY OF YOUTH DEVELOPMENT

nbs NATIONAL BUREAU OF STATISTICS

THE Nigerian STOCK EXCHANGE

FEDERAL MINISTRY OF COMMUNICATION TECHNOLOGY

NIGERIA SOCIAL INSURANCE TRUST FUND

Small & Medium Enterprises Development Agency of Nigeria.

NHIS NATIONAL HEALTH INSURANCE SCHEME ...easy access to healthcare for all

NIBSS Nigeria Inter-Bank Settlement System Plc ...improving the Nigeria Payments System

SUPPORTING INSTITUTIONS:

EFInA Enhancing Financial Innovation & Access

MercyCorps

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

BILL & MELINDA GATES foundation

afi Alliance for Financial Inclusion

ACKNOWLEDGMENTS

The Annual Report on the National Financial Inclusion Strategy Implementation is a compendium of statistical analysis, reviews of periodic returns from stakeholders, desk research on local and international developments, discussions and review meetings.

The Financial Inclusion Secretariat acknowledges the immense contributions of all stakeholders whose input, involvement, and participation have helped in the publication of this Report.

It is our sincere hope that the report would kindle greater commitment by stakeholders to achieve the National Financial Inclusion Strategy target of a 20 per cent adult financial exclusion rate in Nigeria by the year 2020.

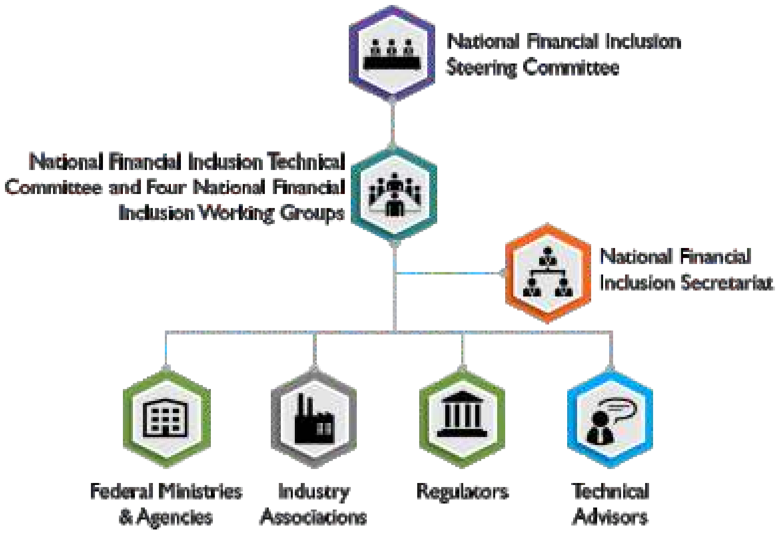
ABOUT

THE NATIONAL FINANCIAL INCLUSION STRATEGY

The Nigerian National Financial Inclusion Strategy (NFIS) was launched on October 23, 2012. The aim was to reduce the percentage of adult Nigerians who do not have access to financial services from 46.3 per cent in 2010 to 20 per cent in 2020. In addition, the strategy stipulates that 70 per cent of those to be included in the financial system by 2020 should be in the formal sector.

The Strategy is implemented through a wide range of stakeholders and the implementation monitored through Governing Committees, as shown below:

Figure A: Governing Structure of NFIS

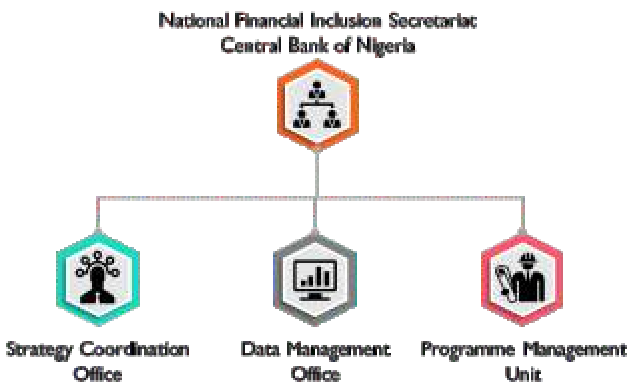


The **National Financial Inclusion Steering Committee,** chaired by the Central Bank of Nigeria (CBN) Governor, comprises the Heads of relevant Ministries, Departments and Agencies (MDAs), Industry Associations, Regulators and Technical Advisory companies. It provides high-level policy and strategic direction for the implementation process. **The National Financial Inclusion Technical Committee,** chaired by the CBN Deputy Governor, Financial System Stability, comprises CBN Directors as well as equivalents within relevant Ministries, Departments and Agencies, Industry Associations, Regulators and Technical Advisory companies. It provides technical support and validates data supplied on financial inclusion. **The Technical Committee carries out its operational activities through Working Groups – Products, Channels, Financial Literacy and Special Interventions Working Groups:** The Working Groups develop and implement annual work plans in order to achieve the defined financial inclusion targets by 2020 and monitor implementation of the strategy.

The Financial Inclusion Secretariat

The Financial Inclusion Secretariat is a Unit within the CBN, which was established to run the day-to-day coordination, data management and reporting on the National Financial Inclusion Strategy implementation process. It comprises three key offices, the Strategy Coordination Office, the Data Management Office and the Digital Financial Services Programme Management Unit.

Figure B: FIS organogram



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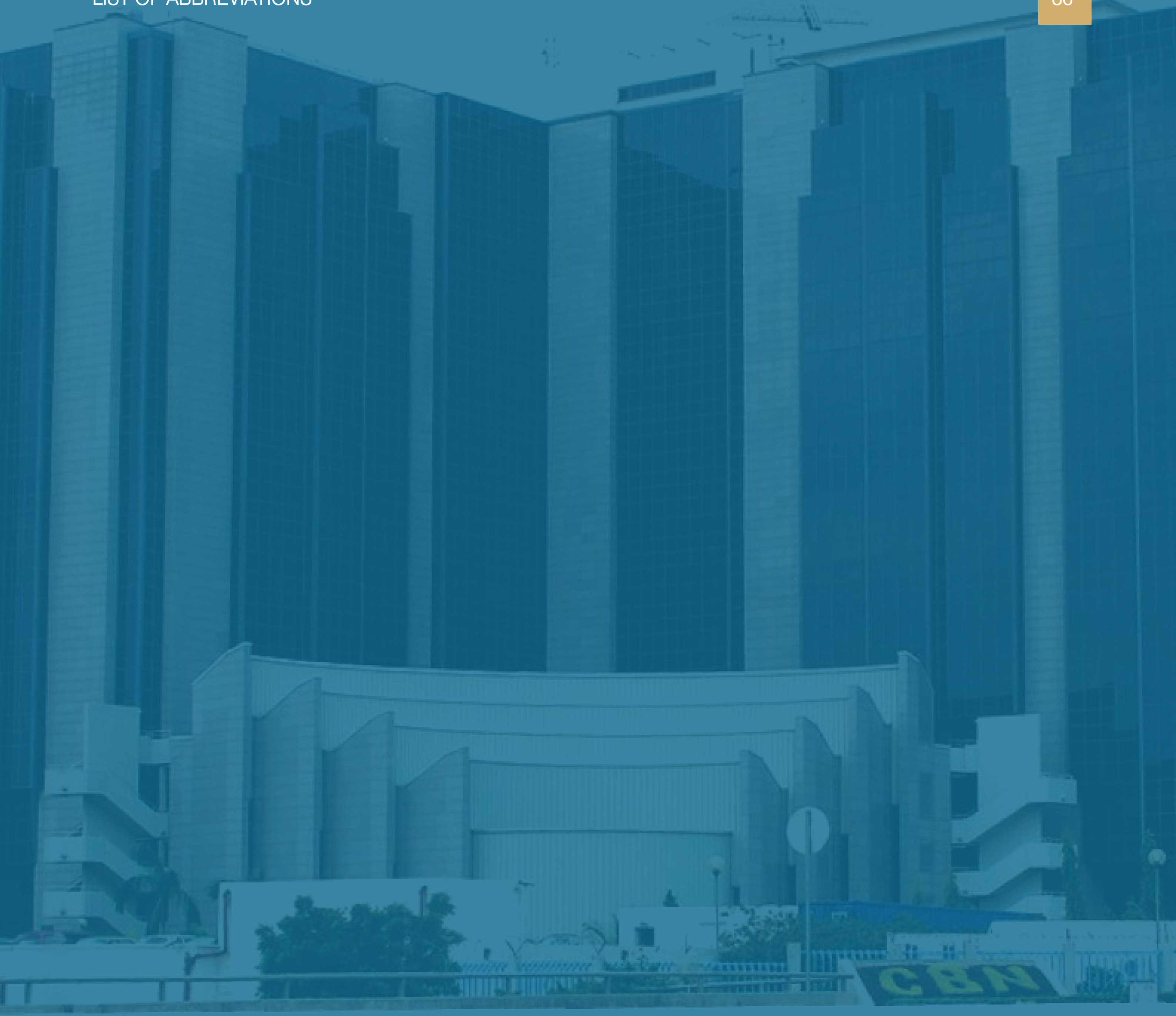

CBN

FOREWORD

The year, 2017 witnessed increasingly sustained efforts of stakeholders to accelerate progress towards the 20% exclusion rate by the year 2020.

Against the background of on exclusion rate of 41.6 percent in 2016 as per the survey results of the Enhancing Financial Innovation and Access (EFInA) Access to Finance Survey in Nigeria in 2016, the need to double efforts has become apparent. The Central Bank of Nigeria and indeed all the implementing stakeholders demonstrated strong commitment to innovate new ways of increasing the speed towards the 2020 target.

One of the key steps taken is the review of the Strategy document, to reflect current realities, take advantage of opportunities and re-prioritize activities to create room for concentration on aspects that hold the greatest promise in terms of inclusion impact. The conclusion of this exercise in 2018, will redefine roles and responsibilities and provide the impetus for greater commitment by stakeholders.

In 2017, considerable progress was made in the implementation of the National Identity Management Framework, informal sector Pension, micro insurance, agent banking guidelines, financial literacy framework, Consumer Protection Framework amongst others. Also during the year, the Steering Committee approved the framework for state-level implementation of the National Financial Inclusion Strategy at state levels under the auspices of the Financial Inclusion State Steering Committee (FISSCO). The arrangement is expected to bring financial inclusion closer to the grassroots and nationally spread impact, thereby improving the performance level.

The evolution of Digital Financial Services (DFS) has been proven globally to be a disruptive force in significantly improving uptake of financial services, as it reduces cost to serve and acts as a convenient way of carrying out financial transactions, without the burden of physically travelling to a financial institution. Exploring the potentials of DFS therefore remains at the top of the priority list to support improved access to finance in Nigeria.

In view of our commitment to our nation and the global community, I wish to call on stakeholders to double their efforts particularly in the prioritized areas which will be the outcome of the ongoing review of the Strategy.

I wish to therefore present the 2017 Annual report on the National Financial Inclusion Strategy implementation for public use.

Thank you.

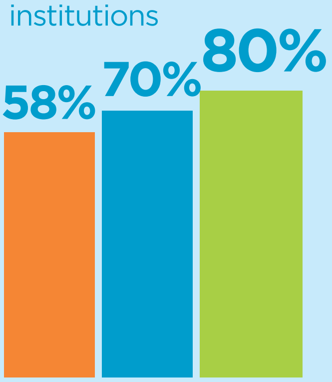
Godwin I. Emefiele
Governor, Central Bank of Nigeria
Chairman, National financial Inclusion Steering Committee

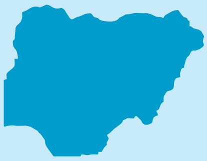
STATUS OF FINANCIAL INCLUSION IN NIGERIA

Financial Inclusion Rate

Financial Inclusion Rate[a]

% of adult population that has or uses financial products from formal or informal financial institutions

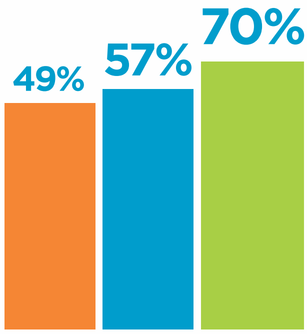




56.3m adults

Formal Financial Inclusion Rate[b]

% of adult population that has or uses financial products from formal financial institutions

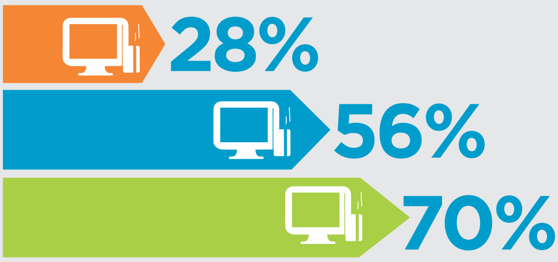


46.9m adults

Product Indicators

Electronic Payments & Savings

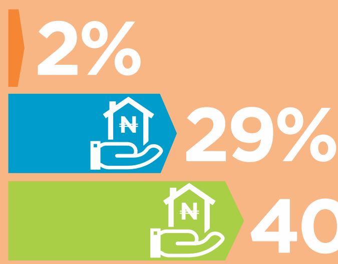
% of adult population having a Bank Verification Number (BVN)



27.2m adults

Credit

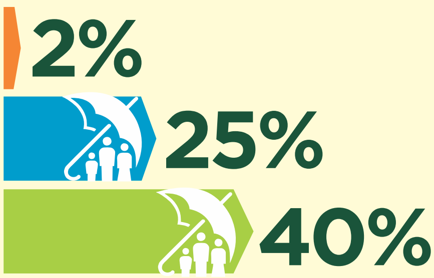
% of adult population having borrowed or paid back a loan through a regulated financial institution over last 12 months



1.7m adults

Insurance

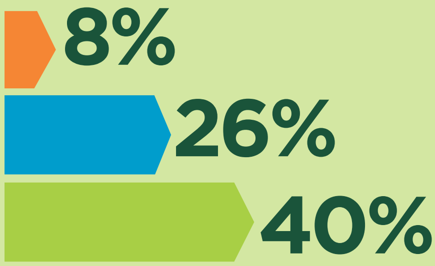
% of adult population covered by a regulated insurance policy



1.7m adults

Pensions

% of adult population registered with a regulated pension scheme



7.6m adults

LEGEND

VALUE AS AT 2016 | 2016 TARGET | 2020 TARGET

Based on the 2016 Biennial Access to Financial Services in Nigeria Survey by EFInA. Statistics will be updated for 2018

STATUS OF FINANCIAL INCLUSION IN NIGERIA

Channels Indicators

No. of **Commercial Bank Branches** per 100,000 Adults

5.6 7.5 7.6

5,446 branches

No. of **Microfinance Bank Branches** per 100,000 Adults

2.3 4.6 5.0

2,197 branches

No. of **Automated Teller Machines (ATMs)** per 100,000 Adults

18.0 46.2 59.6

17,440 ATMs

No. of **Point-of-Sale (PoS) Devices** per 100,000 Adults

116.3 524.1 850.0

112,847 PoS Devices

No. of **Agents** per 100,000 Adults

18.8 37.2 62.0

18,228 agents

Enabler Indicators

National Identification Number (NIN)

% of adult population having a NIN

15% 67% 100%

14.6m adults

Know Your Customer (KYC) Tier 1 ID

% of adult population having a mobile phone
As a proxy for percentage of people eligible for a tier 1 account

60% 67% 100%

58.3m adults

LEGEND

VALUE AS AT 2016	2016 TARGET	2020 TARGET

Based on Industry Data as at December 2017

(R-L) Prof. Yemi Osinbajo, Vice President of Nigeria and Queen Maxima of the Netherlands (United Nations Secretary General's Special Advocate (UNSGSA) on Inclusive Finance for Development) during a state visit

The Governor of the Central Bank of Nigeria (R) engaging Queen Maxima (L) of the Netherlands during her visit to the Bank

EXECUTIVE SUMMARY

"Financial Inclusion is absolutely important for us as an economy. We need to be able to ensure that all of our people, wherever they live, no matter how far away they are can be reached with financial products"

Prof. Yemi Osinbajo, Vice President, Federal Republic of Nigeria

Nigeria launched its own National Financial Inclusion Strategy (NFIS) in October, 2012. The overarching objective of the strategy is to reduce the number of Nigerian adults without access to formal financial services to 20% by 2020 from the base line figure of 46.3% in 2010.

The strategy is being implemented by a wide range of stakeholders and managed by a *Governing Committee* through a streamlined governance structure. The structure consist of a *National Financial Inclusion Secretariat* that oversees the day-to-day monitoring of the Strategy implementation; *National Financial Inclusion Working Groups* that implement specific actions to achieve objective of the strategy; a *Technical Committee* who recommends the approval of technical outputs for the consideration of the *Steering Committee* - which has overall accountability for the NFIS. One of the key milestones achieved in 2017 was the approval of a State level steering committee. The *Financial Inclusion State Steering Committee (FISSCO)* was recently added to the governance structure to further deepen strategy implementation at the state level; FISSCO reports to the Technical Committee. This annual publication seeks to report the progress on implementation of the strategy in 2017.

The 2017 report which is the 3rd edition of this publication has few changes from the previous edition based on feedback received and need to focus on higher-priority activities in the strategy implementation landscape. There was a straight swap of two chapters; Chapter 3 of previous report which used to be "Strategy Implementation Progress" is now Chapter 4 while the Chapter covering "Stakeholder Activities" is now Chapter 3. A new Chapter 5 - Mid-Term Review of the National Financial Inclusion Strategy - has been added to this year's report to highlight key initiatives of 2017.

"One of the key milestones of 2017 was the approval of a State-level Steering Committee: Financial Inclusion State Steering Committee (FISSCO). Recently, FISSCO was also added to the governance structure to further deepen strategy implementation at the state level"

Importance of Financial Inclusion to the Nigerian Economy

The Nigerian economy contracted for five consecutive quarters and only experienced sluggishly positive growth in real GDP in 2nd quarter 2017. To sustain this growth, the Nigerian government view Financial Inclusion as a critical foundation for economic recovery and growth. The government believes in the capability of Financial Inclusion to drive economic growth and development; hence endorsed Financial Inclusion as a major component of the country's national economic development agenda. To buttress this point, while receiving the UN Secretary-General's Special *Advocate* for Inclusive Finance for Development (UNSGSA), Queen Maxima of Netherland, in Abuja, Nigeria in November 2017, the Vice President of Nigeria, Prof. Yemi Osinbanjo stated that: "Financial Inclusion is absolutely important for us as an economy. We need to be able to ensure that all of our people, wherever they live, no matter how far away they are can be reached with financial products".

The same was point was further reinforced during bilateral discussions between the visiting UNSGSA and the Nigerian Central Bank Governor, Godwin Emefiele. What is more, a report published by Mckinsey Global institute also showed that Digital Financial Inclusion can provides potential economic benefits to Nigeria by boosting GDP up to 12.4% by 2025; mobilize new deposits to a tune of about USD 36 million; create about 3 million new jobs; reduce government leakages annually by USD 2 billion; and add about 46 million people to the inclusion bracket. It is against this back drop of these postulations that we present the progress report of the implementation of the National Financial Inclusion strategy for 2017.

Global numbers are improving but local numbers are not

One of the major highlights of Financial Inclusion in 2017 is the reduction in the number of unbanked by 515 million globally according to data released by the World Bank. The World Bank Global Findex 2017 report showed that the total number of globally excluded has reduced from 2 billion based on the 2014 Global Findex data to 1.7 billion based on the 2017 data. The Global Findex 2017 also reported a 7% increase in account ownership up to 69% from 62% in 2014. Digital technology and mobile money are the most promising tools used to close Financial Inclusion gaps across the globe, with 52% of adults globally using the digital platform to send and receive payment - an increase of 10% from 2014.

Notwithstanding global progress, account ownership in Nigeria has plummeted by 4 percentage points to 40% in 2017 compared to 44% in the 2014 report. This trend is in tandem with the EFInA 2016 survey report on Access to finance which shows that no interim target was achieved in 2016.

The fragile macroeconomic environment in the previous year coupled with the slow Financial Inclusion growth rate in 2016 meant that concerted effort is required from all Financial Inclusion stakeholders in Nigeria. This is in order to quickly reverse the trend and stand a realistic chance of achieving 80% inclusion rate at the project terminal date of 2020.

Mild Improvements in Macroeconomic environment and Financial Market Results

The macroeconomic environment in 2017 showed better promise than that of the preceding year. This was largely due to the intervention of the CBN in the Agricultural sector through the Anchor Borrower Programme, increased oil receipt by the Nigerian government, fiscal stimulus, as well as the improved business environment.

The recovery of crude oil price at the local and international market also meant an improvement in performance with an overall balance of payments surplus of 3.3% of GDP, as against a deficit of 0.2% of GDP in 2016. This was further strengthened by the sustained reform in the foreign exchange market which resulted in the accumulation of external reserve and a more stable Naira/US Dollar exchange rate.

> **"Other key stakeholder achievements in 2017 include… the release of the Micro-Insurance and the Bancassurance guidelines by the National Insurance Commission (NAICOM) to further improve uptake of insurance in the country"**

The structure of the Nigerian financial sector remained largely unchanged in 2017, although one more bank was granted license - making it a total of 27 licensed banks. In the same year, total asset of the banking sector grew by 9.4% compared to the preceding year. Microfinance Banks (MFBs) also grew from 999 in 2016 to1008 in the period under review.

E-payment experienced impressive growth during the year under review with an increase in volume and value by 43.2% and 37.6% respectively. On the other hand, the volume and value of cheques cleared nationwide maintained a declining trend as it fell by 7.7% and 6.9% respectively.

The insurance sector recorded a 14% growth in gross premium and 1.7% in terms of claims paid by Insurance companies, during the year under review.

The total annual contributions made into the Contributory Pension Scheme (CPS) during the year grew by 25.12% when compared to the contributions made in 2016.

In the capital Market, the number of listed securities increased from 247 in 2016 to 261 in 2017. The aggregate market capitalisation of the 261 listed securities rose, significantly, by 41.6% to ₦22,917.9 billion, compared with the level in 2016.

Mild improvements were evident in all sectors of the Financial Market in 2017, compared to 2016. This has provided the necessary conditions for stakeholders to implement initiatives to drive the objective of Financial Inclusion.

Further details of the macroeconomic environment and Financial Market in Nigeria during the period under review are provided in section 2.0 of this document.

A Strategic Change to the Governance Structure

In order to deepen the implementation of Financial Inclusion at the States level, the National Financial Inclusion Steering Committee (NFISC) approved the implementation of a Financial Inclusion States Steering Committee (FISSCO) in all 36 states of the Federation and the Federal Capital Territory, Abuja.

Also, during the year under review, in order to leverage on the potential of Digital Financial Services to accelerate the objective of Financial Inclusion, the Digital Financial Services Program Management Unit of the Secretariat became functional upon resumption of a key staff of the units.

Key Stakeholder Activities and Achievements

At the National Financial Inclusion Steering Committee level, the two major initiatives that were approved include; the review of the existing National Financial Inclusion Strategy and development of a revised strategy through a refresh project; and approval for the setup of FISSCOs.

During the period under review, the National Financial Inclusion Technical Committee (NFITC) approved the change of membership status of some institutions from observers to full member status of NFITC. The committee also approved collaborations between key institutional stakeholders to improve Bank Verification Number (BVN) enrollments.

Some key achievements at the Working Group level include:

- Promoting the active role of Nigerian Postal Services (NIPOST) in agent banking.
- Development and infusion of Financial Literacy Curriculum into the National Education Curricula.
- Participation of key member institutions in the National Youth Service Corps (NYSC) Peer Educator Programme - an initiative designed to leverage on NYSC members to drive Financial Literacy.
- Development of new strategies to onboard the financially excluded by Jaiz Bank and other Non-Interest Finance Institutions.
- Aggressive efforts to scale up the disbursement of 2% Micro, Small and Medium Enterprises Development Fund (MSMEDF) to People living With Disabilities (PWDs).

During the same period, the Secretariat hosted a knowledge exchange programme for seven (7) member countries of the Alliance of Financial Inclusion (AFI) network. The secretariat also hosted the United Nations Secretary General's Special Advocate (UNSGSA) on Inclusive Finance for Development - Queen Maxima of the Netherlands. In her role as the UNSGSA, she visited Nigeria to ascertain progress of the NFIS implementation.

Other key stakeholder achievements in 2017 include the establishment of the Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS) by the Bankers' Committee to promote SMEs in agri-business; and the release of the Micro-Insurance and the Bancassurance guidelines by the National Insurance Commission (NAICOM) to further drive uptake of insurance activities in the country.

Detail achievement of stakeholders is further provided in section 3 of this document.

How close are we to the target?

The primary data source for measuring the demand side of progress of Financial Inclusion in Nigeria is the bi-annual Access to Finance Services survey data by Enhancing Financial Innovation and Access (EFInA). The last survey was conducted in 2016 and the findings were reported in the 2016 annual report which shows that no interim target for 2016 was achieved. The next round of survey would take place in 2018. On the supply side however, the CBN and other institutional regulators provide the relevant data for measurement.

Data from the World Bank Global Findex for 2017 provides some insight into Financial Inclusion progress in Nigeria in 2017. The data shows that ownership of an account with a financial institution or a mobile money provider in Nigeria dropped by 4 percentage points from 44% in 2016 to 40% in 2017. The 2017 Findex report further highlights the issues observed in the mid-term review of the NFIS strategy. For instance, the gender gap in account ownership widened by 24 percentage points with 51% men owning an account compared to 27% women.

The product performance indicator for 2017 shows that even though the interim target for 2017 across all products were not achieved there was considerable progress in 2017 compared to the previous year. Figure 2.0 below provides an overview of the 2017 products status.

Definition of Indicator		Definition of Proxy Indicator	Baseline 2010	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Target 2017	% Achieved 2017	Trend 2016 -17	Status	Target 2020
Payment	% of adult population having a payment product with a formal financial institution	% of adult population having Bank Verification Numbers	22%	N/A	23.6% (22.6m Adults)	28.0% (27.2m Adults)	31.3% (31.0m Adults)	59.8% (59.3m Adults)	52.3%			70% (74.1m Adults)
Savings	% of adult population having a savings product with a formal financial institution	% of adult population having Bank Verification Numbers	24%	1.5% (1.4m Adults)	23.6% (22.6m Adults)	28.0% (27.2m Adults)	31.3% (31.0m Adults)	49.2% (48.8m Adults)	63.6%			60% (63.5m Adults)
Credit	% of adult population having borrowed or paid back a loan through a regulated financial institution over the last 12 months		2%	1.1% (1.0m Adults)	3%*	1.8% (1.7m Adults)	5.4% 5.4m Adults	31.6% (31.3m Adults)	17.1%			40% (42.3m Adults)
Insurance	% of adult population covered by a regulated insurance policy		1%	1.0% (1.6m Adults)	1%*	1.8% (1.7m Adults)	1.1% 1.15m Adults	28.6% (28.4m Adults)	3.8%			40% (42.3m Adults)
Pensions	% of adult population registered with a regulated pension scheme		5%	6.8% 6.4m Adults	7.5% (7.2m Adults)	7.9% (7.6m Adults)	8.4% (8.4m Adults)	29.2% (29.0m Adults)	28.8%			40% (42.3m Adults)

**for these years, supply-side data was not available therefore the demand-side figure for the preceding year was used as a proxy*

Figure C: Status of the Product Key Performance Indicators

The number of POS channel and Agents deployed in the year under review trended upwards in 2017, albeit below expected target, the remaining channels either trended downwards or remained unchanged. This trend might not be unconnected with increased dependence on Digital Financial Services (DFS) and Agency Banking; and less dependence on traditional channels like physical bank branches and ATMs.

