



THE NATIONAL FINANCIAL INCLUSION STRATEGY

2019 ANNUAL REPORT



STAKEHOLDER INSTITUTIONS

PROVIDERS:

THE NIGERIAN BANKERS' COMMITTEE



NATIONAL ASSOCIATION OF MICROFINANCE BANKS (NAMB)



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ACKNOWLEDGMENTS

The Financial Inclusion Secretariat acknowledges and expresses in-depth gratitude to the Management of the Bank and all stakeholders, whose meticulous and pious inputs and contributions made the publication of this Report a reality.

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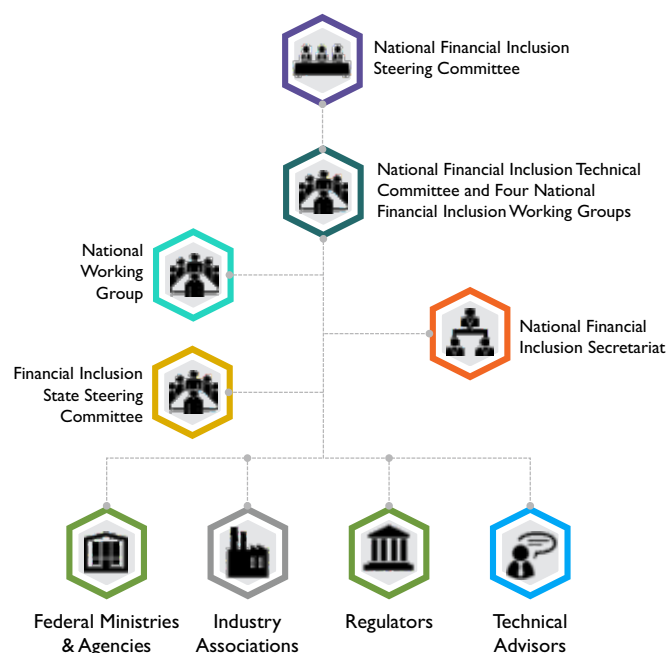
ABOUT

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 