One of the key enablers for DFS and indeed Financial Inclusion is a means of identification. The target for Nigerian adult population for National Identification Number (NIN) was 74.8 million; however, only about 27.7 million Nigerian adult have NIN in 2017. Enrolment for Bank Verification Number (BVN) which serves as a means of identification for the Banking sector in Nigeria has grown to about 30 million. Efforts are ongoing by the National Identification Management Commission (NIMC) to harmonize the various identification databases for better efficiency and results.

"Overall, progress towards achieving the NFIS targets has fallen short of the annualized targets in the year under review.

We are hoping that concerted efforts and policy initiatives rolled out in 2017 will yield more positive outcomes in subsequent years starting from 2018"

Overall, progress towards achieving the NFIS targets has fallen short of the annualized targets in the year under review.

We are hoping that concerted efforts and policy initiatives rolled out in 2017 will yield more positive outcomes in subsequent years starting from 2018.

Details of progress measurement against target are further described in section 4 of this report.

National Financial Inclusion Strategy Review and Refresh

With the terminal date to meet the Financial Inclusion target just 3 years away, drastic measures need to be put in place to improve the chances of meeting the target, considering the changes to certain socio-economic variables and the implementation landscape since 2012. The 2012 Strategy document also made provision for a mid-term review after the first 4 years of implementation.

To that effect, the project for the mid-term review and refresh of the 2012 NFIS strategy was approved in 2017.

The strategy mid-term review was a backward-looking assessment of the 2012 NFIS based on a comprehensive review of existing research; reports and databases; and extensive stakeholder engagement; while the strategy refresh is a forward-looking process that seeks to apply lessons learned from the review phase to the development of a new strategy.

The findings of the mid-term review phase of the project were approved in 2017.

Key findings of the mid-term review include:

I. That no interim targets were achieved as at December 2016, although exclusion rate had dropped to 41.6% in 2016 from 46.3% in 2012.

II. That five target demographic groups were excluded at especially high rates and accounted for major exclusion gaps: Gender (Women 46.5%) Urban - rural (52.2%), Age (Youth 18 – 25year, 53.3%), Regional (Northwest 70% and Northeast 62%, the two regions account for 56.6% of overall exclusion) and Formality (MSMEs).

III. Reasons behind the unusually high exclusion rates for these groups ranged from religious and cultural barriers to uptake of financial products, difficulties in profitably extending financial services to them, high (and worsening) levels of unemployment, security challenges in specific regions of the country and continuing high levels of informality in the economy.

Based on these findings, the review came up with the following critical themes to scale up achievement in the Financial Inclusion targets as outlined in three steps:

I. *Step 1 - Focus on building foundations:* creating a controlled and enabling environment for innovation to thrive, whilst assuring overall financial system stability; enhancing private sector understanding and interest in Financial Inclusion objectives; expanding Agent networks; and accelerating issuance of the national identity number to all citizens.

II. *Step 2 - Unlocking high potential models:* comprising Digital Financial Services (DFS) and Community lending models through Microfinance.

III. *Step 3 - Broadening and deepening inclusion:* investments in tailored savings and credit products, accelerating digitization of government payments, including social transfers and Government to Persons (G2P), Persons to Government (P2G) and Financial and Digital literacy.

"Our target is to bridge the 20 percent exclusion rate by 2020…we need to work on propagating digital financial services as simple, flexible and easy alternative channels for reaching our remote areas and rural hinterland"

Though interim targets for 2017 were largely not met and certain socio-economic variables in the implementation landscape remains a challenge, the ongoing collaboration within stakeholders, the implementation of FISSCO, growth in DFS and the work on the revised strategy makes us optimistic that when the EFInA Access to financial services survey for 2018 is conducted better progress would have been made towards the achievement of the Financial Inclusion target of 80% exclusion rate by 2020.

As succinctly captured by the Governor of the Central Bank of Nigeria during the visit of Queen Maxima of the Netherlands in her capacity as the UNSGSA, to ascertain the progress of Financial Inclusion in Nigeria, "Our target is to bridge the 20 percent exclusion rate by 2020…we need to work on propagating digital financial services as simple, flexible and easy alternative channels for reaching our remote areas and rural hinterland". We intend to focus more on DFS in achieving the set target.

Table A: Implementation Status of Key Initiatives as at December 2017

Status	Implementation Area	Initiative
Completed	Governance Arrangement	The Steering Committee approved the setting up and inauguration of Financial Inclusion State Steering Committee in all 36 States and the FCT.
	Insurance	The National Insurance Commission released revised guidelines for Microinsurance operations in Nigeria. The Takaful Guidelines was also released and two stand-alone operators were licensed.
	Establishment of DFS PMU	The CBN established a programme Management Unit for Digital Financial Services.
	National Identity	The National Identity Management Commission (NIMC) completed and released 5 (five) gazzetted regulations in support of the Federal Government's policy on National Identity.
	Capital Market	The Securities and Exchange Commission completed its Capital Market Strategy Document, providing the strategic foundation for deepening financial inclusion in the capital market.
	Consumer Protection	The Nigeria Deposit Insurance Corporation extended deposit insurance to subscribers of mobile money products.
	Financial Literacy	The Central Bank of Nigeria approved the National Financial Literacy Framework as well as the results of the National Financial Literacy Baseline Survey.
On Track	Payments	1. The Central Bank of Nigeria issued license to 2 new Super Agents; 2. BVN enrolment extended to Microfinance Bank customers. 3. CBN and NCC signed a Memorandum of Understanding (MoU) to enhance payment systems and drafted a regulatory framework on the use of Unstructured Supplementary Service Data (USSD)
	Credit	As at December 2017, the NCR recorded a total of 22,744 financial statements valued at N511.35 billion secured with 29,060 various types of movable assets from 106,637 debtors.
	Insurance	The CBN released the Bancassurance guidelines in March 2017 in addition to NAICOM's guidelines.
	Pensions	A draft Micro Pension Guideline for the informal sector and self-employed was under review as at December, 2017

Status	Implementation Area	Initiative
	Financial Literacy	The Federal Ministry of Education and other stakeholders introduce financial education into the Nigerian school curriculum.
	Consumer Protection	The CBN released guidelines for the implementation of Financial Literacy framework.
	Capital Market Literacy programme	The NSE launched a specialized learning center in June 2017 designed to offer capital market training and financial education programmes to individuals who will lead and transform businesses for sustainable growth.
	NYSC Peer Educator programme	The inauguration of the NYSC Peer Educator Programme in Plateau State in June 2017"
At Risk	Insurance	Implementation of the Bancassurance model did not record much traction due to some inherent constraints such as limiting number Banks that insurance operators can partner with
	Unique National Identification Number	The harmonization exercise of different identifications by the National Identity Management Commission progressed slowly.

Notes

[a]The adult financial inclusion rate includes any adult who falls under one of the three financial access strands “Banked”, “Other Formal” and “Informal Only”, measured by EFInA in its biennial Access to Financial Services in Nigeria Survey. The formal adult financial inclusion rate includes any adult who falls under one of the two financial access strands “Banked” and Other Formal”. The definitions of the financial access strands are as follows: Banked: Adults who have access to or use a deposit money bank in addition to having/using a traditional banking product, including ATM (debit) card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, or no-interest banking product, including indirect access. Formal Other: Adults who have access to or use other formal institutions and financial products not supplied by deposit money banks, including insurance companies, microfinance banks, pension schemes, mobile money operators or shares. It also includes remittances (through formal channels); including indirect access. Informal Only: Adults who do not have any banked or formal other products but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo, or money lenders; as well as remittances (through informal channels such as via a transport service or recharge card); Financially Excluded: Adults not in the “banked”, Formal Other”, or “Informal only” categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers, as well as remittances via a friend/family member.

[b]Figures on this charts are based on EFInA Access to Financial Services Survey (A2F) 2016 as the survey was not conducted in 2017.

[c]Adult population estimated from the 2006 EFInA A2F.

[d]BVN data sourced from the Nigerian Interbank Settlement System Plc. The Bank Verification Number (BVN) was introduced by the CBN in collaboration with commercial banks in February 2014 to ensure unique biometric identification across commercial banks in Nigeria. The BVN was made a mandatory requirement for any customer who would like to open and use a commercial bank account in October 2015. Therefore, the indicator is used as a proxy for the % of the adult population having a commercial bank account, which serves as a payments and savings product, as it can be used to make payments and save. The 2010 baseline value was based on a different definition and is therefore not directly comparable.

[e]Note that the 2017 figure of insurance penetration was computed based on industry data supplied by insurance companies only. Special schemes such as the NHIS and NSITF figures though higher but are not included. Premiums for these later schemes is paid directly by employers and the employees may not use the cover even when the event occurs because he/she may not be aware or have little knowledge of the insurance cover.

GLOBAL AND NIGERIAN FINANCIAL INCLUSION DEVELOPMENTS SINCE 2010

MAYA DECLARATION TIMELINE

2011
- 17 AFI Member Institutions with commitments to the Maya Declaration
- Maya Declaration launched at the 2011 AFI Global Policy Forum in Riviera Maya, Mexico.

2012
- 26 AFI Member Institutions with commitments to the Maya Declaration
- At the G20 Leaders' Summit in Los Cabos, Mexico, G20 Leaders recognize the role of the Maya Declaration in the Implementation of concrete and innovative financial inclusion initiatives.

2013
- 40 AFI Member Institutions with commitments to the Maya Declaration
- Sasana Accord launched at the 2013 Global Policy Forum in Kuala Lumpur, Malaysia.

2014
- 46 AFI Member Institutions with commitments to the Maya Declaration
- Launch of the Online Progress Dashboard.

2015
- 54 AFI Member Institutions with commitments to the Maya Declaration
- Maputo Accord launched at the 2015 Global Policy Forum in Maputo, Mozambique.

2016
- 58 AFI Member Institutions with commitments to the Maya Declaration
- AFI Online Data Portal (ADP) launched to replace the Online Progress Dashboard.

2017
- 70 AFI Member Institutions with commitments to the Maya Declaration
- *At the 9th AFI-GPF held in Egypt, the Sharm El Sheikh Climate Change Accord was approved.*
- AFI also introduced its new Regional Office in Africa during the Forum. Hosted by the Ministry of the Economy and Finance of Cote d'Ivoire and the Central Bank of West African States (BCEAO) in Abidjan, Cote d'Ivoire

Source: Alliance for Financial Inclusion (2016a)

NIGERIAN TIMELINE

2010
- EFInA's A2F Baseline Survey reveals that 46% of adult Nigerians financially excluded

2011
- Nigeria signs MAYA declaration and commits to an 80% financial inclusion rate by 2020.

2012
- Nigeria launches the National Financial Inclusion Strategy with specific targets
- CBN launches the Cashless Policy

2013
- Financial Inclusion Secretariat set up to coordinate NFIS implementation
- Financial inclusion pilot launched in Borno State
- CBN releases the Guidelines for the Regulation of Agent Banking
- CBN publishes three-tiered KYC requirements

2014
- Financial Inclusion Secretariat fully staffed
- Bankers' Committee launches Bank Verification Number (BVN),
- NIMC launches National Identification Number

2015
- National FI Governing Committees and Working Groups inaugurated
- FI desks set up at implementing agencies
- CBN releases the Regulatory Framework for Licensing Super-Agents
- NDIC extends deposit insurance to mobile money customers

2016
- CBN releases the Consumer Protection Framework
- National Council on Education approves Financial Education Curriculum
- National Collateral Registry goes live
- Bankers' Committee approves financial inclusion targets for commercial banks

2017
- Setting up and inauguration of Financial Inclusion State Steering Committee in all 36 States and the FCT.
- The National Insurance Commission released revised guidelines for Microinsurance operations in Nigeria. The Takaful Guidelines was also released and two stand-alone operators were licensed.
- Establishment of a Programme Management Unit for Digital Financial Services.
- The National Identity Management Commission (NIMC) completed and released 5 (five) gazzetted regulations in support of the FG's policy on National Identity.
- The Securities and Exchange Commission (SEC) completed its Capital Market Strategy Document for deepening financial inclusion in the capital market.

THE POTENTIAL IMPACT OF DIGITAL FINANCIAL SERVICES BY 2025

On Emerging Countries

1.6 BILLION
newly formally financially included adults

$4.2 TRILLION
in new deposits

$3.7 TRILLION
6% GDP boost by 2025

95 MILLION
new jobs

$110 BILLION
annual reduction in government leakage

$2.1 TRILLION
in new credit

Source: McKinsey Global Institute Report on Digital Finance for All (2016)

On Nigeria

01 Account Ownership in Nigeria by Gender

38.3% Total Account Ownership

- Female: 30.0%
- Male: 46.3%

02 Savings in a Financial Institution

68.0% Percentage of Adult Nigerians that Save

- Bank: 40.7%
- Other Formal: 0.7%
- Informal: 22.1%
- @Home: 36.5%

03 Credit Indicators

33.0% Percentage of Nigerian Adults Who Borrow

- Family & Friends: 76.3%
- Bank: 2.7%
- Formal Sources: 2.8%
- Informal: 18.1%

04 Digital Payment Indicators

16.0% Percentage of Adults Aware of Mobile Money

2%

Of the 16% Aware Adult Population are aware of Mobile Money

05 Payment of Utility Bills

32.0% Percentage of Adults Who Paid Utility Bills

4%

Of the 32% Above Paid their Utility Bills Using Mobile Phone

06 Initiate Domestic Remittance

25.0% Percentage of Domestic Remittance (by the Poorest 40%)

- Through Mobile Phones: 16.0%
- Through Financial Institutions: 20.0%

07 Remittances

51.0% Percentage of Remittance

- Through Money Transfer: 1.0%
- Through Financial Institutions: 29.0%

Source: Global Findex 2017: Further Analysis on Nigeria

(L-R) Dr. Obiageli Ezekwesili, Queen Maxima of the Netherlands (United Nations Secretary General's Special Advocate (UNSGSA) on Inclusive Finance for Development), Emir of Kano, Alhaji Sanusi Lamido II and Mrs Maryam Uwais Special Adviser to the President for Social Protection Plan at an EFInA Financial Inclusion Workshop

Queen Maxima of the Netherlands (UNSGSA on Inclusive Finance for Development), presenting a keynote address on 'The Transformative Power of Financial Inclusion' at an EFInA Financial Inclusion Workshop

1. INTRODUCTION

> **1.7 billion Adults did not have a bank account as at 2017 globally**

1.1 Why Financial Inclusion?

Financial Inclusion provides a platform for raising incomes and living standards of individuals and accelerating economic growth in developing and emerging economies of the World. Access to finance provides the leverage for risk management practices that help families cope with unexpected income shocks, other natural disaster risks and meeting life cycle needs, thus preventing low income economically active households from falling back into poverty.

Nigerian leaders strongly believe in the role of Financial Inclusion in economic growth and development and have endorsed Financial Inclusion as a major plan of the country's national economic agenda. The Vice President, Professor Yemi Osinbajo stated that "*Financial Inclusion is absolutely important for us as an economy. We need to be able to ensure that all of our people, wherever they live, no matter how far away they are can be reached with financial products*".

Across the world, Financial Inclusion has continued to be on the front burner and considerable progress has been made in promoting access to financial services. The 2017 World Bank's Global Findex database showed that the share of adults aged 15 years and above that own an account with a financial institution or mobile money provider increased by 7 percentage points from 62 per cent in 2015 to 69 per cent in 2017. This means that an additional 515 million adults had gained access to financial services globally. However, despite the modest achievements, as many as 1.7 billion adults still remained financially excluded. Women and low-income households were among the most excluded. The global rate of account ownership stood at 72 per cent for men, compared to 65 per cent for women while, account ownership among adults in the wealthiest 60 per cent of households was 13 percentage points higher than among the poorest 40 per cent of households during the period under review.

> **"The global rate of account ownership stood at 72 per cent for men, compared to 65 per cent for women while, account ownership among adults in the wealthiest 60 per cent of households was 13 percentage points higher than among the poorest 40 per cent of households during the period under review."**

Digital technology and mobile money are the most promising tools to address these prevailing gaps across the globe. About 52 per cent of adults globally have sent or received digital payments in the past year, which represents an increase of 10 percentage points from the 42 per cent registered in 2014.

In Nigeria, 2017 was an important year for Financial Inclusion. Even though information from the World Bank's Global Findex database revealed a decrease in account ownership from 44 per cent in 2014 to 40 per cent in 2017, a lot happened in the financial inclusion sphere. The review process of the National Financial Inclusion Strategy (NFIS) commenced during the year with the aim of re-focusing all efforts towards achieving the 80 per cent financial inclusion rate by 2020. Moreover, activities such as the continued enrollment of Nigerians into the National Identification Number (NIN) Scheme and the expansion of Bank Verification Number Scheme (BVN) laid the foundation for additional progress.

As we advance towards 2020, there is need for accelerated implementation process in order to achieve the targeted 80 per cent inclusion rate. This Annual Report provides detailed information on the activities of financial inclusion stakeholders and the implementation progress achieved in 2017.

Chapter two of the report provides information on the implementation environment for the period under review, while chapter three details the activities of different stakeholders. Chapter four presents the data on the strategy implementation progress while chapter five provides key findings from the review of the NFIS which was launched in 2012. Chapter 6 concludes the report with recommendations and outlook for 2018.

Presentation of Peer Educator Jacket to the Honourable Minister of Youths and Sports Development, Barr. Solomon Dalung as part of the Flag-off Ceremony of the Peer Educator Programme

2. IMPLEMENTATION ENVIRONMENT

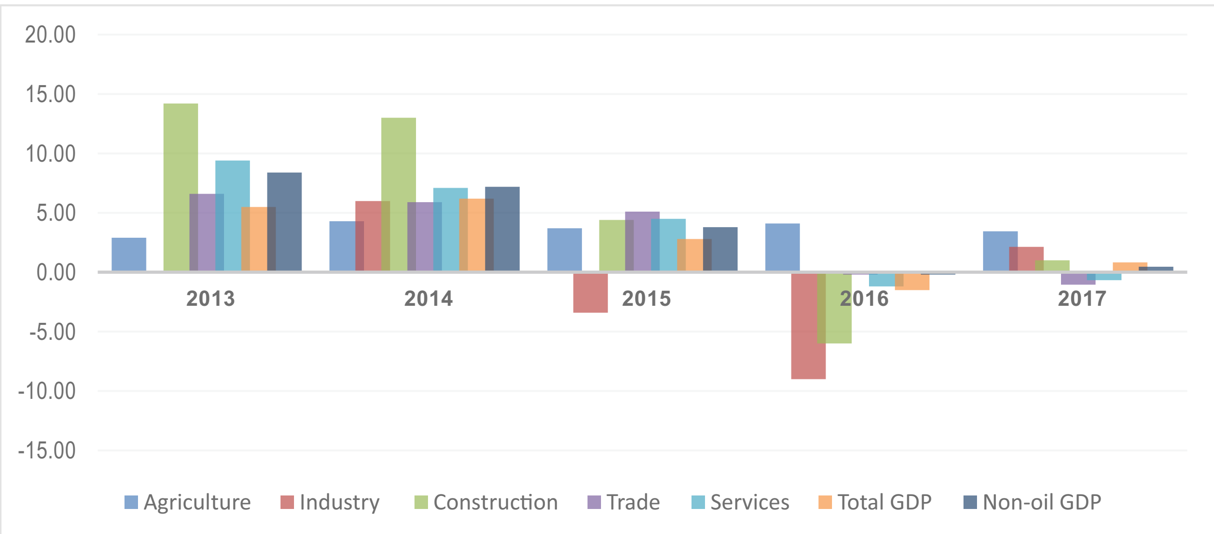
This chapter describes the implementation environment of the National Financial Inclusion Strategy in 2017. It examines the macroeconomic environment as well as analyses relevant sub-sectors of the Nigerian financial industry.

> **"Growth was driven by the Agriculture, Industry and Construction sectors, which contributed 0.84, 0.38 and 0.04 per cent to GDP growth in 2017"**

2.1 Macroeconomic Environment

The economy witnessed a mild recovery from recession in 2017. This was attributed largely to increased agricultural output enabled by CBN interventions, improved crude oil receipts, fiscal stimulus, as well as, improved business environment witnessed during the year. Data from the National Bureau of Statistics (NBS) showed that the real Gross Domestic Product (GDP), measured at 2010 constant basic prices, grew by 0.83 per cent, in contrast to the contraction of 1.58 per cent in 2016. Growth was driven by the Agriculture, Industry and Construction sectors, which contributed 0.84, 0.38 and 0.04 per cent to GDP growth in 2017 (see Figure 2.1.1).

Figure 2.1.1: Sectoral Growth Rates of GDP at 2010 Constant Basic Prices, 2013 to 2017 (%)



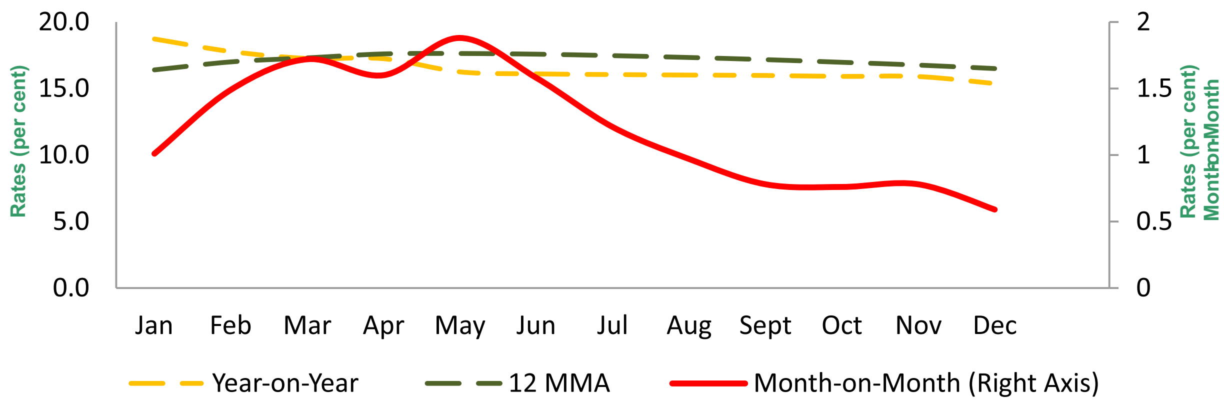
Source: National Bureau of Statistics (NBS)

At end-December 2017, the year-on-year headline inflation stood at 15.37 per cent, indicating a decline of 3.18 percentage points below the level at end-December 2016.

As in the year 2016 where sector recorded the fastest growth rate of 4.11 per cent of the GDP, the agricultural sector grew by 3.45 per cent in 2017 compared with the Industry and Construction sectors. While the Industry sector grew by 2.14 per cent of the GDP, Construction sector grew by 1.00 per cent in the same year 2017. However, Trade and Services sectors contracted by 1.05 and 0.67 per cent, respectively.

At end-December 2017, the year-on-year headline inflation stood at 15.37 per cent, indicating a decline of 3.18 percentage points below the level at end-December 2016. The rate remained above the benchmark single-digit rate in 2017, although it maintained a declining trend throughout the year. The gradual decline in inflationary pressures was attributed to the effect of sustained interventions by the CBN in the foreign exchange market which moderated the exchange rate pass-through effect to domestic prices, among others.

Figure 2.1.2: Trend of Inflation rates, 2017



Source: National Bureau of Statistics (2017)

The gradual decline in inflationary pressures was attributed to the effect of sustained interventions by the CBN in the foreign exchange market which moderated the exchange rate pass-through effect to domestic prices, among others.

The external sector recorded an improved performance with an overall balance of payment surplus of ₦3,737.37 billion or 3.3 per cent of GDP, as against a deficit of 0.2 per cent of GDP in 2016. The improved performance was driven mainly, as a result of the recovery in crude oil price at the international market, domestic production, and the sustained reforms in the foreign exchange market, which resulted in the accumulation of external reserves. The sustained interventions and policy reforms of the CBN at the foreign exchange market, particularly the introduction of weekly sales of foreign exchange for invisible transactions, special window for small and medium enterprises (SMEs), and the establishment of the Investors' and Exporters' (I&E) window, stabilised the exchange rate during the review period. Consequently, the average official exchange rate of the naira to the US dollar was stable at N305.79/US$ in the review period. The BDC segment of the foreign exchange market witnessed increased pressure at the beginning of the year as it opened with a depreciation at ₦493.29/US$ in January 2017, from N455 in December 2016 but was contained with the resumption of foreign exchange sales to that segment by the Bank which led to an appreciation to ₦366.25/US$, ₦365.61/US$, ₦362.21/US$, and ₦362.83/US$, in June, August, October and December 2017, respectively.

2.2 Banking Sector

"Available data indicates that total assets of the banking sector increased by 9.4 per cent to reach N35.1 trillion at end-December 2017 from N32.1 trillion at end-December 2016."The structure of the Nigerian financial sector remained unchanged in 2017 although the number of licensed banks increased to 27, from 26 in 2016. The licensed banks comprise 21 commercial banks, five (5) merchant banks and one (1) non-interest bank. The number of bank branches, decreased to 5,450 from 5,571 in 2016.

Available data indicates that total assets of the banking sector increased by 9.4 per cent to reach N35.1 trillion at end-December 2017 from N32.1 trillion at end-December 2016

In the Other Financial Institutions (OFIs) sub-sector, there were 4,870 licensed institutions at end-December 2017, compared with the 4,242 institutions in 2016. This comprised seven (7) Development Finance Institutions (DFIs), thirty-four (34) Primary Mortgage Banks (PMBs), one thousand and eight (1,008) Microfinance Banks (MFBs), eighty-one (81)Finance Companies (FCs) and three thousand seven hundred and forty (3,740) Bureau-de-Change (BDCs) operators. The increase was as a result of new OFI licenses granted during the year to five hundred and eleven (511) BDCs, twenty eight (28) MFBs, four (4) FCs and one (1) DFI. Also, one (1) DFI in liquidation was delisted while eighty-two (82) BDCs, which did not meet the deadline for recapitalization in 2014, were reinstated to the functional group of BDCs, following their successful recapitalization during the year.

Available data indicates that total assets of the banking sector increased by 9.4 per cent to reach N35.1 trillion at end-December 2017 from N32.1 trillion at end-December 2016. Total deposit liabilities grew by 4.7 per cent from N18.5 trillion at end-December 2016 to N19.4 trillion by end-December 2017. On the other hand, loans and advances decreased by 2.0 per cent from N15.1 trillion at end-December 2016 to N14.8 trillion at end-December 2017.

Credit from the Central Bank increased by 1.2 per cent from N992.3 billion by end-December 2016 to N1.0 trillion at end-December 2017, while net foreign assets grew marginally from N359.0 billion to N386.1 billion (see Table 2.1).

Table 2.2.1: Statistics of the Banking Sector (DMBs), in million Naira

Indicator	2013	2014	2015[2]	2016[3]	2017[3]
Reserves [4]	3,794,118.56	5,522,612.24	5,097,605.47	4,997,153.93	7,613,040.67
Aggregate Credit (Net)	12,207,717.51	16,437,093.55	18,091,452.53	21,296,805.72	20,232,569.71
Loans and Advances	6,677,225.03	12,175,750.47	12,262,502.40	15,075,607.96	14,777,941.92
Total Assets	24,468,368.48	27,581,647.55	28,369,031.69	32,130,449.38	35,146,836.65
Total Deposit Liabilities	13,825,188.77	15,234,775.34	17,343,986.35	18,521,914.63	19,384,722.34
Demand Deposits	5,169,063.97	4,668,215.23	5,885,856.53	6,201,688.88	6,419,662.10
Time, Savings & Foreign Currencies Deposits	8,656,124.80	10,566,560.11	11,458,129.82	12,320,225.75	12,965,060.24
Foreign Assets (Net)	1,614,722.37	969,549.18	107,999.86	359,006.47	386,144.46
Credit from Central Bank	262,170.55	224,581.43	732,244.52	992,267.90	1,003,885.20
Capital Accounts	3,915,405.55	4,269,522.17	5,051,419.96	5,684,981.50	5,966,426.80
Capital & Reserves	2,649,166.02	2,963,361.18	3,470,957.43	3,745,131.39	3,451,298.49
Other Provisions	1,266,239.52	1,306,160.99	1,580,462.52	1,939,850.12	2,515,128.31

Source: Central Bank of Nigeria (2017)

2 Revised
3 Provisional
4 Includes CBN bills held by Deposit Money Banks

2.3 Microfinance Bank Sector

The number of microfinance banks (MFBs) stood at 1,008 at end-December 2017, compared with 999 MFBs at end-December 2016. This comprised 8 National, 132 State and 868 Unit MFBs. Provisional data revealed that total assets of MFBs grew by 20.63 per cent to N393.55 billion at end-December 2017, compared with N326.22 billion at end-December 2016. Net loans and advances also increased by 7.0 per cent to N190.49 billion at end-December 2017, compared with N178.01 billion at end-December 2016, while deposit liabilities increased by 21.6 per cent to N182.01 billion in 2017. Capital and Reserves also increased by 15.9 per cent, to N90.25 billion at end-December 2017, compared with N77.87 billion at end-December 2016.

Table 2.3.1: Selected Statistics of Microfinance Sector

INDICATOR	2013	2014	2015	2016	2017
Number of Licensed MFBs	820	913	958	999	1,008
Number of Reporting MFBs	820	679	684	622	715
Capital and Reserves (M' ₦)	72,963.7	91,008.8	91,376.5	77,868.7	90,252.31
Total Assets (M' ₦)	270,896.1	300,731.1	343,883.1	326,223.1	393,546.67
Deposit Liabilities (M' ₦)	135,918.7	145,830.0	159,453.5	149,798.4	182,100.72
Loans & Advances (Net) (M' ₦)	129,026.97	162,905.0	167,900.0	178,011.6	190,490.05
Investments (M' ₦)	14,703.0	15,785.6	17,737.9	20,127.2	25,442.82

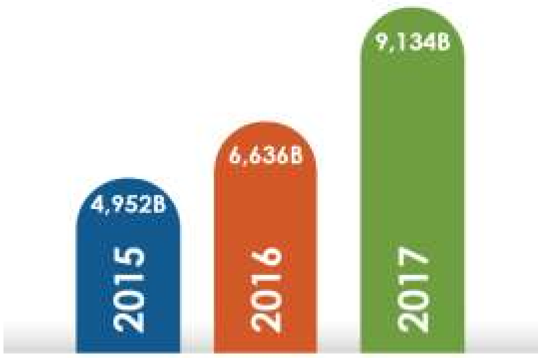
Source: Central Bank of Nigeria (2017)

2.4 e-Payments Sector

The volume and value of payment on different channels (comprising ATM, PoS, Mobile and Internet) rose by 43.2 and 37.6 per cent to 1,023.6 million and N9,134.0 billion, respectively, compared with 715.1 million and N6,636.4 billion recorded in the preceding year. The rise in e-payment transactions was attributed to increased consumer confidence and awareness in the use of the e-payment channels.

Figure 2.4.1: Volume of Electronic Payments (Million), 2015 - 2017

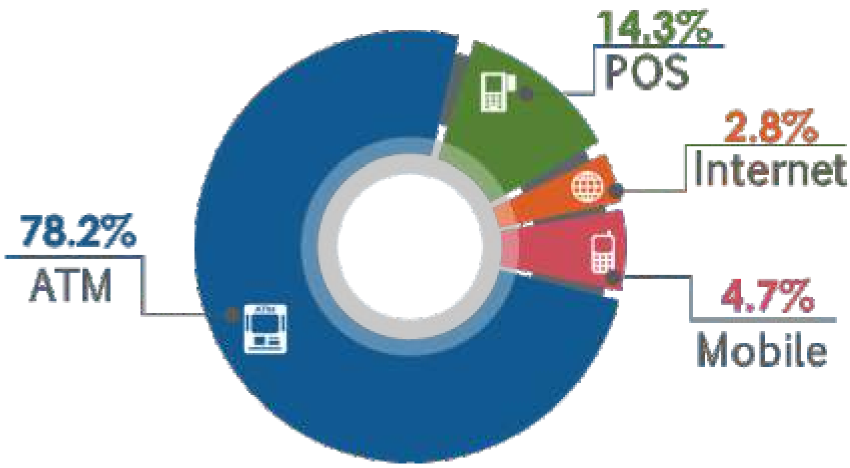
Figure 2.4.2: Value of Electronic Payments (Billion), 2015 - 2017



Source: Central Bank of Nigeria (2017), Nigeria Inter-Bank Settlement System (2017)

A breakdown of selected e-payment transaction channels for 2017 (comprising ATM, PoS, Mobile and Internet), indicated that the ATM channel remained the most patronised, accounting for 78.2 per cent, followed by PoS terminals and mobile payments with 14.3 and 4.7 per cent, respectively. The web (internet) was the least patronised, accounting for 2.8 per cent of the total. In terms of value, the ATM accounted for 70.5 per cent, PoS, 15.4 per cent; mobile channels, 12.1 per cent; and web (internet), 2.0 per cent.

Figure 2.4.3: Classification of e-Money Products by Volume, 2017, (Per cent)



Source: Central Bank of Nigeria (2017), Nigeria Inter-*Bank* Settlement System (2017)

> **"ATM channel remained the most patronised, accounting for 78.2 per cent, followed by PoS terminals and mobile payments with 14.3 and 4.7 per cent, respectively."**

Tables 2.4.1 and 2.4.2 provide further insight into the trend of the volume and value of the specific electronic transaction channels from 2013 to 2017.

More comprehensively, in terms of volume of electronic transactions, ATMs remained the most frequently used electronic channel in 2017 with 800.5 million transactions being the most dominant channel with a share of 54.2 per cent of total electronic transactions. This was closely followed by NIP which recorded 370.9 million transactions with a share of 25.1 per cent compared to 154.5 million transactions recorded the preceding year (see Table 2.4.1).Others were POS, mobile money, Remita, NEFT and internet banking which had respective shares of 9.9, 3.2, 2.7, 2.1, and 2.0 per cent. Similarly, other less dominant channels such as NAPS, e-Bills Pay, Central Pay and M-Cash had respective shares of 0.8, 0.06, 0.03 and 0.01 per cent respectively.

In terms of growth in the use of these channels, the five fastest growing channels in 2017 were Central Pay, NAPS, NIP, POS and Internet banking e-transaction channels which grew by 434.3, 200.1, 140.0, 129.6 and 105.8 per cent respectively compared to their growth rates in the previous year. Others were ATM, NEFT, Remita and Mobile money channels which grew by 35.6, 22.7, 3.8 and 1.6 per cent respectively. E-bills Pay recorded a negative growth of 11.8 per cent in 2017 compared to 2016.

Table 2.4.1: Volume (Number) of Electronic Transactions, 2013 to 2017, by Electronic Transaction Channel

Transaction Channels	2013	2014	2015	2016	2017	Growth Rate 2016-2017
ATM	295,416,724	400,269,140	433,695,748	590,238,934	800,549,099	35.63%
	79.71%	*74.05%*	*67.65%*	*62.91%*	*54.15%*	
NIP	17,112,158	40,829,854	71,223,545	154,504,034	370,870,672	140.04%
	4.62%	*7.55%*	*11.11%*	*16.47%*	*25.08%*	
PoS	9,418,427	20,817,423	33,720,933	63,715,203	146,267,156	129.56%
	2.54%	*3.85%*	*5.26%*	*6.79%*	*9.89%*	
Mobile Money	15,930,181	27,744,797	43,933,362	47,053,252	47,804,561	1.60%
	4.30%	*5.13%*	*6.85%*	*5.02%*	*3.23%*	
Remita		15,029,627	19,417,371	38,249,886	39,706,264	3.81%
		2.78%	*3.03%*	*4.08%*	*2.69%*	
NEFT	29,834,317	29,690,765	28,935,605	25,292,938	31,034,624	22.70%
	8.05%	*5.49%*	*4.51%*	*2.70%*	*2.10%*	
Internet Banking	2,900,473	5,567,436	7,981,361	14,088,247	28,991,097	105.78%
	0.78%	*1.03%*	*1.24%*	*1.50%*	*1.96%*	
NAPS			936,667	3,965,212	11,900,008	200.11%
			0.15%	*0.42%*	*0.80%*	
e-Bills Pay	557	593,579	1,208,556	1,026,886	905,941	-11.78%
	0.00%	*0.11%*	*0.19%*	*0.11%*	*0.06%*	
Central Pay		1,384	66,031	70,239	375,356	434.40%
		0.00%	*0.01%*	*0.01%*	*0.03%*	
m-Cash					77,832	
					0.01%	
Total	**370,612,837**	**540,544,005**	**641,119,179**	**938,204,831**	**1,478,482,610**	57.59%
	100.00%	***100.00%***	***100.00%***	***100.00%***	***100.00%***	

Source: Central Bank of Nigeria (2017), Nigeria Inter-Bank Settlement System (2017)

In terms of nominal value of electronic transactions, NIP remained the channel through which transactions with the highest value in Naira were made in 2017. The value of NIP transactions increased by 47.0 per cent from N38.2 trillion in 2016 to N56.2 trillion in 2017, which resulted in a share of NIP in the total value of electronic transactions of 56.6 per cent in 2017 (see Table 2.4.2). NEFT was the channel with the second highest value in 2017 at N14.9 trillion but maintained declining relevance since 2012 as its share in total value of transactions declined steadily to 15.1 per cent in 2017 down from 18.0 per cent and 50.6 per cent in 2016 and 2013 respectively. The sum of N13.5 trillion was also transacted on Remita platform in 2017 representing a share of 14 per cent in 2017 compared to a higher share of 15 per cent achieved in the preceding year.

Table 2.4.2: Nominal Value of Electronic Transactions, 2013-2017, by Electronic Transaction Channel (Billion Naira)

Transaction Channel	2013	2014	2015	2016	2017	Growth Rate
						2016-2017
NIP	10,849	19,921	25,541	38,215	**56,166**	**47%**
	38.20%	*45.43%*	*50.96%*	*55.34%*	*56.57%*	
NEFT	14,368	14,564	13,087	12,455	**14,946**	**20%**
	50.59%	*33.21%*	*26.11%*	*18.04%*	*15.05%*	
Remita	0	4,914	6,223	10,652	**13,529**	**27%**
	0	11%	12%	15%	14%	
ATM	2,831	3,682	3,972	4,988	**6,438**	**29%**
	9.97%	*8.40%*	*7.92%*	*7.22%*	*6.48%*	
PoS	161	312	449	759	**1,410**	**86%**
	0.57%	*0.71%*	*0.90%*	*1.10%*	*1.42%*	
Mobile Money	143	339	442	757	**1,102**	**46%**
	0.50%	*0.77%*	*0.88%*	*1.10%*	*1.11%*	
NAPS	0	0	99	754	**4,960**	**558%**
	0%	0%	0%	1%	5%	
E-Bills Pay	0	44	217	339	**551**	**63%**
	0.0%	*0.1%*	*0.4%*	*0.5%*	*0.6%*	
Internet Banking	47	74	92	132	**185**	**40%**
	0.17%	*0.17%*	*0.18%*	*0.19%*	*0.19%*	
Central Pay	0	0	0	1	**5**	**400%**
	0%	0%	0%	0%	0%	
m-Cash	0				**0.6**	
	0%	0%	0%	0%	0%	
Total	**28,399**	**43,850**	**50,122**	**69,052**	**99,293**	**44%**
	100%	***100%***	***100%***	***100%***	***100%***	

Source: Central Bank of Nigeria (2017), Nigeria Inter-Bank Settlement System ((2017)

The volume and value of cheques cleared nationwide maintained a declining trend as it fell by 7.7 per cent and 6.9 per cent to 10.8 million and N5.4 trillion, respectively, compared with 11.7 million and N5.8 trillion in 2016. This was attributed to increased adoption of e-payment channels.

2.5 Insurance Sector

"Claims worth N148.3 billion was paid out in 2017 compared to N145.8 billion paid out in 2016."

The gross premium of the Insurance industry stood at N371.8 billion at end-December 2017, compared to N326.1 billion in 2016 representing a growth of 14.0 per cent during the year under review. Within the sector, growth in gross premium was witnessed in both sub-sectors which comprise Non-life (General) and Life Insurance as the premium in the non-life sub-sector grew by 4.61 per cent while the life sub-sector grew by 29.3 per cent during the period. The respective shares of the non-life and life gross premium of the total industry gross premium amounted to 56.7 and 43.3 per cent, respectively, in 2017 (see Table 2.5.1).

Table 2.5.1: Industry Gross Premium by Insurance Type and Growth Rate, 2009 to 2017[5]

Year	Non-Life Gross Premium (₦ Million)	Life Gross Premium (₦ Million)	Industry Gross Premium (₦ Million)	Growth Rate of Industry Gross Premium (Year on Year)
2009	153,127.12	36,833.33	189,960.45	-
2010	157,336.81	43,039.17	200,375.98	5.5%
2011	175,756.76	57,996.13	233,752.89	16.7%
2012	193,493.25	64,909.06	258,402.30	10.5%
2013	196,008.76	80,520.24	276,529.00	7.0%
2014	195,887.85	85,952.58	281,840.43	1.9%
2015	198,389.16	90,952.32	289,341.48	2.7%
2016	201,547.68	124,566.34	326,114.02	12.7%
2017	210,772.49	161,068.12	371,840.61	14.0

Source: Returns from the National Insurance Commission (Year of publication)

In terms of claims paid by Insurance companies during the year, the companies paid out claims worth N148.3 billion in 2017 compared to N145.8 billion paid out in 2016. This represented a growth of 1.7 per cent compared to the rate recorded in 2016. The marginal growth recorded during the period could be attributed to the decline in aggregate demand that occasioned the recession experienced by the country during the year and lag effects from the recovery in the second quarter of 2017 (see Table 2.5.2).

Table 2.5.2: Industry Gross Claims Paid, by Insurance Type, and Growth Rate, 2009 to 2017[6]

Year	Non-Life Gross Claims (₦ Million) *(Claims Ratio)*[7]	Life Gross Claims (₦ Million) *(Claims Ratio)*	Industry Gross Premium (₦ Million) *(Claims Ratio)*	Growth Rate of Industry Claims Paid (Year on Year)
2009	49,498.93 *(32.3%)*	12,470.22 *(33.9%)*	61,969.15 *(32.6%)*	-
2010	37,589.56 *(23.9%)*	16,225.79 *(37.7%)*	53,815.35 *(26.9%)*	-13.2%
2011	26,792.14 *(15.2%)*	20,815.60 *(35.9%)*	47,607.74 *(20.4%)*	-11.5%
2012	55,717.15 *(28.8%)*	23,405.43 *(36.1%)*	79,122.58 *(30.6%)*	66.2%
2013	71,602.78 *(36.5%)*	35,701.76 *(44.3%)*	107,304.54 *(38.8%)*	35.7%
2014	65,555.70 *(33.5%)*	33,601.00 *(39.0%)*	99,156.70 *(35.2%)*	-7.5%
2015	65,971.92 *(33.3%)*	45,197.37 *(49.7%)*	111,169.29 *(38.4%)*	12.1%
2016	78,574.56 *(39.0%)*	67,263.78 *(54.0%)*	145,838.34 *(44.7%)*	31.1%
2017	88,522.11 *(42.0%)*	59,822.99 *(37.1%)*	148,345.10 *(39.9%)*	1.7%

Source: Returns from the National Insurance Commission (2017)

[5] Please note that 2017 data is provisional; 2015 and 2016 data have been updated from the 2016 Annual Report.
[6] Please note that 2017 data is provisional.

2.6 Pension Sector

"The total annual contributions made into the Contributory Pension Scheme (CPS) by employees and employers from both, the public and private sectors, amounted to N610.84 billion in 2017."

The total annual contributions made into the Contributory Pension Scheme (CPS) by employees and employers from both, the public and private sectors, amounted to N610.84 billion in 2017. This represent an increase of 25.12 per cent compared to the contributions made in 2016. The increase was due to the rise in both public and private sector contributions, which grew by 13.84 per cent and 34.84 percent respectively from the preceding year. The growth in the contributions saw the private sector grow 21 percentage points more than the public-sector contributions. (see Table 2.6.1).

Table 2.6.1: Annual Pension Contributions from 2004 to 2017, by Sector, in Billion Naira

Year	Public Sector Contributions	Private Sector Contributions	Total Contributions	Growth Rate of Contributions (Year on Year)
2004	15.60	-	15.60	-
2005	34.68	-	34.68	122.3%
2006	37.38	23.03	60.41	74.2%
2007	80.63	68.34	148.97	146.6%
2008	99.28	80.81	180.09	20.9%
2009	137.10	91.21	228.31	26.8%
2010	162.46	103.03	265.49	16.3%
2011	228.92	119.53	348.45	31.2%
2012	331.14	174.43	505.57	45.1%
2013	278.50	225.42	503.92	-0.3%
2014	237.76	343.97	581.73	15.4%
2015	200.05	358.91	558.96	-3.9%
2016	225.86	262.33	488.20	-12.7%
2017	257.11	353.73	610.84	25.12%
Total	**2,326.47**	**2,204.74**	**4,531.22**	

Source: National Pension Commission (2017)

[7] The claims ratio is defined as the share of gross claims paid of gross premium income.

2.7 Capital Market Sector

"The aggregate market capitalisation of the 261 listed securities rose, significantly, by 41.6 per cent to N22,917.9 billion, compared with the level in 2016."

Major capital market indicators were bullish in 2017, as major market indicators trended upward, generally. This was largely attributed to the significant rebound in investment activities due to the gradual recovery in the domestic economy, including return to positive output growth, declining inflation, growing external reserves and modest improvement in foreign exchange supply, thereby spurring greater foreign portfolio inflow.

The number of listed securities increased from 247 in 2016 to 261 in 2017, while the number of listed companies fell to 167 from 170 at end-December 2016. Furthermore, the number of listed bonds and Exchange Traded Funds (ETF) rose to 80 and 9, respectively, at end-December 2017, while the number of listed equities fell to 172 from 175 at end-December 2016.

The aggregate market capitalisation of the 261 listed securities rose, significantly, by 41.6 per cent to N22,917.9 billion, compared with the level in 2016. This reflected appreciable increases in the value of securities across different asset classes (equities and debt), due to the persisting bullish sentiments. (see Table 2.7.1).

Table 2.7.1: Indicators of Capital Market Developments in the Nigerian Stock Exchange, 2013 to 2017

Indicator	2013	2014	2015	2016	2017
Number of Listed Securities	254	253	257	247	261
Volume of Stocks Traded (Turnover Volume) (Billion)	267.3	108.5	92.9	95.8	100.3
Value of Stocks Traded (Turnover Value) (Billion Naira)	2,350.9	1,338.6	950.4	575.7	1,273.2
Value of Stocks Traded/GDP (%)	2.9	1.5	1.0	0.6	
Total Market Capitalisation (Billion Naira)	19,077.4	16,875.1	17,003.4	16,185.7	22,917.9
Of which: Banking Sector (Billion Naira)	2,939.9	2,367.0	1,447.6	1,905.4	3,292.2
Total Market Capitalisation/GDP (%)	23.5	19.0	18.0	16.0	20.1
Of which: Banking Sector/GDP (%)	3.6	2.7	1.5	1.9	2.9
Banking Sector Capitalisation/ Market Capitalisation (%)	15.4	14.0	8.5	11.8	14.4
Annual Turnover Volume/Value of Stock (%)	11.4	8.1	9.8	16.6	7.9
Annual Turnover Value/Total Market Capitalisation (%)	12.3	7.9	5.6	3.5	5.6
NSE Value Index (1984=100)	41,329.2	34,657.2	28,642.3	26,874.6	38,243.2

Source: Securities & Exchange Commission (2017)

Overall, key macroeconomic indicators recorded modest improvements in 2017 compared to 2016, which improved the prospects of achieving financial inclusion targets as contained in the NFIS. Within this mild economic recovery condition in the year, the NFIS stakeholders continued to implement scheduled activities. The next two chapters of this report present an account of the various activities carried out by stakeholders in the various subsectors and describes how the outcomes of such activities impacted on relevant key performance indicators.

3. STAKEHOLDER ACTIVITIES

This chapter provides insight into the governance arrangement for financial inclusion and outlines the activities of key financial inclusion stakeholders in Nigeria.

Implementing financial inclusion policies, schemes and interventions, requires the commitment of stakeholders. The stakeholders are broadly classified into three (3) categories as follows:

I. **Providers:** Institutions that provide financial products and services, their partner infrastructure and technology providers.

II. **Enablers:** Institutions responsible for setting regulations and policies with regards to financial inclusion. These are mainly regulators and public institutions.

III. **Supporting Institutions:** Institutions that can provide technical and funding assistance that enhance financial inclusion in Nigeria.

The stakeholders met regularly during the year under review under various governance committee platforms and on ad-hoc basis. The meetings presented an opportunity for reviewing and monitoring their activities and providing report to the public on the status of Financial Inclusion in Nigeria.

3.1 National Financial Inclusion Steering Committee (NFISC)

The Committee held two meetings in June and December, 2017. At the meeting held in June, the Committee approved the conduct of a review and refresh of the NFIS after five (5) years of implementation. It established an interagency taskforce to provide technical input into the review and refresh process. Upon completion of the first phase, the Committee approved the reviewed document at its meeting in December 2017, in preparation for the second phase (the refresh of the Strategy) in 2018.

Also, at the meeting held in December, the Committee considered and approved a proposal to inaugurate a State Level Implementation Framework, including the establishment of Financial Inclusion State Steering Committees (FISSCOs) across all 36 States and the Federal Capital Territory (FCT). The FISSCOs aim to drive improved uptake of financial products and services

"NFISTC considered and approved a proposal to inaugurate a State Level Implementation Framework, including the establishment of Financial Inclusion State Steering Committees (FISSCOs) across all 36 States and the Federal Capital Territory (FCT)."

at the grassroots level by enhancing the engagement of stakeholders in each of the 36 states and the FCT, and offering solutions to challenges related to achieving financial inclusion peculiar to individual states.

3.2 National Financial Inclusion Technical Committee (NFITC)

The Committee held meetings in April, June, September and November, totaling four (4) in 2017.

The key achievements of the Committee included the endorsement of collaborations between the Bank of Industry (BOI), the Nigeria Inter-Bank Settlement System (NIBSS) and other financial institutions on scaling up the Bank Verification Number (BVN) registration for beneficiaries of micro loans under the Government Enterprise and Empowerment Program (GEEP).

Furthermore, in recognition of the critical role played by emerging stakeholders in the financial inclusion space in Nigeria, the Committee recommended to upgrade the membership status of the following observer institutions to full members: National Health Insurance Scheme (NHIS), Nigeria Social Insurance Trust Fund (NSITF), NIBSS, Innovectives LLC[8] , Interswitch Financial Inclusion Services[9] (IFIS), Committee of e-Banking Industry Heads (CeBIH), National Co-operative Financing Agency of Nigeria (CFAN) and the Small and Medium Enterprises Development Agency (SMEDAN).

3.3 Working Groups

The four working groups defined and implemented their respective annual work plans. Their meetings held in April, June, September and November 2017. The major achievements of each group were as follows:

3.3.1 Channels Working Group (FICWG): Notable achievements by member institutions of the Working Group included: promoting the active role of the Nigerian Postal Services (NIPOST) in agent banking, supported the commissioning of a study on the high Unstructured Supplementary Service Data (USSD) cost for Mobile Money Operators (MMOs) by Nigerian Communications Commission (NCC), amongst others.

3.3.2 Financial Literacy Working Group (FLWG): Notable achievements by member institutions of the Working Group included: the development and infusion of Financial Literacy Curriculum into the National Education Curricula and completion of the Teachers' Guide by the Federal Ministry of Education, participation of member institutions in the National Youth Service Corps (NYSC) Peer Educator Programme, amongst others.

3.3.3 Financial Inclusion Products Working Group (FIPWG): Notable achievements by member institutions of the Working Group included: the development of new strategies to onboard the financially excluded by Jaiz Bank and other Non-Interest Finance Institutions, the introduction of Employee Contribution Scheme (ECS) to enhance financial inclusion by NSITF, amongst other things.

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8 This is a Super Agent
9 This is a Super Agent

"The inauguration of the NYSC Financial Inclusion Peer Educator Programme in Plateau State in June 2017"

3.3.4 Special Interventions Working Group (FISIWG): Notable achievements by member institutions of the Working Group included: the inauguration of the NYSC Peer Educator Programme in Plateau State in June 2017, aggressive efforts to scale up the disbursement of 2 per cent Micro, Small and Medium Enterprises Development Fund (MSMEDF) to People living With Disabilities (PWDs), amongst others.

Table 3.3.1: Chairpersons and Vice Chairpersons of the Four National Financial Inclusion Working Groups

Working Group	Outgoing Member Institution	Elect Member Institution
Channels	**Chairperson:** Branch Operations Department, CBN **Vice Chairperson:** Fund Managers' Association of Nigeria (FMAN)	**Chairperson:** Fund Managers' Association of Nigeria (FMAN) **Vice Chairperson:** Banking & Payments System Department, CBN
Product	**Chairperson:** Nigeria Deposit Insurance Corporation (NDIC) **Vice Chairperson:** Association of Licensed Mobile Payment Operators (ALMPO)	**Chairperson:** Nigeria Deposit Insurance Corporation (NDIC) **Vice Chairperson:** Association of Licensed Mobile Payment Operators (ALMPO)
Special Interventions	**Chairperson:** Special Adviser to the Governor of Central Bank of Nigeria on Sustainable Banking **Vice Chairperson:** Theseabilities Ltd	**Chairperson:** Enhancing Financial Innovation & Access (EFInA) **Vice Chairperson:** Bank of Industry (BOI)
Financial Literacy	**Chaiperson:** Consumer Protection Department, CBN **Vice Chairperson:** Federal Ministry of Finance	

3.4 The National Financial Inclusion Secretariat

In fulfilling its mandate to run the day-to-day coordination, data management and reporting on the NFIS implementation process, the Secretariat engaged in a range of activities, amongst which were:

- **Establishment of Digital Financial Services Programme Management Unit:** In view of the importance of Digital Financial Services to overcome traditional financial inclusion barriers, the office set up a DFS Programme unit. The unit, charged with the responsibility of coordinating initiatives in the DFS ecosystem, became operational in 2017.
- **Performance Monitoring Review:** During the period under review, the Secretariat commenced monitoring of targets set for deposit money banks in 2016. Similarly, the Secretariat collaborated with microfinance banks to set annual targets towards the implementation of the NFIS.
- **Knowledge Exchange Programme:** The Secretariat hosted a knowledge exchange Programme for seven (7) member countries (Bhutan, Seychelles, Mozambique, Sierra Leone, Lesotho, Cote Devoir and BCEO) of the Alliance for Financial Inclusion (AFI) network to understudy Nigeria's financial inclusion strategy and implementation efforts.

- **Visit of the United Nations Secretary General's Special Advocate (UNSGSA) for Inclusive Finance for Development, Queen Maxima of the Netherlands:** In her role as the UNSGSA, Queen Maxima visited Nigeria to ascertain progress of the NFIS implementation in November, 2017. She accordingly held various consultations with members of the public and private sector to discuss strategies for accelerating the pace of implementation of the Strategy and achieving the 2020 target.

3.5 Activities of Financial Service Providers

3.5.1 Bankers' Committee

Some of the activities of the Bankers' Committee towards the implementation of the Strategy include:

- ***Establishment of the Agri-business Small and Medium Enterprises Investment Scheme:*** At its 331st meeting held in February 2017, the committee approved the establishment of the Agri-Business Small and Medium Enterprises Investment Scheme. The scheme is aimed at supporting the Federal Government's efforts to promote SMEs in agri-business as a vehicle for sustainable economic development and employment generation.

- ***Financial Literacy Programmes***

  The Committee participated actively in the following global initiatives:

  - ***2017 Global Money Week Celebration:*** The Global Money Week is an annual financial awareness campaign embarked upon by countries across the world with the aim of inspiring children and young people to learn about financial literacy and entrepreneurship. In March, 2017, the Committee encouraged financial institutions to participate in the GMW and mentored over 88,000 children across the country on financial literacy matters.
  - ***2017 World Savings Day Celebration:*** The Committee sensitized a total of 62,003 students as part of the World Savings Day Celebrations with 2,000 new bank accounts opened by some of the participants.

3.5.2 The National Association of Microfinance Banks (NAMB)

As an umbrella body for microfinance banks in Nigeria, comprising of over nine hundred member institutions, NAMB as at December 2017, actively encouraged members to innovate and engage in sustainable microfinance practices that guarantee financial inclusion and wealth creation for the economically active population.

3.5.3 The Nigerian Insurers Association (NIA)

In its 2017 Annual Micro Insurance Retreat, the NIA encouraged members to develop micro insurance products that will address the needs of the people at the bottom of the pyramid.

3.5.4 The Association of non-Bank Microfinance Institutions (ANMFIN)

In the period under review, the Association developed a consumer rights and feedback mechanism for MFI's and extended its outreach by mentoring over one hundred and twenty four (124) MFIs on how to expand their services and outreach. Moreover, ANMFIN created and deployed a platform and database called AMFINCLOUD, which aims to drive digital financial service delivery within the sector. The association also partnered with NICON Insurance Limited to increase uptake of insurance products and to provide credit, life and group life insurance services to MFIs.

3.5.5 The Bank of Industry (BOI)

In 2017, BOI offered the Government Enterprise and Empowerment Programme (GEEP), Micro Enterprise Loans (for farmers, traders etc.), on-lending for MFBs, youth specific loan products such as the Youth Entrepreneurship Support Program (YES), Graduate Entrepreneurship Fund (GEF), gender specific loan products such as the Business Fund for Women (BUDFOW) and the National Women Empowerment Fund (NAWEF) on behalf of the Federal Ministry of Women Affairs and Social Development.

Notably, the Government Enterprise and Empowerment Programme (GEEP) fully kicked off in 2017 and as at December, 2017, loans of about N11.26 billion had been disbursed to 205,863 beneficiaries in all 36 States of the Federation and the FCT. About 57 per cent of the beneficiaries were women entrepreneurs.

3.6 Activities of Enablers

Activities of key enablers involved in the implementation of financial inclusion in Nigeria are highlighted below:

3.6.1 The Nigeria Deposit Insurance Corporation (NDIC)

In the period under review, NDIC extended the Deposit Insurance protection to Non-Interest Banks, and pass-through deposit insurance for subscribers of mobile money.

To date, NDIC had reimbursed a cumulative sum of N53.03 million, N6.79billion and N2.86billion to customers of closed insured PMBs, DMBs and MFBs, respectively. The total sum of N95.89billion has been reimbursed to uninsured depositors of DMBs.

3.6.2 The National Insurance Commission (NAICOM)

Key activities undertaken by NAICOM during the year under review include:

- Micro insurance: The guideline for the operation of micro insurance in Nigeria was released and a window created for operators to transit to full-fledged micro insurance companies.
- Takaful Insurance: The guideline for Takaful insurance was released and licenses were granted to the two stand-alone operators (Jaiz Bank Ltd. and Noor Takaful).
- Bancassurance Guidelines: Bancassurance guideline was released in 2017 to allow insurance companies partner with two (2) commercial banks (and vice versa) and to extend insurance products/services to the underserved segments of the population.

3.6.3 The Nigerian Communications Commission (NCC)

"The total number of GSM subscribers stood at 237,414,619 at end 2017."

In 2017, a joint Committee comprising the Commission and the Central Bank of Nigeria (CBN) was established to determine the optimum role of Mobile Network Operators (MNOs) in extending financial services to low income segments through mobile phones.

The NCC sustained its commitment to ensure that a high level of service delivery, security assurance of networks, information and data protection was achieved during the period. Likewise it ensured that MNOs complied with the interoperability provisions in their service delivery to all MMOs. In 2017, the total number of GSM subscribers stood at 237,414,619 at end 2017.

3.6.4 The National Pension Commission (PenCom)

During the period under review, PenCom engaged in a range of activities to spread awareness and literacy on pension initiatives. The Commission produced and aired multiple public enlightenment programmes, which included school teaching initiatives for staff to impart knowledge on primary and secondary school students. PenCom also donated essential learning materials to charity organizations.

Furthermore, the Commission extended the use of pension fund investments as allowable securities to Non-Interest Capital Market Products (NICMP). This was achieved by amending the regulation on investment of pension fund assets in April 2017, to allow for investments in Sharia compliant financial instruments, such as Sukuk.

"PenCom started partnerships with universities in all six geopolitical zones to incorporate pension programmes into the curriculum."

Moreover, PenCom started partnerships with universities in all the six geopolitical zones to incorporate pension programmes into the curriculum. The universities are University of Maiduguri (North East), Ahmadu Bello University, Zaria (North West), University of Abuja (North Central), University of Nigeria Nsukka (South East), University of Lagos (South West), and University of Port Harcourt (South South).

Towards the end of the year, the Commission concluded the pension industry baseline survey. It is expected that findings from the survey would be shared with relevant stakeholders in 2018 and used to drive financial inclusion in Nigeria.

3.6.5 The Nigerian Postal Service (NIPOST)

In 2017, NIPOST deployed agency banking platforms for MFBs, DMBs and non-bank financial institutions. It also launched an agency banking scheme in post offices across twelve (12) States of the Federation and extended NIPOST locations used in rendering mobile money services in Rivers and Bayelsa States.

As at end 2017, NIPOST's connection to the National Central Switch (NCS) was almost completed. In addition, the Service was certified as an International Money Transfer Operator (IMTO) by the CBN. It also signed MOUs with five (5) additional MMOs and commenced the process of obtaining a license with the CBN to become a super-agent.

3.6.6 The National Identity Management Commission (NIMC)

During the year under review, the Commission published five (5) gazetted regulations. These are: (i) Mandatory Use of the NIN Regulations, 2017; (ii) Nigeria Biometrics Standard Regulations, 2017; (iii) Registration of Persons and Contents of the National Identity Database Regulations, 2017; (iv) Access to Register Information in the National Identity Database Regulations, 2017; and (v) Licensing of the Frontend Services of the National Identity Management Commission Regulations, 2017.

3.6.7 The Securities and Exchange Commission (SEC)

The SEC, in collaboration with Bwari and Kuje Area Councils and the University of Abuja organized sensitization campaigns on financial inclusion. The campaigns, which were supported by key financial sector stakeholders like CBN, NDIC, PenCom, NIAICOM, Federal Ministry of Youth and Sport Development among others, reached 659 people. [10]

In addition, the Commission completed its Capital Market Strategy Document, providing the strategic foundation for deepening financial inclusion in the capital market.

3.6.8 The Nigerian Stock Exchange (NSE)

In 2017, the NSE intensified efforts to improve capital market literacy by embarking on the following activities:

- **2017 Essay Competition:** The NSE recorded approximately 10,100 entries for the 2017 edition of the Annual Essay Competition. Also, in collaboration with an

[10] Securities and Exchange Commission (2017)

implementing partner, Mind the Gap, the Exchange engaged over 23,000 students through school activations.

- **2017 Global Money Week:** The Exchange directly imparted approximately 4,127 students across different schools with information on financial literacy, savings, investing, creating livelihood, and gaining employment.
- **The Nigerian Stock Exchange x-Academy:** The NSE launched a specialized learning center in June 2017 designed to offer capital market training and financial education programmes to individuals who will lead and transform businesses for sustainable growth. The programmes cut across knowledge needs of Nigerians.

"The inauguration of the NYSC Financial Inclusion Peer Educator Programme in Plateau State in June 2017"

3.6.9 The Federal Ministry of Youths and Sports Development

The Ministry in conjunction with CBN, the National Youth Service Corps (NYSC) and several stakeholders flagged off a sensitization drive through the National Peer Group Educator Programme (NAPGEP) on Financial Inclusion for volunteer corps members in June 2017 in Plateau State. The Programme leveraged on the number and spread of the NYSC corps members in the six geo-political zones of the country to expand financial inclusion knowledge to their host communities.

As at December 2017, the programme had trained 1,988 volunteer National Youth Service Corp members.

3.6.10 The Federal Ministry of Education

In 2017, the Federal Ministry of Education worked in partnership with the CBN and other key stakeholders to introduce financial education into the Nigerian school curriculum. The main objective of the project was to include financial education topics into the basic and senior secondary school curricula in order to enable youths to make informed and effective decisions with their financial resources.

The project involved four (4) major phases including the development of a stand-alone Financial Education Curriculum (FEC), the presentation of the FEC to the approving bodies, the introduction of FEC into the basic and senior secondary school curricula through relevant carrier subjects, and the development of teachers' guides.

3.6.11 Central Bank of Nigeria

Key financial inclusion activities initiated by the CBN in 2017 include:

- Increase in the number of MFBs from 980 in 2016 to 1008 in 2017
- Development of the Financial Education Strategy
- Development of the Financial Education Curriculum
- Targeted financial literacy training for MSMEs and farmers
- The establishment of various policies, schemes and interventions to support improved access to credit including;
    - Secured Transaction and National Collateral Registry Bill
    - Nigeria Bulk Electricity Trading (NBET) Payment Assurance Facility
    - Accelerated Agriculture Development Scheme
    - Agribusiness/Small and Medium Enterprise Investment Scheme (AGSMEIS)
- Push for appropriate pricing of USSD and drafting of a USSD framework at CBN
- Issuance of license to two new super-agents operators
- Review of minimum capital requirements for the mobile money operators to N2 billion
- BVN enrolment for MMOs

- Issuance of Bancassurance guidelines by the Bank in March 2017 in addition to the NAICOM guidelines.
- Engagement with banks to ensure the completeness of returns received including the branch post code to capture the GPS coordinates of each branch.
- Engagements and sensitization of Nigerians on cashless policy in markets, schools, on TV and radio, as well as through social media.
- GoG granted approval to establish gender-desk dedicated to gender related issues in the CBN.

3.7 Supporting Institutions

3.7.1 Alliance for Financial Inclusion (AFI)

The AFI network held its Annual Global Policy Forum (GPF) in Sharm El Sheikh, Egypt, in September 2017, which was attended by over 500 AFI members from policy making and regulatory institutions. The Forum resulted in an accord on financial inclusion, climate change and green finance, which commits members to work together to identify, understand and implement financial inclusion policies that have positive outcomes for the environment.

One of the key recommendations from the Forum, which has been adopted by the CBN, is to enhance access to finance for women. An approval to include gender as a major plank of the NFIS implementation and to establish a special desk dedicated to gender related issues in the CBN was granted in 2017.

3.7.2 Bill & Melinda Gates Foundation

In 2017, the Gates foundation supported the review and on-going refresh of the NFIS. The revised document will guide stakeholders' efforts in working towards the financial inclusion targets for 2020.

Furthermore, the Foundation focused on promoting digital financial services as a means of improving financial inclusion in Nigeria. In this context, the Foundation hosted a workshop for NCC and CBN to enhance cooperation regarding mobile money. The Foundation further supported the Nigeria Financial Maps project, which aims at updating the geographical map of financial access points across the country.

3.7.3 Enhancing Financial Innovation and Access

As a supporting institution, EFInA was involved in three key financial inclusion activities in the year 2017:

- **A comparative study on micro insurance:** the institution commissioned a study on micro insurance in South Africa, Ghana, Zambia, Namibia, Pakistan and Kenya to identify ways to promote sustainability of the micro insurance sector in Nigeria. The study highlighted the need to use multiple channels to target customers to drive the uptake of micro insurance products and clarified that simplified processes for registration, administration and processing would encourage customers to take up digital micro insurance products.
- **Innovation grant:** EFInA launched their innovation grant request for proposals (RFP-8) with a window for proposals focused on fostering new approaches to expand the uptake and usage of digital financial services by low income populations in Nigeria.
- **Workshop on the role of Government in driving financial inclusion in Nigeria:** The event involved presentations on the landscape of financial access in Nigeria; the

transformative power of financial inclusion driving financial inclusion in Nigeria; and, key insights on the financial profile of women. The workshop highlighted the critical role of the Nigerian Government in promoting financial inclusion by providing an enabling environment to support access to finance for the entire value chain.

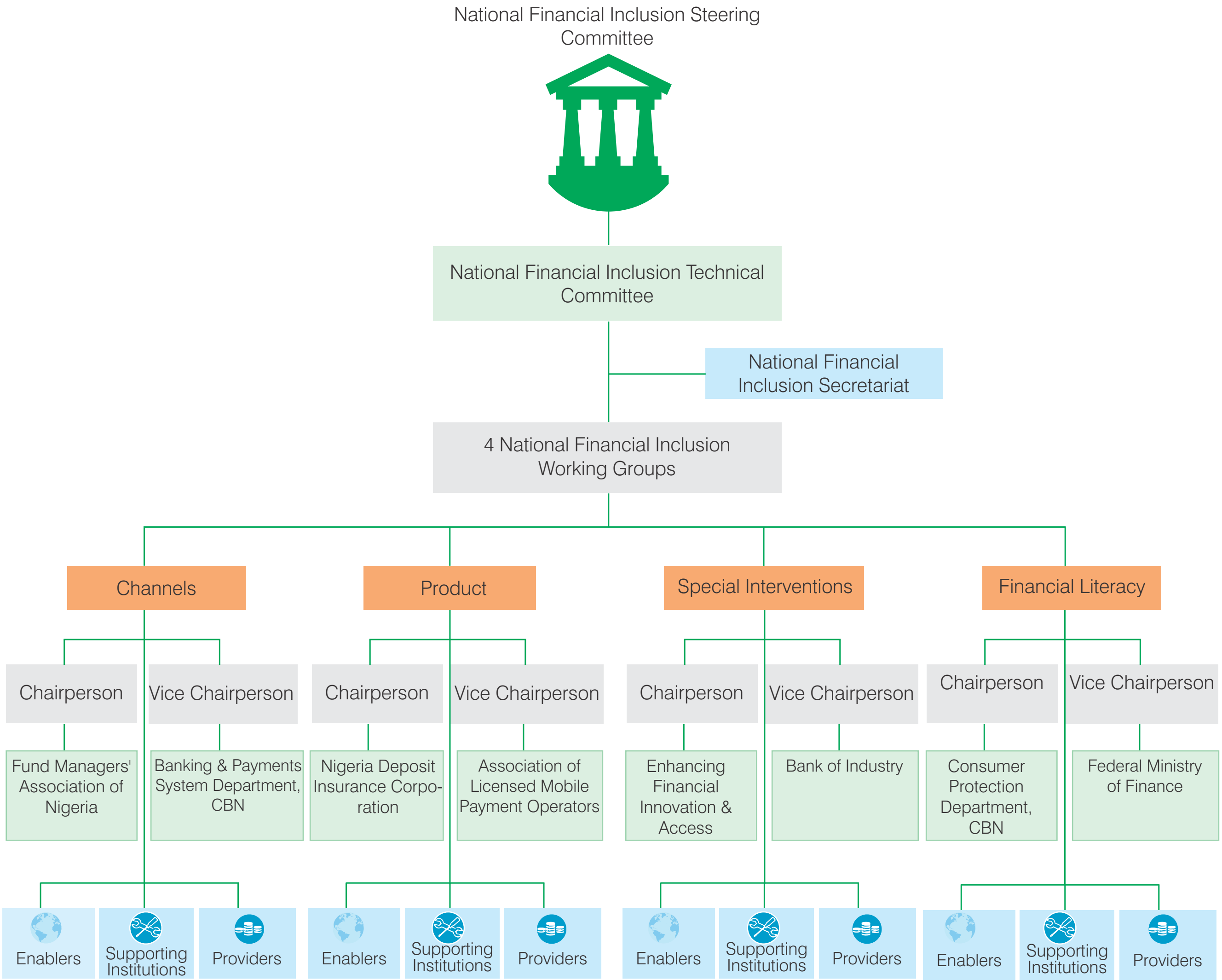
3.7.4 Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ)

In 2017, GIZ worked together with the Federal Ministry of Youth and Sports and the CBN to develop monitoring logbooks for NYSC officials to supervise volunteer youth corp members under the Peer Educator Programme. In addition, GIZ supported the programme by printing and distributing log books across various states as well as organizing a workshop for NYSC schedule officers to refresh their knowledge on the initiative and use of monitoring logbooks.

The cohesion between providers, enablers and supporting institutions working together through governing committees to advance financial inclusion in Nigeria bodes well for the implementation of the NFIS target of 80 per cent by 2020. The following chapter will provide additional insight into the progress towards this target.

(L-R) Dr Alfred Hannig, Executive Director Alliance for Financial Inclusion (AFI) with Mrs Temitope Akin-Fadeyi (Head, CBN Financial Inclusion Secretariat)

STAKEHOLDER ACTIVITIES IN 2017



Providers: Institutions providing products and services as well as infrastructure and technology to support the implementation of the Strategy

- The Bankers Committee supported the establishment of the Agri-business Small and Medium Enterprises Investment Scheme.
- The Bankers Committee actively participated in the 2017 Global Money week and the World Savings Dar celebrations
- The National Association of Microfinance Banks supported the Bank Verification Number initiative.
- The Association of Non-Bank Microfinance Institutions developed a consumer rights and feedback mechanism for MFIs. The Association also deployed the ANMFIN Cloud database for its members.
- The Bank of Industry (BOI) implemented the Government Enterprise and Empowerment Programme (GEEP).

Enablers: Institutions responsible for setting enabling regulations and policies on financial inclusion

- The NDIC extended the Deposit Insurance protection to non-interest Banks, and pass-through deposit insurance for subscribers of mobile money.
- NAICOM release the Microinsurance guidelines, Takaful insurance guidelines and licensed 2 stand-alone operators, and the Bancassurance Guidelines was also released.
- The NCC ensure that MNOs complied with the interoperability provisions n their service delivery to all MMOs.
- NIPOST deployed agency banking platforms for MFBs, DMBs and non-bank financial institutions.
- NIMC published 5 gazzetted regulations in support of National ID for citizens.
- The Federal Ministry of Youth and Sport Development flagged off a sensitization through the National Peer Group Educator Programme on Financial Inclusion.

Supporting Institutions: Institutions offering technical assistance in the implementation of the Strategy

- AFI held its annual Global Policy Forum in Egypt. The GPF came up with the Sham El Sheikh Accord on Financial Inclusion, Climate Change and Green Finance.
- BMGF supported the review and refresh of the National Financial Inclusion Strategy. Similarly, the Foundation supported the development of a Nigeria Financial Services Maps project.
- EFInA supported a number of research efforts (including innovation grants) in support of advancing financial inclusion.
- The GIZ supported the NYSC Peer Educator Programme by developing and distributing monitoring logbooks.

CBN Financial Inclusion delegation with the Executive Governor of Kwara State, His Excellency— Mr. Abdulfatah Ahmed

CBN Financial Inclusion delegation with the Executive Governor of Enugu State, His Excellency— Mr. Lawrence Ifeanyi Ugwuanyi

CBN Financial Inclusion delegation with staff of Heritage Bank after a progress review meeting

CBN Financial Inclusion delegation with staff of Diamond Bank at a product launch ceremony

CBN Financial Inclusion delegation with staff of Fidelity Bank after a progress review meeting

CBN Financial Inclusion delegation with staff of FCMB after a progress review meeting

CBN Financial Inclusion delegation with staff of Hasal Microfinance Bank after a progress review meeting


Working Group Executives at the 10th Technical Committee Meeting

The Kogi State CBN Branch Controller delivering his welcome address at a Financial Inclusion Strategy Implementation Update session


Presentation of the Working Group Gap Analysis by FIS data analyst

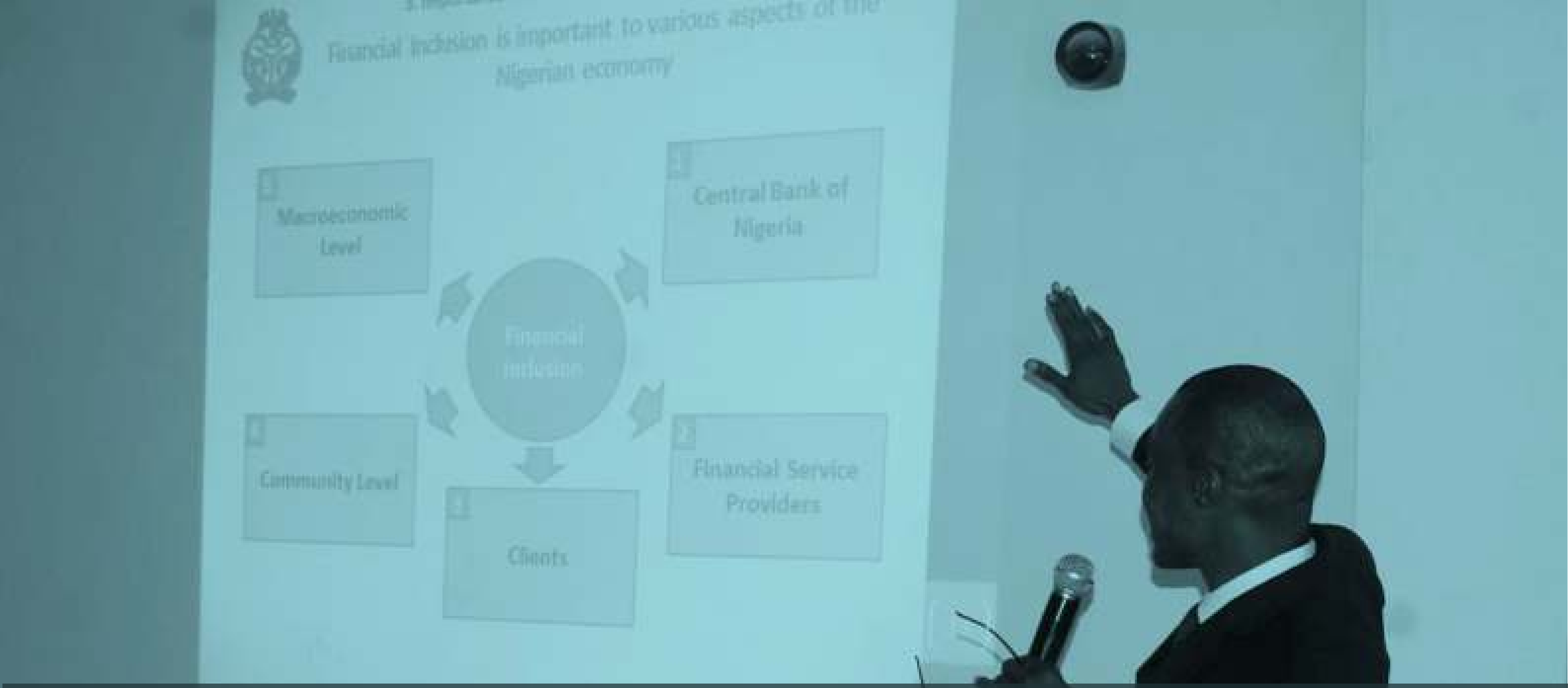

Plenary session at a working group meeting


A cross section of participants at the engagement section with FSPs North East


A cross section of participants at the engagement section with FSPs South West


CBN Financial Inclusion Delegate Engaging with FSPs (South-East)

Knowledge Exchange Programmes facilitated by the CBN Financial Inclusion Secretariat for Various Stakeholders



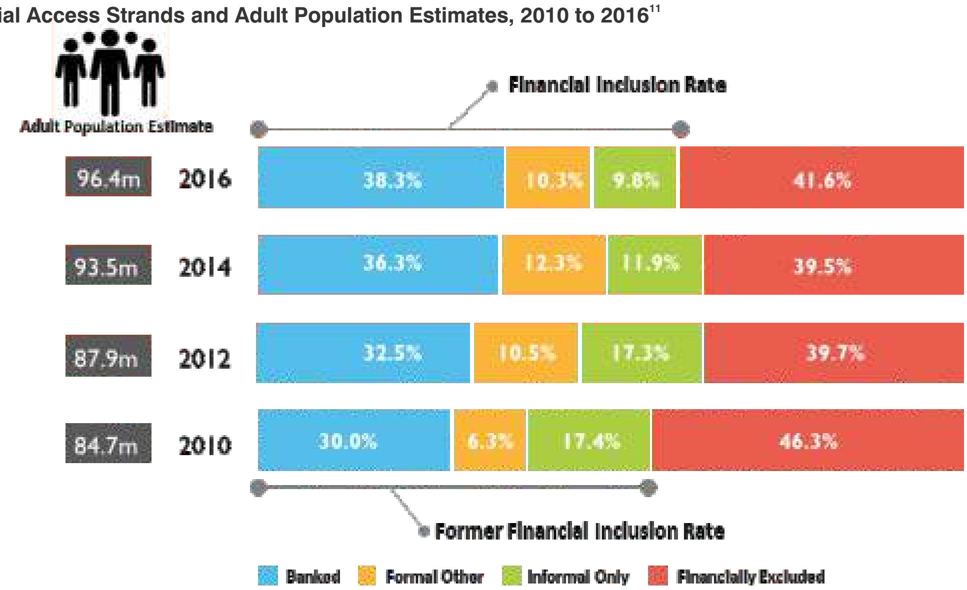
4. STRATEGY IMPLEMENTATION PROGRESS

The year 2017 marked an important milestone for financial inclusion in Nigeria, as the 2012 National Financial Inclusion Strategy (NFIS) was reviewed, and a refreshed strategy is expected for 2018. This chapter provides a progress update on the achievement of the targets of the strategy with respect to product, channel, and enabler indicators.

4.1 Overall Financial Inclusion Rate

The primary data source to gauge overall financial inclusion rates has been the Access to Financial Services in Nigeria Survey, a nationally representative survey which is carried out every two years by the Enhancing Financial Innovation and Access (EFInA). The last round of data collection happened in 2016, and as such there were no data on financial inclusion rates from EFInA in 2017. Results from the 2016 Survey showed a constant formal adult financial inclusion rate of 48.6 per cent between 2014 and 2016, while the overall adult financial inclusion rate, which includes adults who use formal and informal financial services decreased by 2.1 percentage points from 60.5 to 58.4 per cent during the same period (see Figure 4.1.1).

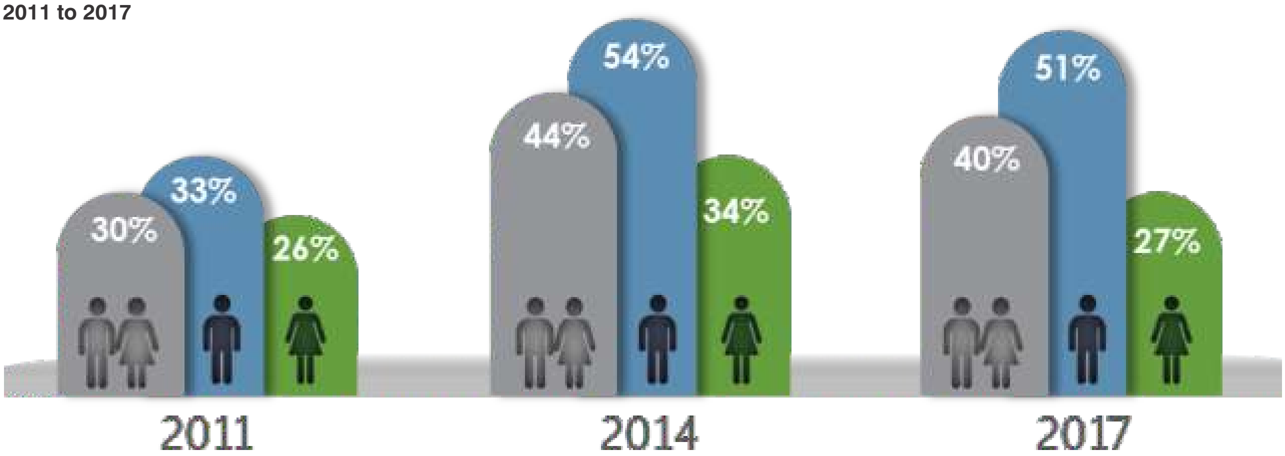
Figure 4.1.1: Financial Access Strands and Adult Population Estimates, 2010 to 2016[11]



Source: EFInA (2010, 2012, 2014, 2016)

Furthermore, the recently published World Bank report on financial inclusion; the Global Findex 2017, showed that ownership of an account with a financial institution or a mobile money provider in Nigeria stood at 40 per cent in 2017, which represented a decrease from 44 per cent account ownership in 2014 (figure 4.1.2). The gender gap in account ownership widened by 24 percentage points, as 51 per cent of men owned an account, while only 27 per cent of women owned an account. Meanwhile, it has to be noted that a direct comparison to EFInA data is not possible due to differences in certain definitions[12], the Global Findex database provides insights into the trend of financial inclusion in Nigeria since the last round of data collection In 2014.

Figure 4.1.2: Ownership of an account at a financial institution or with a mobile money provider, percentage of adults aged 15+, 2011 to 2017



Source: World Bank, Global Findex Database (2017)

4.2 Product Indicators

4.2.1 Banking

> **"The 2017 target was not achieved for payments, savings, and pensions, even though the trend towards target achievement was positive."**

The NFIS defined key performance indicators for five formal financial products: electronic payments, savings, credit, insurance, and pensions. Key Product performance indicators aim at tracking the percentage of adult Nigerians who own and use the defined financial products. Table 4.1 shows the progress made on the indicators as at 2017. The 2017 target was not achieved for payments, savings, and pensions, even though the trend towards target achievement was positive. The percentage of adult Nigerians that had access to payment services maintained a progressive trend in 2015, 2016 and 2017 by 23.6, 28.0 and 31.3 per cent, respectively. However, the 31.3 per cent recorded in 2017 was below the 59.8 percent that was targeted for the year. The savings target was estimated based on the number bank accounts attached to a unique Bank Verification Number (BVN). In the absence of

[11] The definitions of the financial access strands are as follows: Banked: Adults who have access to or use a deposit money bank in addition to having/using a traditional banking product, including ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, or no-interest banking product; including indirect access; Formal Other: Adults who have access to or use other formal institutions and financial products not supplied by deposit money banks, including insurance companies, microfinance banks, pension schemes, mobile money operators or shares. It also includes remittances (through formal channels); including indirect access; Informal Only: Adults who do not have any banked or formal other products, but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo, or moneylenders; as well as remittances (through informal channels such as via a transport service or recharge card); Financially Excluded: Adults not in the "banked", "formal other" or "informal only" categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers, as well as remittances via a friend/family member.

comprehensive data, the progress towards achievement of the credit and insurance target could not be measured for 2017.

Definition of Indicator		Definition of Proxy Indicator	Baseline 2010	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Target 2017	% Achieved 2017	Trend 2016 -17	Status	Target 2020
Payment	% of adult population having a payment product with a formal financial institution	% of adult population having Bank Verification Numbers	22%	N/A	23.6% (22.6m Adults)	28.0% (27.2m Adults)	31.3% (31.0m Adults)	59.8% (59.3m Adults)	52.3%			70% (74.1m Adults)
Savings	% of adult population having a savings product with a formal financial institution		24%	1.5% (1.4m Adults)	23.6% (22.6m Adults)	28.0% (27.2m Adults)	31.3% (31.0m Adults)	49.2% (48.8m Adults)	63.6%			60% (63.5m Adults)
Credit	% of adult population having borrowed or paid back a loan through a regulated financial institution over the last 12 months		2%	1.1% (1.0m Adults)	3%*	1.8% (1.7m Adults)	5.4% 5.4m Adults	31.6% (31.3m Adults)	17.1%			40% (42.3m Adults)
Insurance	% of adult population covered by a regulated insurance policy		1%	1.0% (1.6m Adults)	1%*	1.8% (1.7m Adults)	1.1% 1.15m Adults	28.6% (28.4m Adults)	3.8%			40% (42.3m Adults)
Pensions	% of adult population registered with a regulated pension scheme		5%	6.8% 6.4m Adults	7.5% (7.2m Adults)	7.9% (7.6m Adults)	8.4% (8.4m Adults)	29.2% (29.0m Adults)	28.8%			40% (42.3m Adults)

**for these years, supply-side data was not available therefore the demand-side figure for the preceding year was used as a proxy*

Figure 4.2.1: Status of the Product Key Performance Indicators

4.2.2 Electronic Payments and Savings

4.2.2.1 Key initiatives in 2017

Throughout 2017, Bank Verification Number (BVN) enrollment for customers of financial institutions was expanded to include customers of microfinance banks and other financial institutions. Initially, institutions were required to enroll their customers on or before July 31, 2017, a deadline that was later extended to December 31 2017. Customers without a BVN were unable to make withdrawals from their accounts past this date.

> **"As at end-December 2017, 31.4 million people had been registered with a unique BVN, out of which 31.0 million were adults aged 18 years and above."**

4.2.2.2 Status and Trend Analysis as at 2017

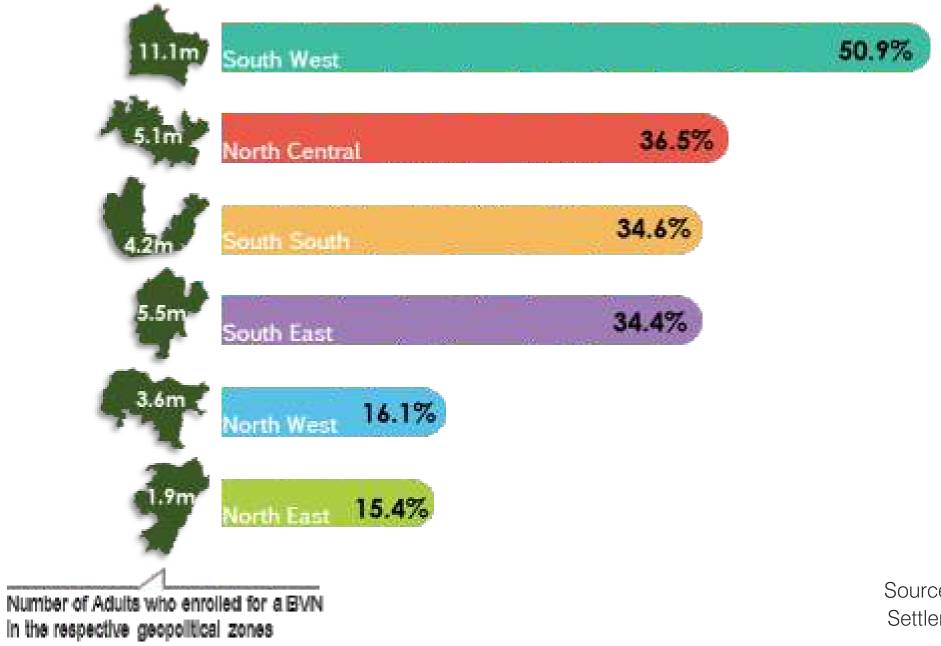
As at end-December 2017, 31.4 million people had been registered with a unique BVN, out of which 31.0 million were adults aged 18 years and above. This segment represented 31.3 per cent of the adult population, which constituted an increase by three percentage points over the 28.0 per cent of adult Nigerians with a BVN in December 2016. Despite the increase, the 2017 targets for formal payments and savings products of 59.8 per cent and 49.2 per cent were not met.

Figure 4.2.2 below provides an overview of the estimated percentage of the adult population that had a bank account with a Deposit Money Bank (DMB) or a Microfinance Bank (MFB), (using the adult population with a BVN as a proxy) by geopolitical zone as at December 2017. An analysis of the data showed that in the previous year, the South West geopolitical zone of the country was far ahead of other zones in BVN registration, with 50.9 per cent of adults (11.1 million adults) enrolled. The North Central, South South, and South East geopolitical zones

[12] First, the definition of a financial institution under Global Findex includes a "bank or another type of formal, regulated financial institution, such as a credit union, a cooperative, or a microfinance institution" (World Bank, 2018, p. 17) and therefore does not fully match any of EFInA's financial access strands. Moreover, the Global Findex defines adults as persons aged 15 years and above, while EFInA considers all persons aged 18 years and above as adults.

followed with 36.5 per cent (5.1 million adults), 34.6 per cent (4.2 million adults), and 34.4 per cent (5.5 million adults), respectively. BVN enrollment has been least advanced in the North West and North East with penetration rates of 16.1 per cent (3.6 million adults) and 15.4 per cent (1.9 million adults) respectively.

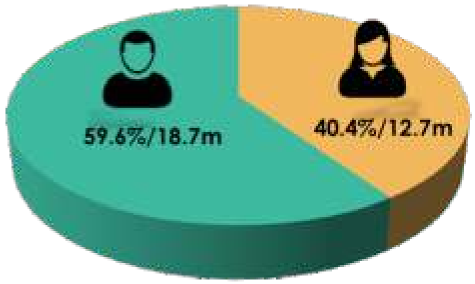
Figure 4.2.2: Estimated Percentage of Adult Population with a BVN and Number of Adults enrolled with a BVN, by Geopolitical Zone, 2017



Source: Nigeria Inter-Bank Settlement System, EFInA (2010, 2016)

An analysis of the distribution of BVN holders by gender (see figure 4.2.3) showed that almost 60 per cent of adults that enrolled with a BVN were men, while 40 per cent were women. This share corresponded with a similar gender split in previous years. The low registration of women in the North Eastern and North Western states was the main cause of the gender disparity, as women were less than one third of total BVN holders in these areas.

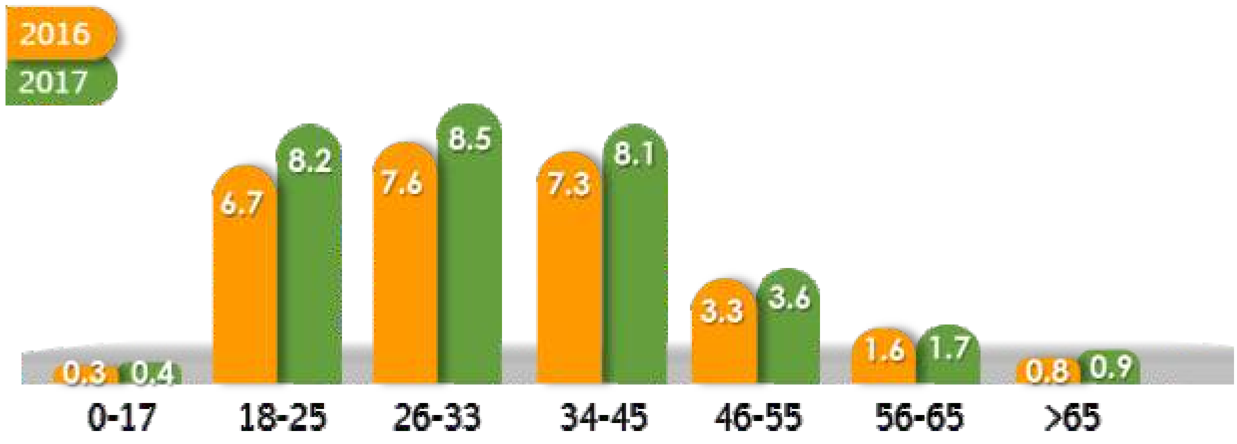
Figure 4.2.3: BVN holders by gender, 2017



Source: Nigeria Inter-Bank Settlement System (2017)

Figure 4.2.4 below provides an overview of the distribution of BVN holders by age in 2016 and 2017. It shows that the bulk of BVN holders were between 18 and 45 years of age. The age group of 18 to 25 years, recorded a total of 1.5 million new BVN enrollments in 2017 compared with 2016 and this leap was higher than that recorded by other age groups in the period.

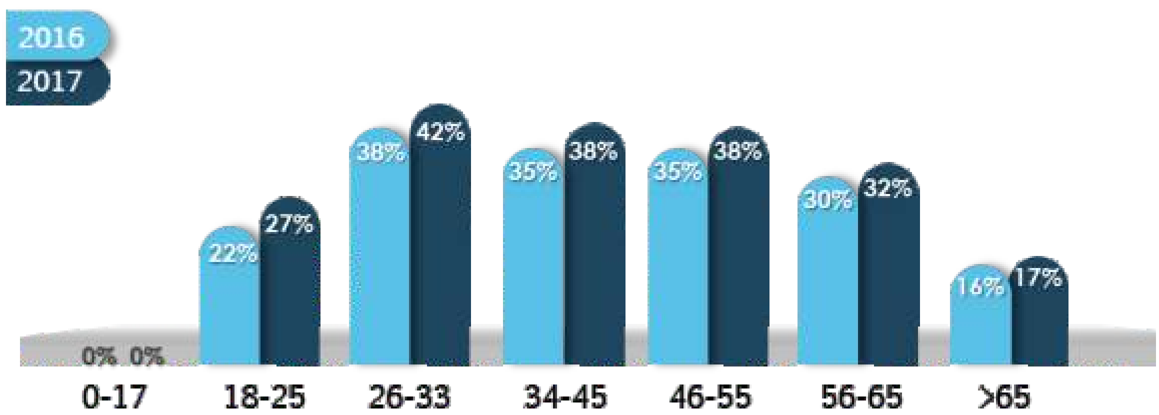
Figure 4.2.4: BVN Holders by Age, 2016 and 2017, in million



Source: Nigeria Inter-Bank Settlement System (2017)

Analyzing the distribution of BVN holders by age as a proportion of the total population in the same age group provides further insights. Figure 4.2.5 shows that despite the increase in registration of Nigerians aged between 18 and 25 years, the share of Nigerians with a BVN in this age group stands at only 27 per cent, which is lower than for the age groups 26-33 years (42%) and 34-45 years and 46-55 years (both 38%). The group of above 65 year olds contains an even lower share of BVN holders at 17 per cent.

Figure 4.2.5: Share of population with a BVN by Age, 2016 and 2017



Source: Nigeria Inter-Bank Settlement System (2017); National Population Commission (2017)

The number of adult financial inclusion-related deposit accounts[13] amounted to a total of 129.53 million in 2017. A total of 124.35 million accounts were individual accounts and 119.78 million, corporate accounts.

[13] Financial inclusion-related deposit accounts include mobile money accounts, current and savings deposit accounts at DMBs and current, voluntary savings, mandatory deposit and other deposit accounts at MFBs. Fixed deposit and domiciliary accounts were not included as anyone who has any of these two types of accounts was assumed to have one of the other deposit accounts already. Indeed, out of the 23,072 adult Nigerians who were interviewed in EFInA (2016), no respondent indicated that he had a fixed deposit account, but no current or savings account.

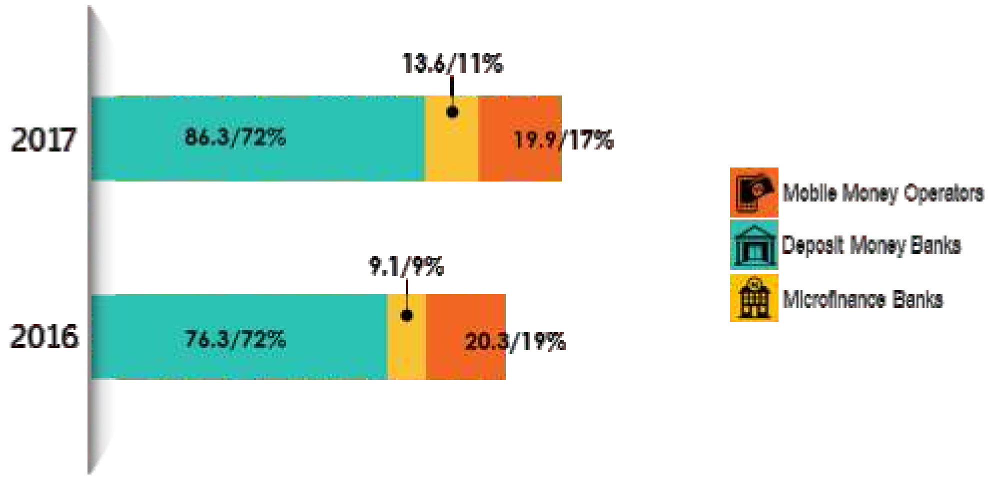
Table 4.2.1: Number of Financial Inclusion-related Deposit Accounts as at December 2017, by Institution Type, in Million

2017	No. of Registered Financial Inclusion-related Deposit Accounts [14]		
	No. of Corporate and Individual (Non-corporate) Accounts	No. of Individual (Non-corporate) Accounts	No. of Individual (Non-corporate) Accounts registered with Adults
Commercial Banks [15]	95.57	90.54	86.27
Microfinance Banks [16]	13.81	13.68	13.62
Mobile Money Operators	20.15	20.13	19.89
Total	129.53	124.35	119.78

Source: Central Bank of Nigeria (2017)

In comparison to 2016, the number of individual (non-corporate) deposit accounts increased from 105.7 million in 2016 to 119.8 million in 2017 (13%). Figure 4.2.6 shows that the majority of individual deposit accounts remained with DMBs, (86.3 million or 72%) followed by MMOs (19.9 million or 17%) and MFBs (13.6 million or 11%) as at December 2017.

Figure 4.2.6: Number of Individual (non-corporate) Deposit Accounts by Type of Institutions, 2016 to 2017, in Million



Source: Central Bank of Nigeria (2017)

Figure 4.2.7 shows the number and percentage of active individual deposit accounts at commercial banks, microfinance banks and MMOs. In this context, an active account is defined as "*an account which has been used at least once in the last twelve months for a customer-initiated transaction*"[17]. The figure shows that 73 per cent of all individual deposit accounts with DMBs had been used within the period January to December, 2017 while for MMOs and MFBs only 29 percent and 23 percent of the account were used.

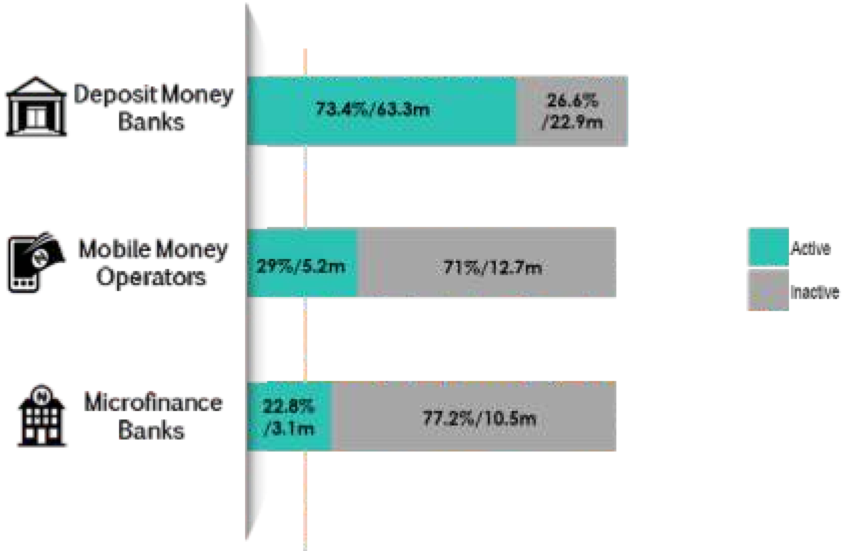
[14] Financial inclusion-related deposit accounts include mobile money accounts, current and savings deposit accounts at commercial banks and current, voluntary savings, mandatory deposit and other deposit accounts at microfinance banks. Fixed deposit and domiciliary accounts were not included as anyone who has any of these two types of accounts was assumed to have one of the other deposit accounts already. Indeed, out of the 23,072 adult Nigerians who were interviewed in EFInA (2016), no respondent indicated that he had a fixed deposit account, but no current or savings account.

[15] Note that joint/group accounts at commercial banks were captured as account registrations. This means that, for instance, a joint account which was registered with two people was captured as two accounts

[16] Data on accounts at microfinance banks is based on returns from 69 per cent of all MFBs and represents therefore a conservative estimate.

[17] Central Bank of Nigeria (2017)

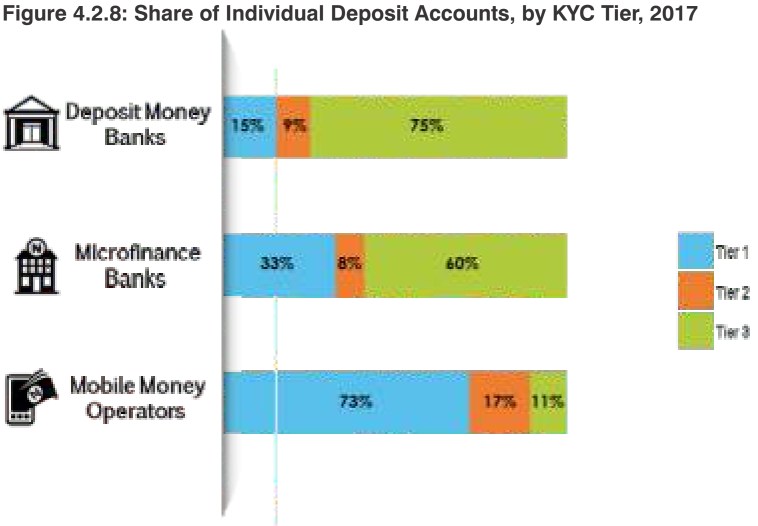
Figure 4.2.7: Share of Active and Inactive Individual Deposit Accounts, by Type of Institution, 2017



Source: Central Bank of Nigeria (2017)

A further analysis of the accounts on the basis of Tiered Know-Your-Customer (KYC) requirement (figure 4.2.8) revealed that Tier 3 accounts were the predominant type of account at deposit money banks (75%) and, to a lesser degree, at microfinance banks (60%). For MMOs, the share of tier 3 accounts was significantly lower at 11 per cent. This could explain the high level of inactive mobile money accounts, as customers might open the account without the intention of using it.

Figure 4.2.8: Share of Individual Deposit Accounts, by KYC Tier, 2017



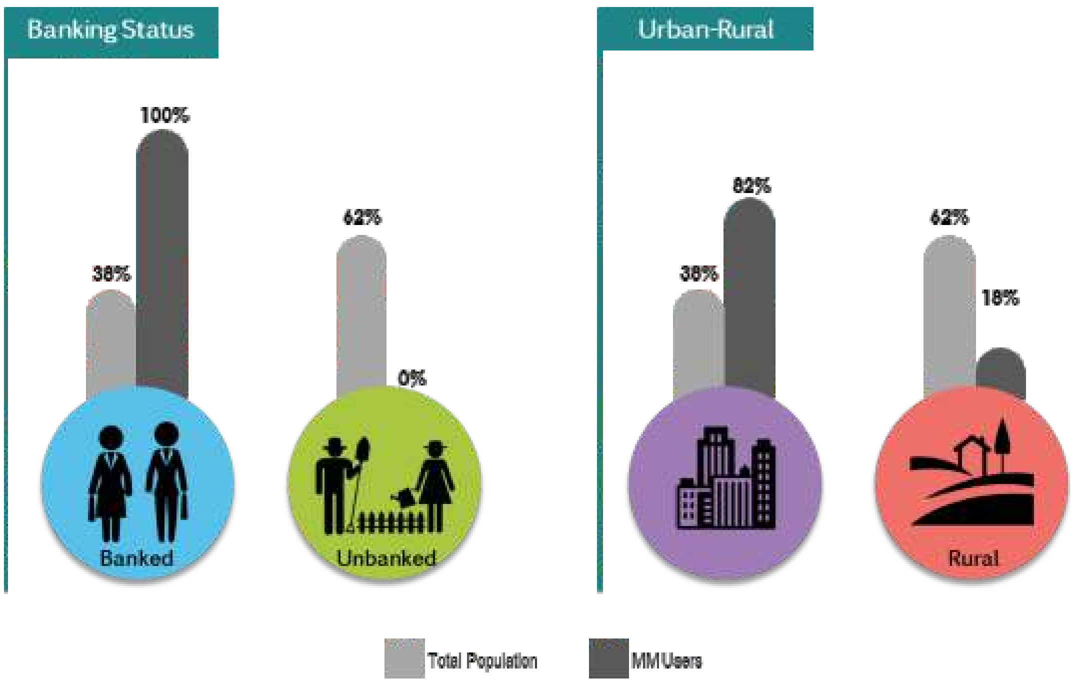
Source: Central Bank of Nigeria (2017)

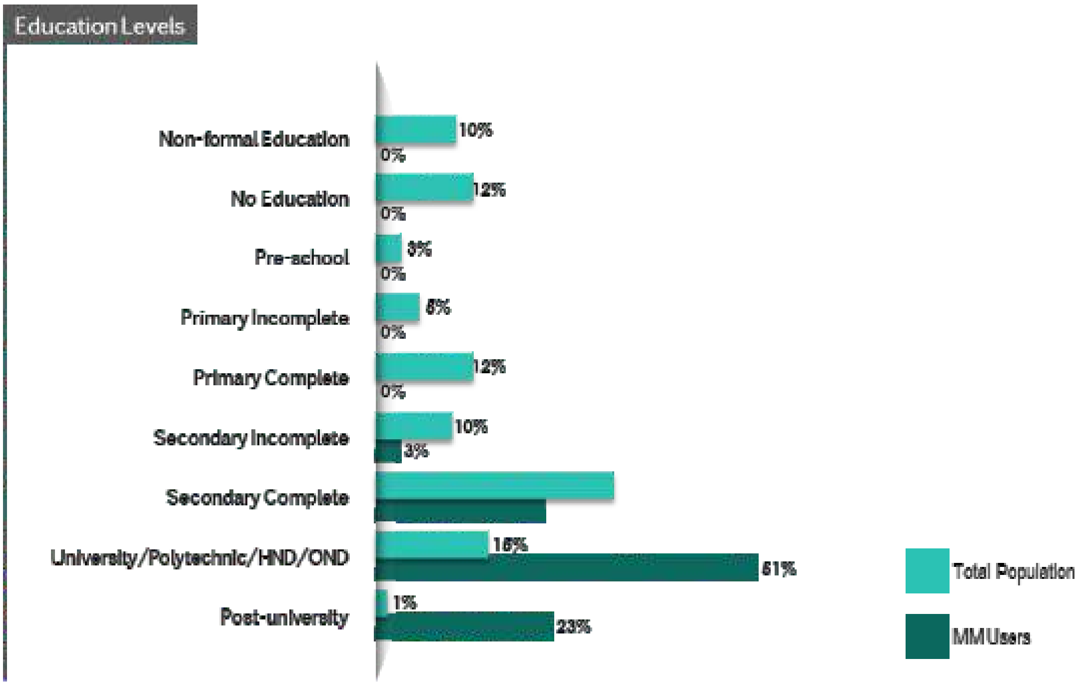
A deeper analysis of mobile money users based on EFinA's 2016 survey data reveals that the current system of digital financial services is not reaching the un-served and under-served. As shown in figure 4.10 below, the users of mobile money services tend to have access to banks and live in urban areas. The graph (Banking Status) shows that 100 per cent of mobile money users also have an account with a DMB. Furthermore, the graph (Urban – rural) shows that mobile money users live disproportionately often in urban areas, 82 per cent of them are city dwellers.

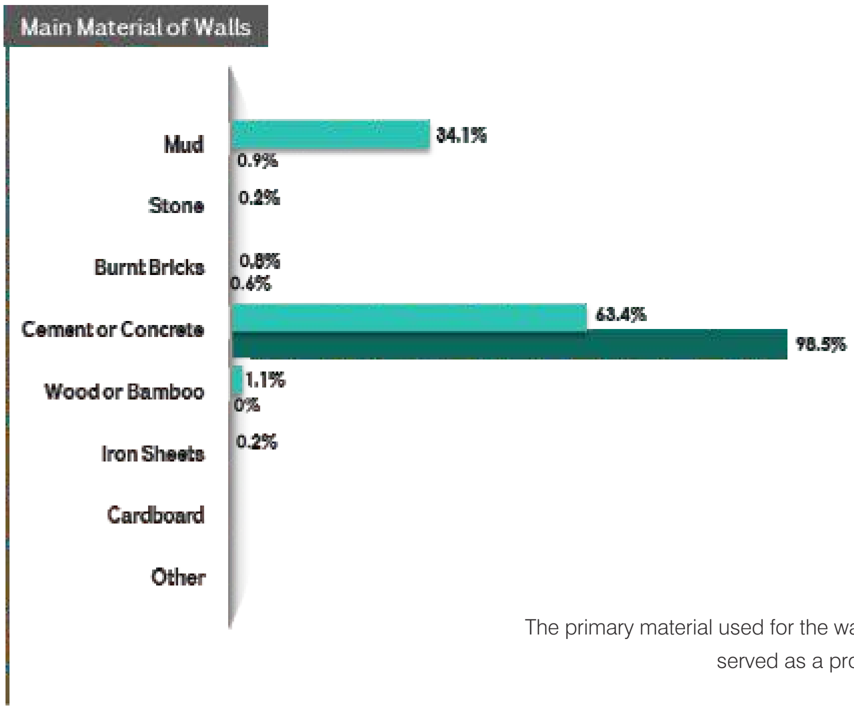
"The share of mobile money users with a university and post-univeristy degree was as high as 74 per cent, while the share is only 16 per cent for the overall Nigerian adult population"

In addition, mobile money users are more priviledged than the average Nigerian regarding their levels of education and wealth. The graph (Education levels) shows that not a single mobile money user has an education level below 'secondary incomplete', while the share among the total population with these education level was 43 per cent. Moreover, the share of mobile money users with a university and post-univeristy degree was as high as 74 per cent, while the share is only 16 per cent for the overall Nigerian adult population. Lastly, the graph on the bottom right hand side shows the primary material used for the walls in respondents' houses. This serves as a proxy for respondents' wealth, where cement or concrete walls indicate more wealth compared to other materials. It can be seen that among the overall Nigerian population, 34 per cent live in houses with mud walls and 63 per cent live in houses with cement or concrete walls. Amongst mobile money users, no more than 0.9 per cent live in houses with mud walls, while 98.5 per cent live in houses with cement or concrete walls, indicating that they tend to be richer than the average Nigerian.

Figure 4.2.9: Analysis of Mobile Money Users in Comparison to the Total Population







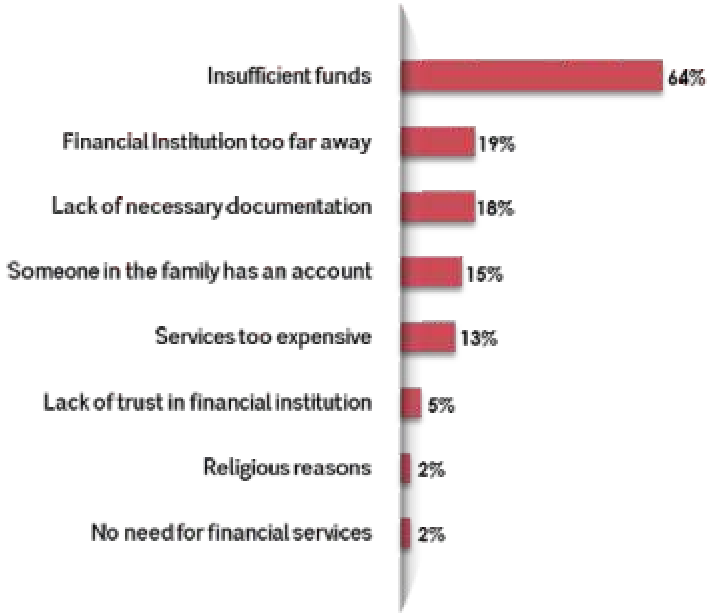
The primary material used for the walls in respondents' houses served as a proxy for respondents' wealth

Source: EFinA (2016)

4.2.2.3 Key issues and Future Outlook

Survey data from the World Bank's Global Findex 2017 Database gives insight into the reasons that inhibit people from using bank accounts (see figure 4.2.10). Insufficient funds was the most frequently cited response at 64 per cent, followed by long distance to financial institutions (19%), and lack of necessary documentation (18%). These findings correspond largely to the results of EFInA's 2016 survey, in which the most prevalent reasons for not using banks were irregular income (23.1%), not having a job (14.3%) and living or working too far away from banks (14.3%). Analyzing these reasons separately is necessary to develop feasible strategies to address them.

Figure 4.2.10: Reasons for not having an account, percentage of respondents without a financial institution account, age 15+, 2017



Source: World Bank, Global Findex (2017)

> "Insufficient funds was the most frequently cited response at 64 per cent, followed by long distance to financial institutions (19%), and lack of necessary documentation (18%)."

The fact that income-related reasons were the primary factors inhibiting Nigerians from using savings accounts emphasizes the need for business models that are tailored to low-income households. This includes product design that takes into account small and potentially irregular savings as well as distribution channels that accommodate low-income customers.

Another important reason for not using accounts was long distance to financial institutions. The most promising way to address this issue is pooling efforts to promote Digital Financial Services (DFS). Due to their low capital expenditure per access point and their possibility to reach remote areas in a cost-effective way[18], DFS will be the key to unlocking access to financial services beyond urban centers. Creating a regulatory environment that enables DFS to gain traction is an essential part of this journey.

> "The analysis of current mobile money users show, however, that the current DFS system is not reaching the financially excluded."

The analysis of current mobile money users show, however, that the current DFS system is not reaching the financially excluded. Data on the level of financial access, education, urban or rural living pattterns, and wealth show the priviledged status of mobile money users. While early adopters of new technologies are often the relatively better-off and more priviledged, it has to be ensured that both the products and the channels to deliver DFS are modeled in an inclusive way. Only if products appeal to low-income households and the distribution channels reach them, can mobile money be converted from an additional feature for the banked into a tool that drives financial inclusion.

Attention also needs to be paid to the high levels of account dormancy. This holds true especially for accounts with MFBs and MMOs, where merely 23 per cent and 29 per cent of customers, respectively, made a transaction within the past 12 months.

[18] An IFC study found that for microfinance institutions, the operational costs for transactions with agents were around 25 per cent cheaper than for conducting a branch transaction. (IFC and MasterCard Foundation: Turning MFI Digital Strategies into Reality)

4.2.3 Credit

4.2.3.1 Key Initiatives in 2017

> **“As at December 31, 2017, over N81 billion had been disbursed to 366,465 beneficiaries across the participating states and through 18 financial institutions and 405,119 hectares in cultivation.”**

The CBN rolled out the Anchor Borrower's Programme, in all 36 States as well as the Federal Capital Territory. The programme covered rice, maize, cassava, wheat, soya beans, fish, and poultry, cotton, cattle and groundnuts. As at December 31, 2017, over N81 billion had been disbursed to 366,465 beneficiaries across the participating states and through 18 financial institutions and 405,119 hectares in cultivation.

Also, the Bank disbursed over N95 billion through 16 participating DMBs to 199,785 beneficiaries under the Micro, Small, and Medium Enterprises Development Fund (MSMEDF).

The National Collateral Registry (NCR) commenced operations in May, 2016 to facilitate access to finance for micro, small and medium enterprises through the registration of movable assets that could be used as collateral to obtain loans from financial institutions. Financial institutions comprising deposit money banks, microfinance banks, development finance institutions, merchant banks, and non-bank financial institutions have registered and are utilizing the portal to advance credit to individuals and businesses in the country. As at December 2017, the NCR recorded a total of 22,744 financial statements valued at N511.35 billion secured with 29,060 various types of movable assets from 106,637 debtors. As at end-2017, a total N563.11 billion worth of loan have been granted by the financial institutions to borrowers out of which N26.36 billion went to women borrowers.

The Youth Entrepreneurship Development Programme (YEDP) was created on March 15, 2016 to support the youth entrepreneurs between the ages of 18 to 35. As at December 31, 2017, over N206 million had been disbursed to 82 beneficiaries in two banks namely, Heritage and Sterling Bank. Thirty two (32) people benefited from over N82 million disbursed through Heritage Bank, while 50 people benefited from over N123 million disbursed through Sterling Bank.

4.2.3.2 Status and Trend Analysis as at 2017

EFInA's 2016 Access to Financial Services survey showed that 1.8 per cent of the adult population had borrowed from a formal financial institution over the past 12 months. In absence of data for 2017, the progress cannot be ultimately qualified. However, it seems unlikely that the 2017 target of 31.6 per cent credit penetration was achieved.

Table 4.2.2: Number of Credit Accounts as at December 2017, by Institution Type, in Million

2017	No. of Registered Credit Accounts		
	No. of Corporate and Individual (non-corporate) Accounts	No. of Individual Accounts	No. of Individual (adult) Accounts
Commercial Banks[19]	2.34	1.79	1.76
Microfinance Banks	3.72	3.71	3.70
Total	6.06	5.50	5.46

Source: Central Bank of Nigeria (2017)

Note that joint/group accounts at commercial banks were captured as account registrations. This means that a joint account registered with two people was captured as two accounts.

In terms of credit accounts, there were 6.06 million accounts at DMBs and MFBs as at December 2017. Out of the 6.06 million accounts, an estimated 5.50 million were individual (non-corporate) accounts, while an estimated 5.46 million individual credit accounts were registered with adults (see Table 4.2.2.). Relative to the adult population, there were 5.5 credit accounts registered with adults per 100 adults as at December 2017, which constituted a slight decrease compared to the 5.7 credit accounts per 100 adults registered as at December 2016.

"In terms of credit accounts, there were 6.06 million accounts at DMBs and MFBs as at December 2017"

Figure 4.2.11 shows that the number of individual credit accounts with adults had remained constant between 2016 and 2017. However, the number of credit accounts per person had declined due to continued population growth. It can also be seen that around two thirds of credit accounts were held at MFBs. This is opposed to the distribution of deposit accounts, as no more than 11 per cent of all deposit accounts (see figure 4.2.8) are held at MFBs.

Figure 4.2.11: Number of adult individual credit accounts by type of financial institution: 2016 to 2017

Source: Central Bank of Nigeria (2017)

4.2.3.3 Key issues and Future Outlook

"One striking feature about the credit sector is the dominance of MFBs."

The number of credit accounts remained constant in 2017 relative to the previous year. However, the number of accounts per person declined due to population growth. This trend is worrisome, especially given the fact that a lot of work is needed to achieve the target of 40 per cent credit penetration by 2020.

One striking feature about the credit sector is the dominance of MFBs. In 2017, 68 per cent of all credit accounts were with MFBs, as opposed to 11 per cent of deposit accounts. This mismatch indicates that while MFBs are the channel that connects customers with credit products at the largest scale, they face constraints to expand their lending operations. Liquidity of the microfinance industry is an issue that will have to be addressed to make an impact in extending access to credit.

4.3 Insurance

4.3.1 Key activities in 2017

> "The release of the Bancassurance guidelines by NAICOM and CBN in March 2017 marked an important step for the insurance industry."

The release of the Bancassurance guidelines by NAICOM and CBN in March 2017 marked an important step for the insurance industry. Following the referral model, the guidelines allowed insurers to partner with up to two banks that refer their customers to the insurer. This allows insurance companies to tap into the established customer network of banks and drive insurance penetration, while banks receive a commission for every new policyholder.

4.3.2 Status and Trend Analysis as at 2017

Due to lack of unique identification of customers across insurance companies and government programmes, such as the Nigeria Social Insurance Trust Fund (NSITF) and the National Health Insurance Scheme (NHIS), no consolidated supply-side estimate was available as at December 2017. However, data from the National Insurance Commission showed that 43 out of 58 insurance companies reported 1.15 million personal insurance policies as at December 2017. This was an increase of 3 per cent from 1.12 million policies in December 2016. Data from the NSITF showed that out of 6.8 million Nigerians who were registered with NSITF as at December 2017, only 0.1 million were covered by the scheme; also at least one contribution had been made over the past 12 months. These 0.1 million represented 2 per cent of those registered in NSITF and about 0.1 per cent of the Nigerian adult population.

4.3.3 Key Issues and Future Outlook

> "Promoting micro-insurance is crucial to achieving the target of 40 per cent insurance penetration."

Low penetration rates over the years have shown that conventional insurance products are unable to bridge the insurance gap. Promoting micro-insurance is crucial to achieving the target of 40 per cent insurance penetration. The micro insurance guidelines, which are expected to be released in 2018, will play a crucial role in this regard. In addition, products need to be affordable for the mass market and easily understandable and distributed through channels that can reach large numbers of customers.

4.4 Pension

4.4.1 Key activities in 2017

In 2017, PenCom engaged in a range of activities in order to spread awareness on pensions, which included the production and distribution of public enlightenment programmes and partnership with universities from all six geopolitical zones. Furthermore, in an important step towards increased inclusivity, PenCom extended pension fund investments to include non-interest capital market products as allowable securities.

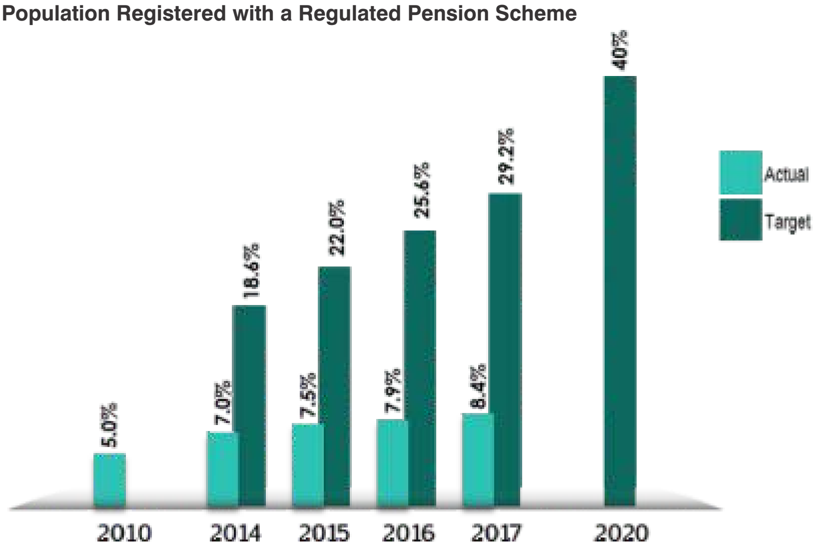
A draft Micro Pension Guideline for the informal sector and self-employed was under review as at December, 2017. Moreover, PenCom conducted a Pension Industry Baseline Survey on the level of customer satisfaction and literacy regarding pensions.

> "In absolute terms, 7.9 million Nigerians were contributing to a regulated pension system, an increase of 9.7 per cent from the 7.2 million adults contributing in 2016."

4.4.2 Status and Trend Analysis as at 2017

From 2016 to 2017 the share of adult Nigerians who were contributing to a regulated pension scheme increased from 7.9 per cent to 8.4 per cent. As figure 4.14 shows, these numbers fall short of the target set in the NFIS, which is 29.2 per cent for 2017. In absolute terms, 7.9 million Nigerians were contributing to a regulated pension system, an increase of 9.7 per cent from the 7.2 million adults contributing in 2016.

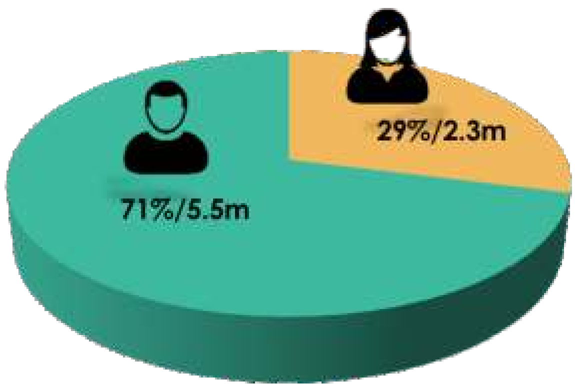
Figure 4.3.1: Per cent of Adult Population Registered with a Regulated Pension Scheme



Source: National Pension Commission (2017)

A breakdown of these numbers by gender shows that men constitute 71 per cent of Nigerians contributing to a retirement savings account (RSA), while women constitute 29 per cent (see figure 4.3.2).

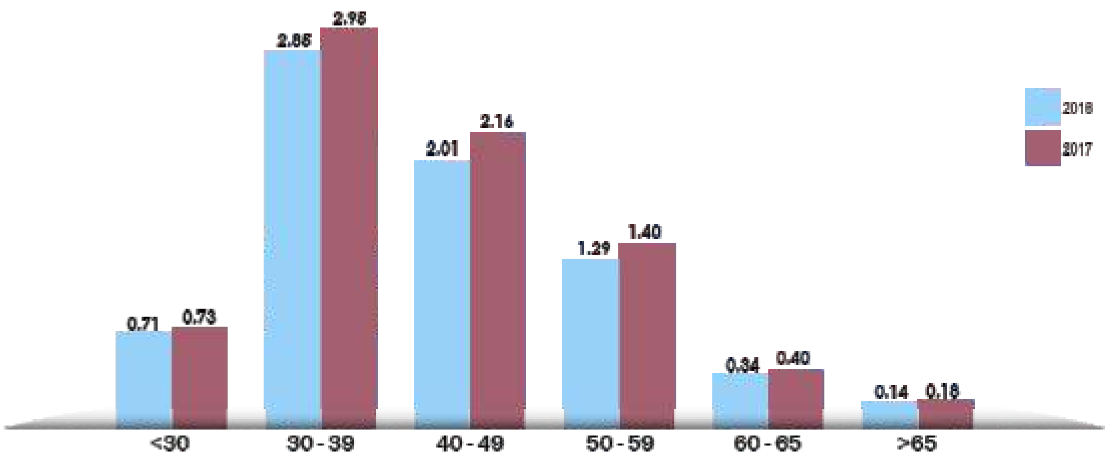
Figure 4.3.2: Breakdown of Nigerians contributing to a Retirement Savings Account (RSA), by gender, 2017



Source: PenCom (2017)

Analyzing the distribution of RSA by age group shows that the largest Nigerians within the age bracket of 30 and 39 years old constitute the largest owners of RSA in absolute terms in 2017. This was followed by the age groups 40 to 49 years and 50 to 59 years old respectively (see figure 4.3.3).

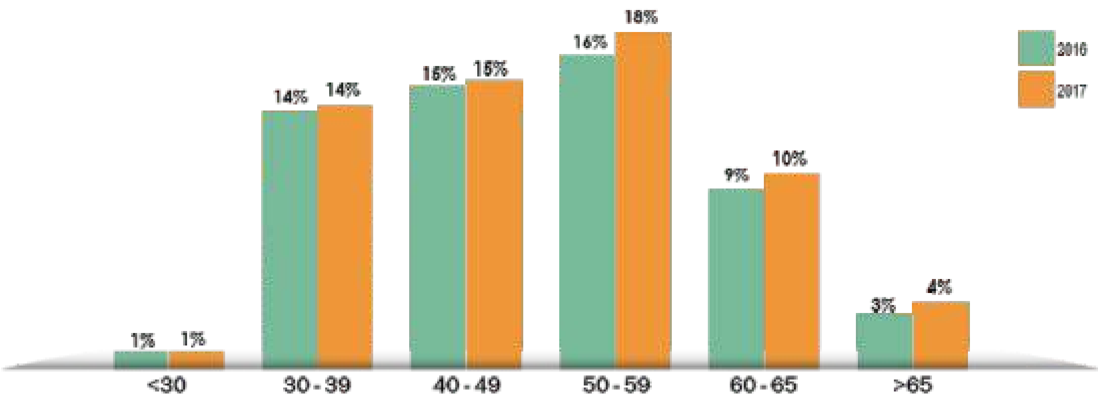
Figure 4.3.3: Number of Nigerians with a RSA, by Age, 2016 and 2017



Source: PenCom (2017)

Conversely, in relative terms, it can be observed that the age group 50 to 59 years old has the highest share of RSA holders at 18 per cent (see figure 4.3.4). This is followed by the group aged 40 to 49 years (15%) and 30 to 39 years (14%).

Figure 4.3.4: Share of Nigerians with a RSA, by Age, 2016 and 2017



Source: PenCom (2017), National Population Commission (2017)

"There will also be need for **sustained awareness creation on the importance of pensions and the windows** for participating in it."

4.4.3 Key Issues and Future Outlook

As at end of 2017, the draft Micro Pension Guideline was yet to be released. Publishing the guideline will be an essential step towards closing the gap between actual pension contributors and the product target of 40 per cent by 2020. There will also be need for sustained awareness creation on the importance of pensions and the windows for participating in it.

4.5 Channel Indicators

Long distance to financial access points – defined as points where cash-in and cash-out transactions can be performed – is one key barrier to financial inclusion. In order to address this issue, the National Financial Inclusion Strategy defined five channels key performance indicators.

4.5.1 Key activities in 2017

"Efforts to increase the attractiveness of **mobile money accounts include CBN's proposal to introduce interest** earnings on mobile money accounts."

In an effort to strengthen the delivery of digital financial services, the CBN engaged in a range of activities in 2017. The Bank issued three new super-agent licenses, which allowed the licensed entities to sub-contract individual agents on behalf of financial institutions, while maintaining the ultimate responsibility for the agents. The additional licenses will contribute to the expansion of the mobile money agent network.

The CBN also granted an Approval in Principle (AIP) for super-agent licenses to Mobile Network Operators (MNO) that incorporated a Special Purpose Vehicle (SPV) for the provision of financial services. The super-agents are expected to complement the efforts of the MMOs in extending financial services to the unbanked at a minimal cost.

Efforts to increase the attractiveness of mobile money accounts include CBN's proposal to introduce interest earnings on mobile money accounts. This would constitute a significant incentive for using mobile money accounts as a means to accumulate savings. Moreover, balance and transfer limits for mobile money wallets have been reviewed and Tier 1 mobile money accounts have been exempted from BVN enrollment to further enhance ease of use of mobile money in Nigeria.

In order to facilitate the improved provision of digital financial services, CBN and NCC signed a Memorandum of Understanding (MoU) to enhance payment systems and drafted a regulatory framework on the use of Unstructured Supplementary Service Data (USSD). The framework seeks to establish the rules and risk-mitigation considerations when implementing USSD for financial services due to the advent of mobile payments, m-commerce, m-banking and other financial transactions based on mobile telephony.

4.5.2 Status and Trend Analysis as at 2017

Table 4.5.1 and figure 4.5.1 show the status and trend of the channel key performance indicators.

Table 4.5.1: Status of the Channel Key Performance Indicators as at December 2017

Definition of Indicator	Baseline 2010	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Target 2017	% Achieved 2017	Trend 2016 -17	Status	Target 2020
Commercial Bank: Commercial Bank Branches per 100,000 adults	6.8	5.9 (5,508 Branches)	5.7 (5,462 Branches)	5.6 (5,446 Branches)	5.5 (5,470 Branches)	7.5	73%	↓		7.6 (8,000 Branches)
Microfinance Bank: Microfinance Bank Branches per 100,000 adults	2.9	2.2 (2,107 Branches)	2.3 (2,227 Branches)	2.3 (2,197 Branches)	2.3 (2,231 Branches)	4.7	49%	↔		5.0 (5,300 Branches)
ATMs: ATMs per 100,000 adults	11.8	17.0 (15,935 ATMs)	17.2 (16,452 ATMs)	18.0 (17,440 ATMs)	18.2 (18,060 ATMs)	49.5	37%	↔		59.6 (63,000 ATMs)
PoS: PoS Devices per 100,000 adults	13.3	87.9 (82,540 PoS)	122.4 (116,868 PoS)	116.3 (112,847 PoS)	153.0 (151,786 PoS)	605.6	25%	↑		850.0 (899,000 PoS)
Agents: Agents per 100,000 adults	0.0	N/A	N/A	18.8% (18,228 Agents)	28.2 (27,978 Agents)	43.4	65%	↑		62.0 (65600 Agents)

Source: Central Bank of Nigeria (2017); Interswitch (2017); NIBSS (2017)

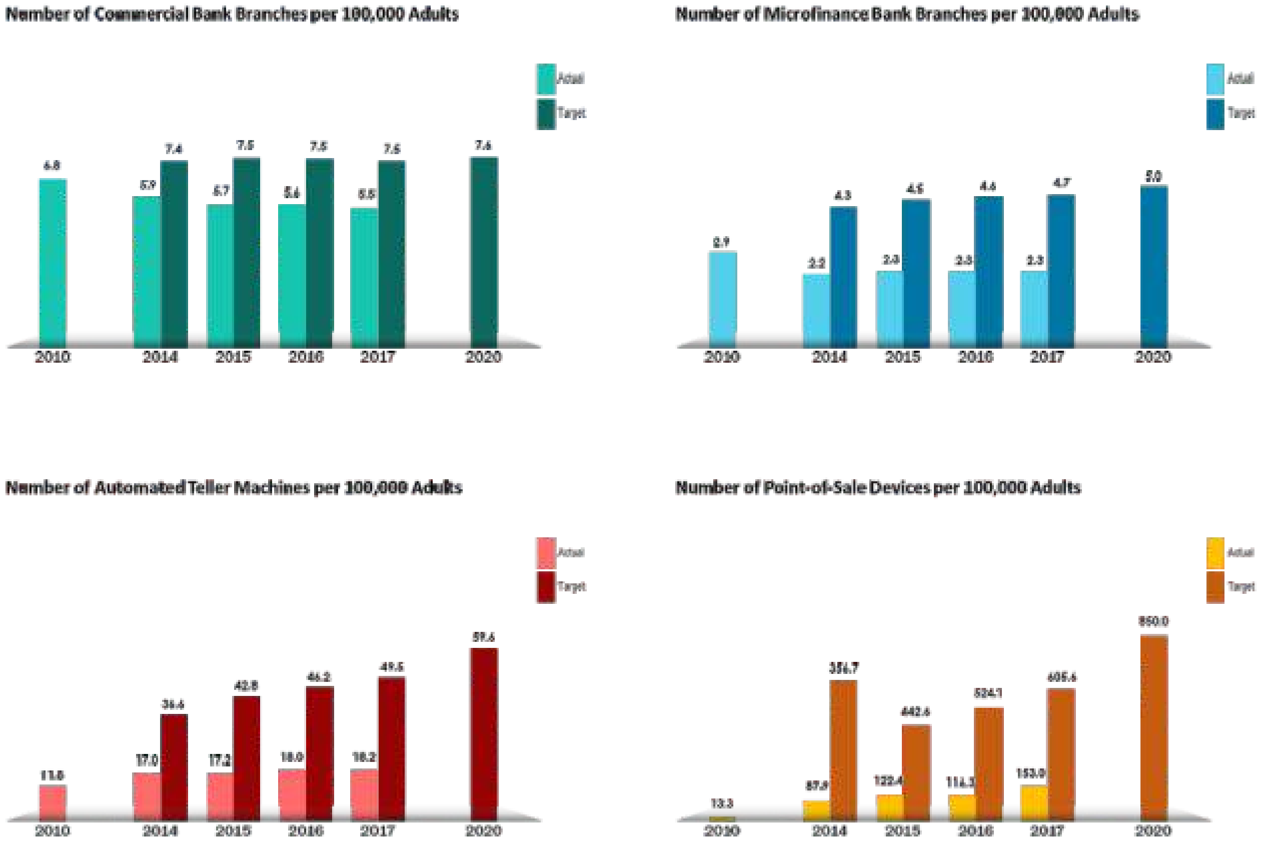
The number of DMB branches per 100,000 adults stood at 5.5 as at December 2017. This represented a decrease of 2 per cent from 5.6 DMB branches per 100,000 adults as at December 2016, even though in absolute numbers there was an increase in DMB branches from 5,446 branches in 2016 to 5,470 branches in 2017. Target achievement of the 2017 target of 7.5 branches per 100,000 adults stood at 73 per cent.

The number of MFB branches per 100,000 adults remained constant in 2017 at 2.3 branches per 100,000 adults. In absolute terms, there was a slight increase in the number of MFB branches from 2,197 to 2,231; 49 per cent of the 2017 target of 4.7 microfinance branches was achieved.

The number of ATMs per 100,000 adults increased slightly to 18.2 in 2017 from 18.0 in 2016. The absolute number of ATMs also saw an increase from 17,440 ATMs in 2016 to 18,060 ATMs in 2017. Despite this positive trend, only 37 per cent of the 2017 target of 49.5 ATMs per 100,000 adults was achieved[20].

[20] Report from Banking and Payment Systems Department, Central Bank of Nigeria (2017)

Figure 4.5.1: Status of the Channel Key Performance Indicators as at 2014, 2015, 2016 and 2017



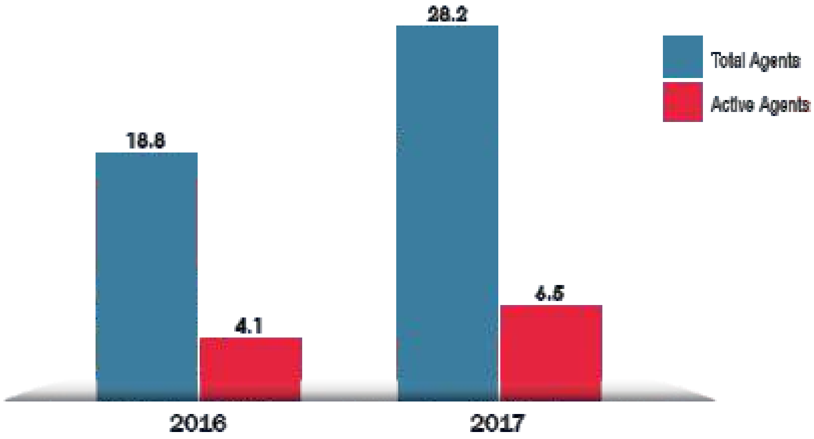
Source: Central Bank of Nigeria (2017); Interswitch (2017); NIBSS (2017)

The number of PoS devices stood at 153.0 per 100,000 adults. This constituted an increase from 116.3 PoS devices per 100,000 adults in 2016. In absolute terms, the number of PoS devices increased from 112,847 in 2016 to 151,786 in 2017. The target achievement for 2017 (605.6 PoS devices per 100,000 adults) stood at 25 per cent.

The number of agents per 100,000 adults, using the number of agents registered on CBN's agent database per 100,000 adults as a proxy, stood at 28.2 in 2017. This shows a considerable jump from 18.8 agents per 100,000 adults as at December 2016 (see figure 4.5.2). In absolute terms, the number of agents increased from 18,228 agents in 2016 to 27,978 agents 2017. To put these numbers into context, it has to be taken into account that the agent database registers both active and inactive agents. The share of active agents is estimated to be around 23 per cent of total agents,[21] where active is defined as those having made at least one transaction within the past month. This adjustment reduces the number of mobile money agents per 100,000 adults to 6.5.

[21] Estimates are based on data provided by 19 mobile money operators, representing 83 per cent of the total industry.

Figure 4.5.2: Number of mobile money agents per 100,000 adults



Source: Central Bank of Nigeria (2017)

"The South West geopolitical zone has by far the largest amount of access points with 2.3 commercial bank branches and 24 mobile money agents per 100,000 adults."

The geographical dispersion of financial access points showed that deposit money bank branches and mobile money agents were distributed unequally across Nigeria. The South West geopolitical zone has by far the largest amount of access points with 2.3 commercial bank branches and 24 mobile money agents per 100,000 adults. North Central and South-South followed with 0.9 bank branches and 9.7 mobile money agents per 100,000 adults and 0.9 bank branches and 5.18 mobile money agents per 100,000 adults, respectively. In the North West geopolitical zone there were 0.6 deposit money bank branches and 6.39 mobile money agents per 100,000 adults, while South East with 0.6 deposit money bank branches and 4.7 mobile money agents per 100,000 adults. The least served geopolitical zone was North East with 0.3 deposit money bank branches and 2.37 mobile money agents per 100,000 adults.

4.5.3 Key Issues and Future Outlook

Stagnant and declining trends in the number of traditional channels, such as bank branches and ATMs are indicative of an overall trend in the industry, as financial institutions are de-emphasizing traditional branches due to unsustainably high costs. Instead, the focus is shifting towards technological solutions, especially digital financial services (DFS), and agency banking. This shift represents an opportunity for financial inclusion, as DFS has the potential to cost-effectively serve areas that were excluded due to their remoteness, poor infrastructure, or low population density. However, so far, this opportunity is not fully harnessed.

As the analysis above has shown, the current DFS ecosystem is not reaching the financially excluded. Rather than being a tool to drive financial inclusion, it is an add-on feature for those who are already banked. Developing products that appeal to low-income customers and building an agent network that distributes these products beyond the major urban centers will be crucial to harness the financial inclusion potential of DFS.

While the number of mobile money agents has increased significantly in the previous year, the large share of inactive agents constitutes an obstacle towards greater uptake of DFS. As agent inactivity is likely to be a consequence of limited financial incentives, the current remuneration model for agents should be reviewed, including regulations such as the fixed fees agents can charge for cash-in cash-out transactions.

4.6 Enablers

4.6.1 KYC ID

4.6.1.1 Key activities in 2017

Throughout 2017, the National Identity Management Commission (NIMC) continued enrollment efforts for the National Identification Number (NIN) as well as the harmonization and integration of identity databases.

Table 4.6.1: Status of the Enabler Key Performance Indicators as at 2017

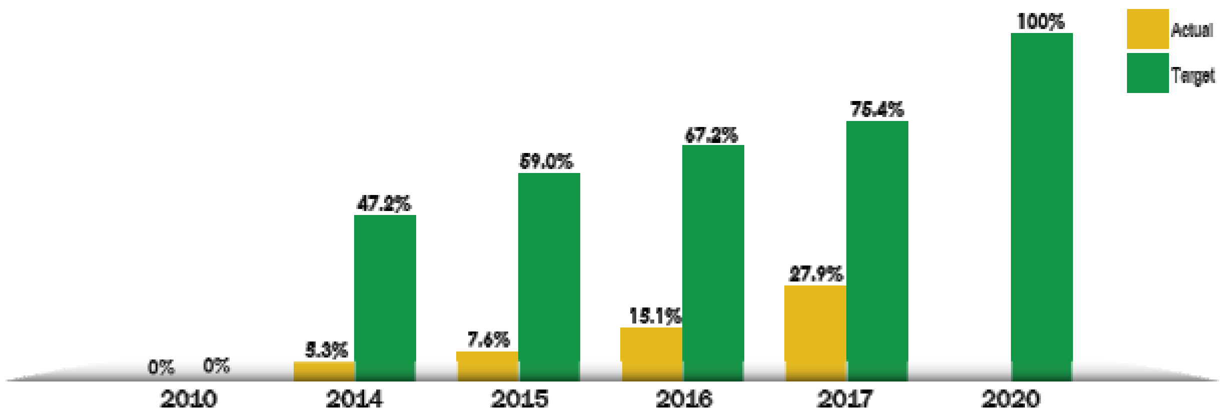
Definition of Indicator		Definition of Proxy Indicator	Baseline 2010	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Target 2017	% Achieved 2017	Trend 2016-17	Status	Target 2020
National Identification Number (NIN)	% of adult population having a National Identification Number (NIN)		0%	5.3% (5.0m Adults)	7.5% (7.2m Adults)	15.1% (14.6m Adults)	27.9% (27.7m Adults)	75.4% (74.8m Adults)	37%			100% (105.8m Adults)
Know Your Customer (KYC) Tier I ID	% of adult population having a KYC Tier 1 ID)	% of adult population having a mobile phone	58%	62.8% (58.7m Adults)	N/A	60.4% (58.3m Adults)	N/A	75.4% (74.8m Adults)	N/A	N/A	N/A	100% (105.8m Adults)

Source: NIMC (2017), EFInA (2014, 2016

4.6.1.2 Status and Trend Analysis as at 2017

As shown in Table 4.6.1 above, the share of adult Nigerians having a NIN increased to 27.9 per cent or 27.7 million adults in absolute terms. This constitutes a significant increase compared to the 15.1 per cent and 14.6 million adults registered by the end of 2016 (see Figure 4.20). The achievements in 2017 amounted to only 37 per cent of the target value of 75.4 per cent or 74.8 million adult Nigerians that had a NIN in 2017.

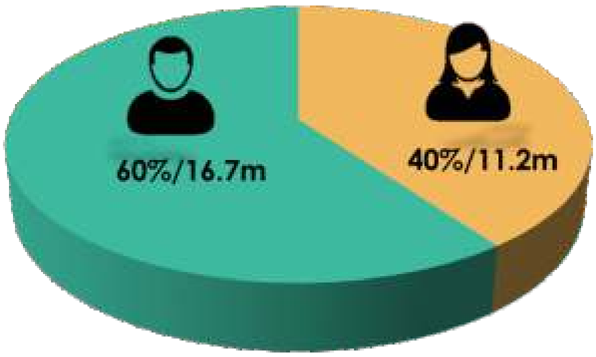
Figure 4.6.1: Per cent of Adult Population having a National Identification Number (NIN)



Source for acutals: National Identity Management Commission

Analyzing the distribution of NIN holders by gender shows that the majority of NIN holders were men, as they accounted for 60 per cent of all NIN holders, totaling 16.7 million adults as against, while 40 per cent or 11.2 million for the female gender (see figure 4.6.3).

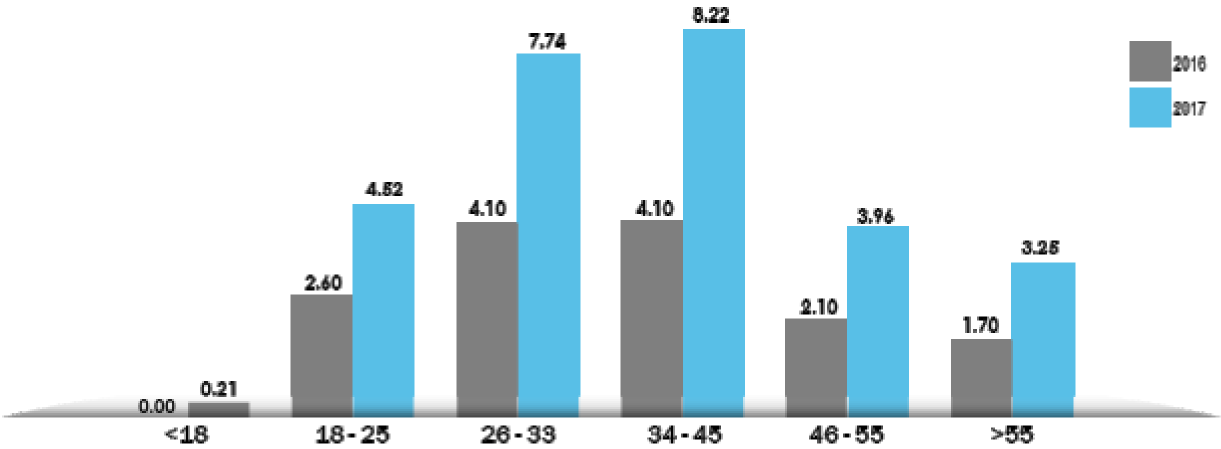
Figure 4.6.2: Distribution of Nigerians with a National Identification Number (NIN) by Gender, 2017



Source: National Identity Management Commission

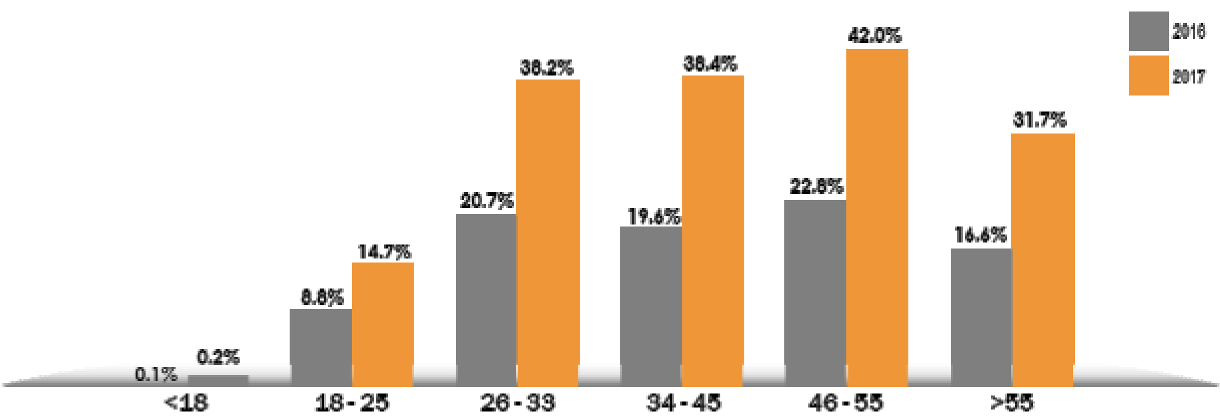
Also, most NIN holders were aged between 34 and 45 years old which accounted for 8.22 million people (see Figure 4.6.4), followed by age 26 and 33 years which recorded 7.74 million. Ages 18-25 recorded 4.52 million, 46 -55 recorded 3.96 million and ages above 55 recorded 3.25 million.

Figure 4.6.3: Distribution of Nigerians with a National Identification Number (NIN) by Age, in Million, 2016 and 2017



Source: National Identity Management Commission (2017)

Figure 4.6.4: Share of population with a NIN, by Age, 2016 and 2017



Source: National Identity Management Commission (2017), National Population Commission (2006)

> **"Only 31.3 per cent of adults had access to payments and savings products, while the targets for 2017 were 59.8 per cent and 49.2 per cent respectively."**

4.6.1.3 Key Issues and Future Outlook

Enrollment of the adult population for the NIN continued throughout 2017. Further efforts will be needed in the upcoming years to create a strong identification system, which builds on the foundation for financial inclusion.

There is the need to give more attention to young Nigerians as the analysis has shown that the share of NIN holders aged between 18 and 25 years at 14.7 per cent is significantly lower than that for other age groups. This coincides with the low financial inclusion rates for Nigerian youths and offers a compelling explanation. Additional attention on youths in enrolling Nigerians for NIN will be necessary to promote equitable access to financial services.

Overall, the progress towards achieving the NFIS targets has fallen short of the annualized targets in the year under review. Product, channels, and enabler targets were not met. For instance, only 31.3 per cent of adults had access to payments and savings products, while the targets for 2017 were 59.8 per cent and 49.2 per cent respectively. Nonetheless, commendable activities took place, such as the continued enrollment of customers of financial institutions in the BVN scheme and the continued capturing of NIN. Moreover, commendable regulations were issued, such as the Bancassurance guidelines released by nd CBN, which will contribute towards progress in the future. The next chapter will conclude the overall activities and progress in more detail.

Mrs Temitope Akin-Fadeyi, Head, CBN-FIS presenting a Stakeholder Report at the 10th National Financial Inclusion Technical Committee meeting

Progress Review Meeting with Microfinance Banks

Progress Review Meeting on Approved Financial Inclusion Target with Sterling Bank

FSS2020 Pension Forum

Financial Inclusion delegates during a visit to Nigeria Inter-Bank Settlement System

CBN Financial Inclusion delegates after with participants at the people living with disability (PWD) pre-disbursement workshop

5. MID-TERM REVIEW OF THE NATIONAL FINANCIAL INCLUSION STRATEGY

5.1 Introduction

Since its launch in 2012, the Nigerian National Financial Inclusion strategy has served as a veritable platform for harnessing stakeholder efforts towards the attainment of financial inclusion objective in Nigeria. Sections 3 and 4 of this report provided insight into stakeholder activities and their consequential impact on Financial Inclusion in year 2017. Halfway into the 2012 strategy a backward review of the progress of implementation has become necessary. This need became more ostensible given the rapid changes in the socio-economic and technology landscape. Thankfully, the need for a mid-term review was envisaged during the development of the 2012 strategy and captured as a key activity in the 2012 strategy.

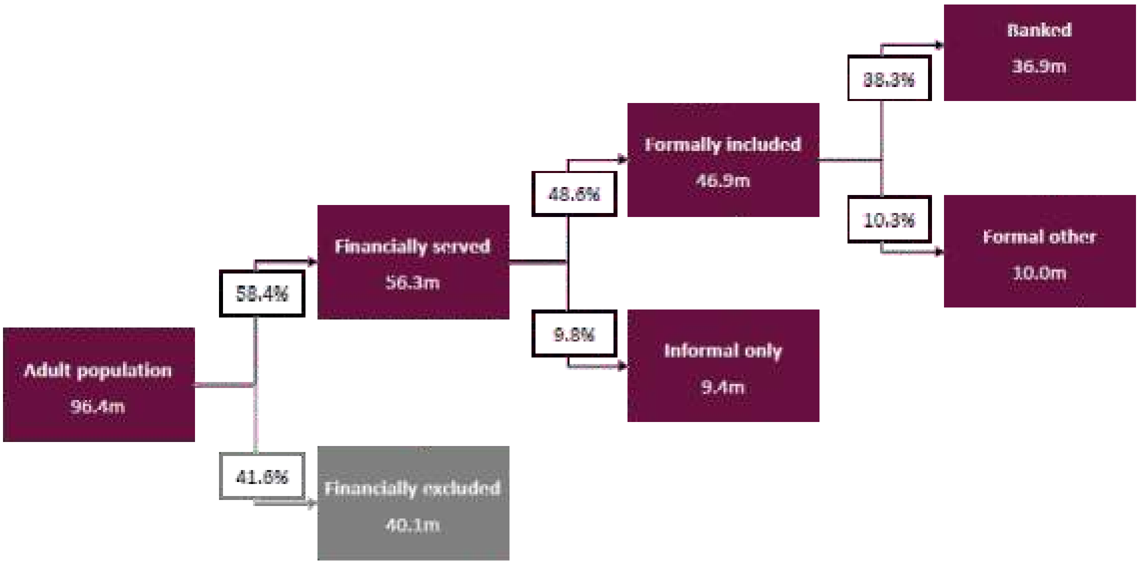
It was against this backdrop that in 2017 a project was commissioned to review and refresh the existing strategy. The two-phase process comprises a backward review of the implementation of the current strategy and a development of a refreshed strategy. The Mid-Term Review phase of the strategy was completed and approved by the National Financial inclusion Steering committee in December 2017, while the Refresh phase would be conducted in 2018.

The focus of this chapter is to describe the process and findings of the Mid-Term Strategy Review phase of the project, while setting the tone for the Refresh phase in year 2018.

5.2 The Need for a Revised NFIS

The 2012 Nigerian National Financial Inclusion strategy (NFIS) sets out to achieve 70% formal financial inclusion and 80% total financial inclusion by 2020. The strategy sought to achieve 70% payment penetration, 60% savings penetration, 40% pension penetration and 40% insurance penetration alongside other specific targets and implementation actions. Based on the data obtained from EFInA Access to Financial Services survey of 2016, no interim target was achieved in 2016. Based on the 2016 data, financial inclusion in Nigeria stood at 58.4% of 96 Million Nigerian adults. Figure 5.1 below shows the distribution of the findings of the survey.

Figure 5.2.1: Overview of the Financial Inclusion Situation in Nigeria in 2016



Source: EFInA Access to Financial Services in Nigeria survey, 2016

5.3 Socio-economic Context and Technology Landscape

Since the launch of the strategy in 2012, Nigeria's macroeconomic and security context has weakened, presenting a challenging environment for financial inclusion to thrive. Furthermore, the 2012 strategy did not fully leverage on the capability of Digital Financial services in spite of high mobile penetration rate in Nigeria.

Nigeria has a high youth population, adding to other factors like high poverty and unemployment rates provide a highly challenging financial inclusion context even prior to the recession in 2016. More so, the declining oil revenue from year 2014 has negatively impacted economic activities and household consumption and has also led to inflation that has reduced purchasing power. Unemployment and reduced disposable income also affected economic activities at the base of the pyramid.

The insurgency in the North Eastern part of Nigeria led some financial institutions to close shops. Some in the region kept away from banks for security reasons. The security situation also put pressure on the Northwest due to migration of displaced persons.

Nigeria has a very high mobile penetration rate. 75% of the population use a mobile phone. Consumer behaviour is also tending towards digital financial services as the value of electronic transaction increased 2.7 times since 2012. This growth has been driven by introduction of the cashless policy in some states and the resulting increase in digital banking investments by financial services providers.

While the 2012 NFIS laid out a plan to address identified gaps and other financial inclusion needs, progress against the financial inclusion strategy has been mixed. Of the 70 recommendations defined in the strategy, few were completed highlighting the need to prioritise.

In summary, the reasons for reviewing the strategy in Nigeria are multi-fold, they include;

- The original strategy included a provision that the document would be reviewed and refreshed at the mid-point of the strategy.
- Nigeria is a member of the Maya Declaration Initiative and an early adopter of some best practices in financial inclusion. These best practices call for a routine review and

refresh of strategy documents. As of 2016, 30 countries had developed a National Financial Inclusion Strategy, with additional 23 countries being in the process of formulating a NFIS. Nigeria is one of many Maya Declaration initiative members recognising the need to refresh its strategy in light of changing country context and to incorporate up-to-date best practices.

- Nigeria lags behind NFIS 2012 financial inclusion targets, and several gaps have been observed in the strategy around the need to (i) strengthen coordination with states; (ii) incorporate women, disadvantaged groups, MSMEs and geographical variations; and (iii) develop a practical monitoring and evaluation (M&E) approach and the need to leverage on the changes in emerging technological landscape.
- Much has changed in the Nigerian context since the original document was written, especially with regard to the economy, security and technology. New lessons and priorities have been identified since the inception of the document. These changes and insights need to be reflected in Nigeria's strategy to more adequately address financial inclusion.

To address the aforementioned challenges there was a need to assess performance of the existing strategy (2012-2017) to understand the implementation progress so far, determine whether interventions were on course to meet goals and identify approaches and key issues. The Mid-term Strategy Review was meant to address these needs.

5.4 Mid-term Strategy Review

The strategy review was a backward-looking assessment of the 2012 NFIS based on a comprehensive review of existing research, reports and databases and extensive stakeholder engagements (see 5.2 for strategy review methodology). The review aimed to understand the current state of financial inclusion in Nigeria and determine the barriers to achieving broader inclusion. Past approaches to resolving the barriers were examined for lessons they might offer for the refresh phase. The barriers to financial inclusion were also assessed to prioritise those most critically in need of being addressed in order to drive the inclusion agenda.

Figure 5.4.1: NFIS 2012 review methodology

5.5 Governance and Approach

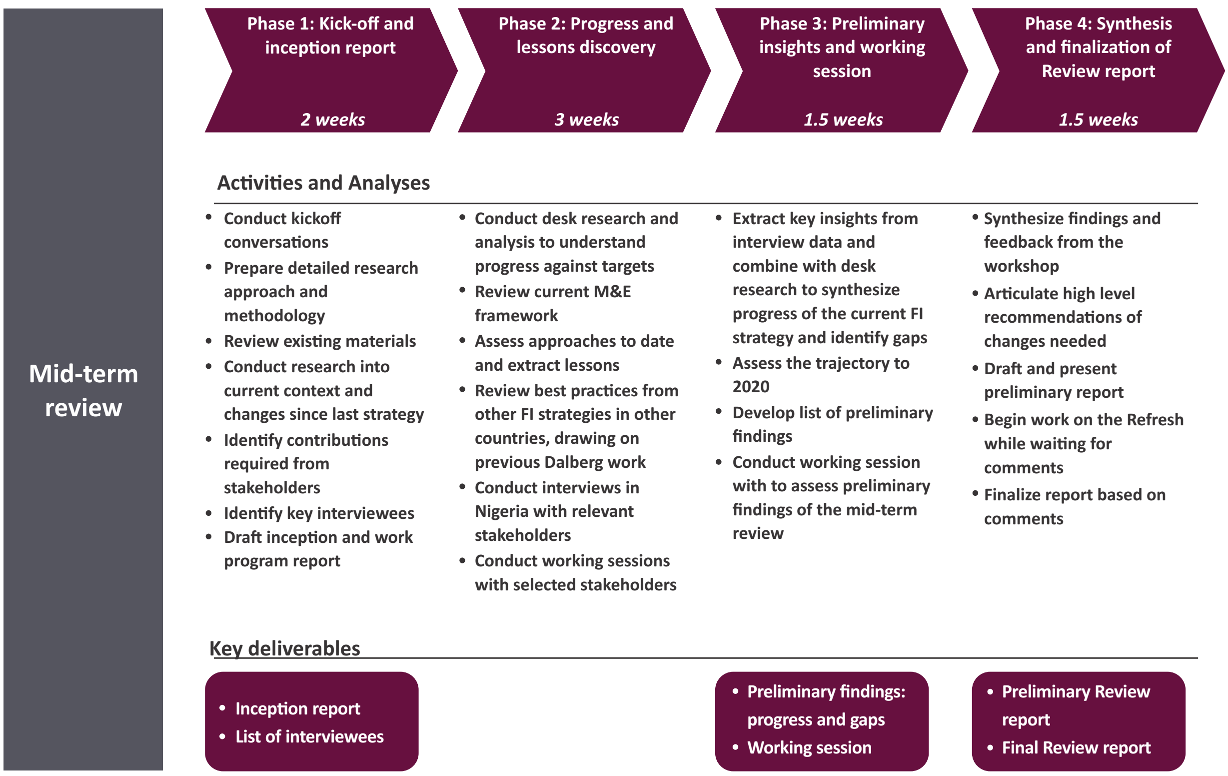
To carry out the review, the services of a consulting firm, Dalberg Global Development Advisors was engaged. A governance structure was then put in place to conduct the review. The governance structure was as shown in Table 5.5.1.

Table 5.5.1: Mid-Term Review Governance Structure

Project Structure	**Financial Inclusion Steering Committee (FISC) and Financial Inclusion Technical Committee (FITC)** provide guidance and strategic direction at regular meetings. Core Team: A smaller team comprised of key members of relevant department in the Central Bank of Nigeria. The team meets once every month to review and provide input to ongoing work. **Shadow Team:** Comprised of three members of the Financial Inclusion Secretariat. They work very closely with the consultant on the project.
Stakeholder Engagement	**Inter-Agency Taskforce:** The taskforce incorporates representation from a broad range of stakeholder groups, including Government Ministries, Agencies and Departments. It also includes representation from industry association, technical advisors and civil societies. **Other stakeholders as deemed necessary during the project.**

The mid-term review phase evaluated NFIS impact and lessons learned through analysis, desk review and stakeholder conversations as shown in the project activity chart in figure 5.3. The figure also shows deliverables at each stage.

Figure 5.5.1: Mid-Term Project Activity Chart.



5.6 Key Findings of the Review Exercise

The mid-term review revealed some barriers that are hindering the attainment of the financial inclusion strategy objective in Nigeria. These barriers were classified into thematic areas which include;

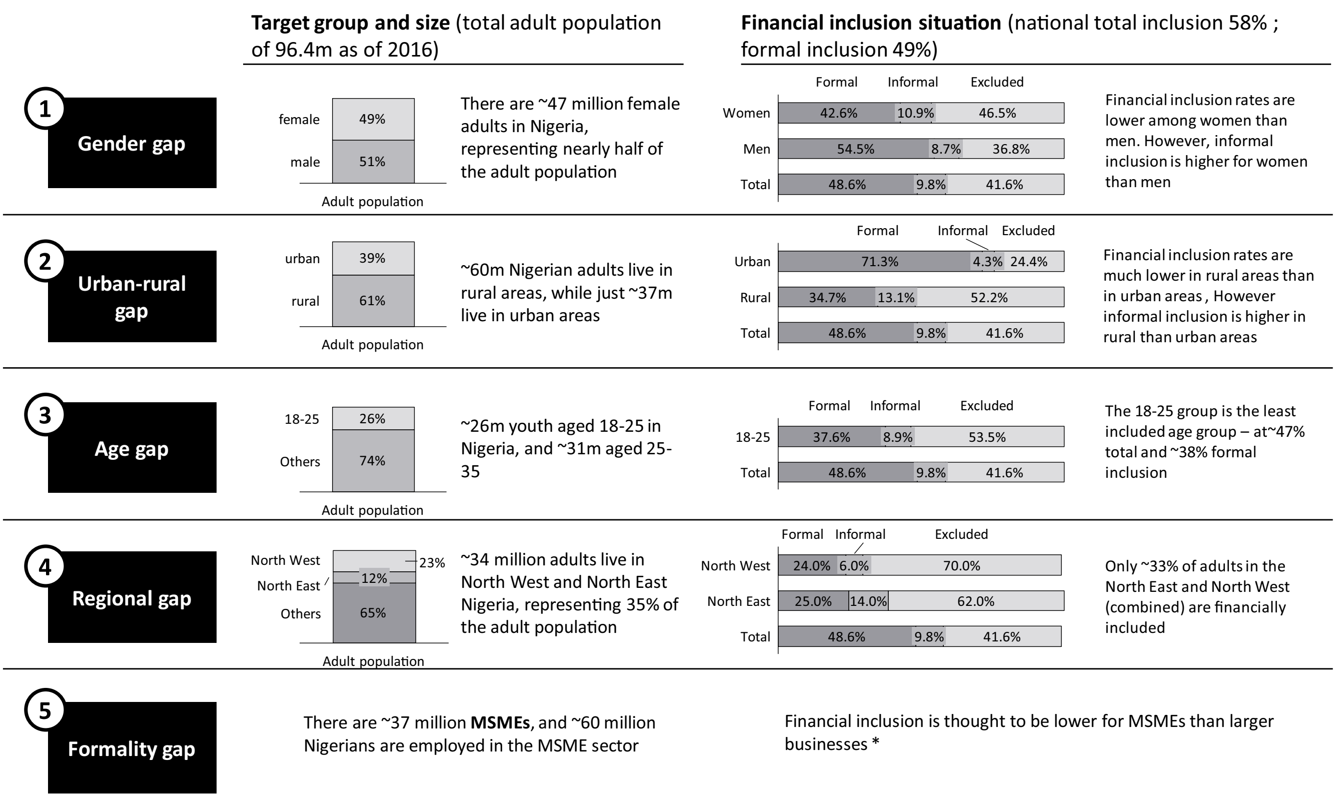
- Insufficient agent network to allow expansion of financial services to rural areas
- Lack of National ID limiting many to tier 1 accounts
- Digital Financial services not realizing its full potential in Nigeria
- Only few products are tailored for the excluded groups (women, youth, northerners and rural dwellers) etc.

These barriers were further classified into barrier only government could address and barriers that others could address.

5.7 Five Most Excluded Groups

Further analysis of financially excluded Nigerians reveals five groups that were disproportionately excluded: women, rural dwellers, youth, people living in North-East and North-West Nigeria and MSMEs (see Figure 5.4). While data is not readily available on access to financial services for persons with disability, qualitative information suggests that they were also disproportionately excluded. Reasons behind the unusually high exclusion rates for these groups include cultural barriers to uptake of financial products, difficulties in profitably serving excluded groups with financial services, high (and worsening) levels of unemployment, security challenges in specific regions of the country and continuing high levels of informality in the economy.

Figure 5.7.1: Five target demographic groups excluded at especially high rates



Note: *Quantitative data about SME inclusion is not readily available
Source: EFinA Access to Financial Services in Nigeria 2016 Survey.

5.8 Critical Priorities for NFIS Refresh

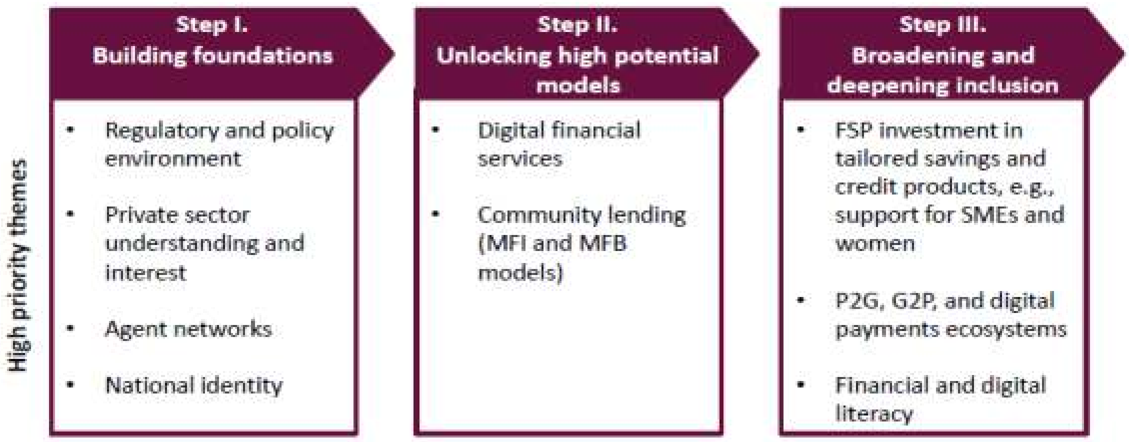
One major challenge that was identified in the 2012 strategy was the lack of prioritization of the 70 identified recommendations. In the mid-term review, five priority actions emerged as most crucial to increasing financial inclusion in Nigeria, in terms of their potential to address the most significant barriers: these include;

1. **Create a conducive environment for the expansion of DFS.** DFS has proven to be a low-cost approach to reaching unserved and underserved customers; across the world, advancement of DFS goes hand in hand with financial inclusion improvements.
2. **Enable the rapid growth of agent networks with nationwide reach.** Agents—particularly CICO agents—act as the entry point for financial inclusion and facilitate the crucial conversion between cash and digital money.
3. **Reduce KYC hurdles to opening and operating a bank account.**
4. **Create an environment conducive to serving the most excluded,** so that inclusion efforts do not focus solely on the 'lowest hanging fruit' (and thereby increase inequality).
5. **Drive adoption of cashless payment channels, particularly in G2P and P2G[22] payments,** in order to (a) establish trust by leading by example, (b) provide a sufficient load volume to drive the business case for building and growing distribution networks (particularly agent networks) and (c) have in place a forcing mechanism to include large numbers of unserved and underserved people.

To achieve its financial inclusion goals, Nigeria needs to address these priorities in three broad steps. The steps taken to achieve the identified priority are detailed in Figure 5.5. The steps are:

- Step 1: Building foundations
- Step 2: Unlock high potential models
- Step 3: Broadening and deepening inclusion.

Figure 5.8.1: Three steps to address high priority themes.



[22] Person to government (P2G) and government to person (G2P) payments.

The findings of the mid-term review were approved by both the FITC and FISC in 2017, paving the way for the commencement of the second phase of the project which is a refresh in 2018.

5.9 Outlook for NFIS Refresh in 2018

The refreshed strategy will be developed in early 2018 and will incorporate lessons learned from the review phase of the project namely:

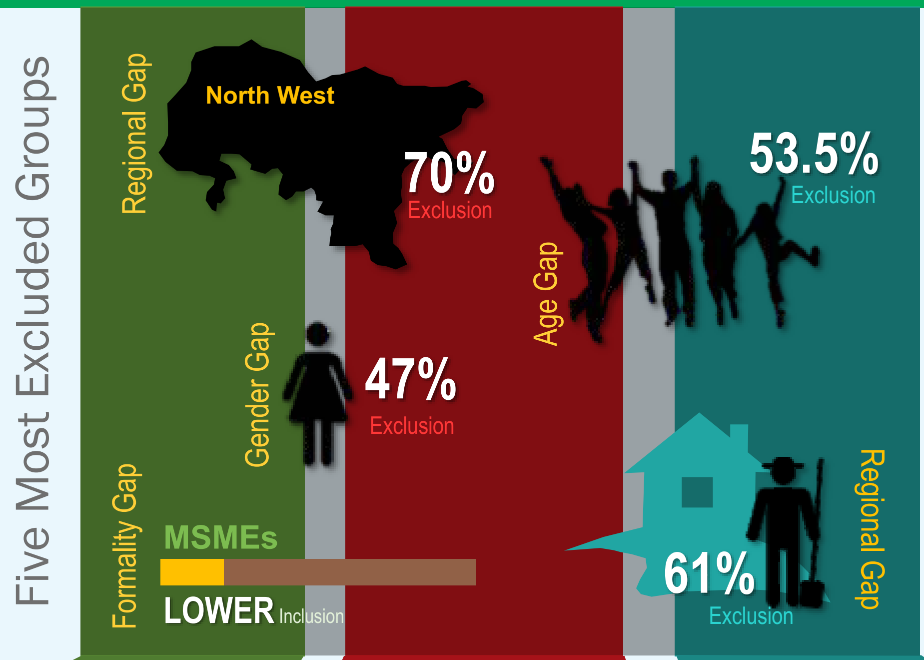
- **Need for prioritization:** Honing on the most critical barriers and highest potential solutions;
- **Alignment to stakeholder incentives:** Identifying solutions that are consistent with the interests of key stakeholders, including private sector players, that are politically feasible;
- **Adaptability:** Designing for flexibility in the case of shocks and changes in the country context;
- **Openness to innovation:** Following an approach that allows piloting in controlled environments, such as a regulatory sandbox;
- **Inclusion of global best practices:** Ensuring that strategy draws insights from international frameworks and success stories that can be adapted to the local context.

The efforts of the Financial Inclusion Stakeholders in Nigeria cannot be over-emphasised. This is hinged on their obvious commitment to enhance access to finance by the adult population throughout the country. We are confident that the refreshed strategy will also foster more effective collaboration with all the stakeholders towards achievable targets and put Nigeria back on track to achieve 80% financial inclusion rate by year 2020.

A cross section of members of the Technical Committee Inter-Agency Taskforce on Nigerian Financial Inclusion Strategy NFIS Review

Nigerian Financial Inclusion Strategy (NFIS) Review: Inter-Agency Taskforce Workshop

WAY FORWARD



High priority themes

Step I: Building Foundation

- Regulatory and policy environment
- Private Sector understanding and interest
- Agent networks
- National Identity

Step II: Unlocking High Potential Models

- Digital financial services
- Community lending (MFI and MFB models)

Step III: Broadening and Deepening Inclusion

- FSP investment in tailored savings and credit products
- P2G, G2P and digital payments ecosystems
- Financial and digital literacy

High priority themes

8 out of 10 Nigerians financially included by 2020

Appendix 2: Selected Disaggregated Financial Inclusion Data as at December 2017

	Count of Bank Verification Number (BVN) registration as at December 2017			Count of Adult Nigerians who have a National Identity Number (NIN) as at December 2017		
	Female	**Male**	**Total**	**Female**	**Male**	**Total**
ABIA STATE	407,508	494,741	902,249	109,159	124,350	233,509
ADAMAWA STATE	114,740	262,091	376,831	207,095	327,772	534,867
AKWA IBOM STATE	305,026	387,000	692,026	160,936	195,459	356,395
ANAMBRA STATE	595,063	697,832	1,292,895	330,318	304,821	635,139
BAUCHI STATE	114,733	260,077	374,810	137,887	241,085	378,972
BAYELSA STATE	111,644	161,450	273,094	85,743	113,783	199,526
BENUE STATE	223,634	388,245	611,879	133,295	213,875	347,170
BORNO STATE	124,002	256,648	380,650	39,494	108,004	147,498
CROSS RIVER STATE	222,877	300,374	523,251	108,147	145,177	253,324
DELTA STATE	552,891	711,937	1,264,828	279,276	315,871	595,147
EBONYI STATE	127,349	170,668	298,017	96,331	120,063	216,394
EDO STATE	499,811	633,565	1,133,376	182,049	224,307	406,356
EKITI STATE	176,263	191,733	367,996	164,794	145,996	310,790
ENUGU STATE	402,184	463,091	865,275	142,184	149,285	291,469
FCT	555,530	962,953	1,518,483	4,996,423	8,015,757	13,012,180
GOMBE STATE	77,790	187,128	264,918	177,006	276,504	453,510
IMO STATE	398,996	475,868	874,864	170,768	168,497	339,265
JIGAWA STATE	50,288	183,649	233,937	67,326	202,136	269,462
KADUNA STATE	427,502	714,296	1,141,798	365,290	468,693	833,983
KANO STATE	259,262	707,442	966,704	202,619	537,876	740,495
KATSINA STATE	109,857	267,004	376,861	80,137	187,445	267,582
KEBBI STATE	65,422	229,129	294,551	122,895	220,098	342,993
KOGI STATE	213,314	311,255	524,569	224,811	265,054	489,865
KWARA STATE	269,556	349,751	619,307	163,114	223,992	387,106
LAGOS STATE	2,568,784	3,646,536	6,215,320	422,750	575,868	998,618
NASARAWA STATE	201,592	314,485	516,077	105,858	160,268	266,126
NIGER STATE	220,068	427,384	647,452	128,344	226,760	355,104
OGUN STATE	634,951	786,051	1,421,002	226,411	280,616	507,027
ONDO STATE	332,951	416,415	749,366	235,142	228,460	463,602
OSUN STATE	344,742	401,423	746,165	239,766	248,482	488,248
OYO STATE	701,921	859,407	1,561,328	278,834	330,980	609,814
PLATEAU STATE	270,243	401,143	671,386	209,400	223,565	432,965
RIVERS STATE	680,478	968,737	1,649,215	188,569	258,551	447,120
SOKOTO STATE	81,477	258,502	339,979	96,455	282,178	378,633
TARABA STATE	92,587	186,473	279,060	125,164	213,213	338,377
YOBE STATE	73,710	125,846	199,556	73,953	141,671	215,624
ZAMFARA STATE	70,060	172,533	242,593	133,828	229,612	363,440
NIGERIA (TOTAL)	**12,678,806**	**18,732,862**	**31,411,668**	**11,211,571**	**16,696,124**	**27,907,695**

[61] Data is provisional

By Age Distribution

Age	Count of BVN registration by Age Distribution			Age	Count of NIN registration by Age		
0-17	200,260	198,965	399,225	**< 18**	109,260	102,889	212,149
18-25	3,562,012	4,644,410	8,206,422	**18 - 25**	1,953,850	2,564,385	4,518,235
26-33	3,469,451	5,048,234	8,517,685	**26 - 33**	3,167,488	4,573,221	7,740,709
34-45	3,266,427	4,869,648	8,136,075	**34 - 45**	3,288,676	4,934,830	8,223,506
46-55	1,367,186	2,232,222	3,599,408	**46 - 55**	1,581,090	2,381,804	3,962,894
56-65	567,674	1,142,135	1,709,809	**56 +**	1,111,207	2,138,995	3,250,202
66+	251,544	606,005	857,549				
Total	**12,684,554**	**18,741,619**	**31,426,173**	**TOTAL**	**11,211,571**	**16,696,124**	**27,907,695**

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LIST OF ABBREVIATIONS

Abbreviation	Full Meaning
AFI	Alliance For Financial Inclusion
AGSMEIS	Agribusiness Small And Medium Enterprise Investment Scheme
AIP	Approval In Principle
ANMFIN	Association Of Non-Bank Microfinance Institutions
ATM	Automated Teller Machines
B2G	Business to government payments
BMGF	Bill and Melinda Gates Foundation
BOI	Bank Of Industry
BoP	Base of pyramid
BPSD	Banking And Payment System Department
BVN	Bank Verification Number
CBN	Central Bank of Nigeria
CeBIH	Committee of e-banking industry heads
CFAN	Cooperative Financing Agency Of Nigeria
CPS	Contributory Pension Scheme
DFS	Digital Financial Services
DMBs	Deposit Money Banks
ECS	Employee Contribution Scheme
EDCs	Entrepreneurship Development Centers
EFinA	Enhancing Financial Innovation and Access
FEC	Financial Education Curriculum
FI	Financial Inclusion
FINTECH	Financial Technology Companies
FIPWG	Financial Inclusion Product Working Group
FIS	Financial Inclusion Secretariat
FISC	Financial Inclusion Steering Committee
FISSCO	Financial Inclusion State Steering Committee
FITC	Financial Inclusion Technical Committee
FLWG	Financial Literacy Working Group
FMBN	Federal Mortgage Bank Of Nigeria
FSP	Financial Services Provider
G2B	Government to Business Payments
G2P	Government to Public Payments
GDP	Gross Domestic Product
GEEP	Government Enterprise and Empowerment Program
GoN	Government of Nigeria
GPF	Global Policy Forum
GPZ	Geopolitical Zone
GWP	Gross Written Premium
IATF	Interagency Taskforce
IFC	International Finance Cooperation
IFIS	Inters witch Financial Inclusion Services
IFSB	Islamic Finance Service Board
IMTO	International Money Transfer Operation
KPI	Key Performance Indicator
KYC	Know Your Customer

LBS	Lagos Business School
M&E	Monitoring and Evaluation
MDAs	Ministries Departments And Agencies
MFBs	Microfinance Banks
MFI	Microfinance Institutions
MMOs	Mobile Money Operators
MNOs	Mobile Network Operators
MSME	Micro, Small and Medium Enterprises
MSMEDF	Micro Small Medium Enterprise Development Fund
NAICOM	National Insurance Commission
NAPGEP	National Peer Group Educator
NBS	National Bureau of Statistics
NCC	Nigerian Communications Commission
NCR	National Collateral Registry
NDIC	Nigeria Deposit Insurance Corporation
NFBI	Non-bank Financial Institution
NFIS	National Financial Inclusion Stra0tegy
NGOs	Non-Governmental Organization
NHIS	National Health Insurance Scheme
NIA	Nigerian Insurance Association
NIBSS	Nigerian Inter-Bank Settlement System
NICMP	Non-Interest Capital Market Products
NIN	National Identity Numbers
NIPOST	Nigerian Postal Services
NSE	Nigerian Stock Exchange
NSITF	Nigerian Social Insurance Trust Fund
NYSC	National Youth Service Corp
PAT	Profit After Tax
PENCOM	National Pension Commission
PENOP	Pension Fund Operators Association
PoS	Point of Sale
PWD	People With Disabilities
RSA	Retirement Saving Account
SEC	Securities And Exchange Commission
SMEDAN	Small And Medium Enterprise Development Agency
SPV	Special Purpose Vehicle
UNSGSA	United Nation Secretary General Special Advocate
USSD	Unstructured Supplementary Service Data
YEDP	Youth Entrepreneurship Development Program

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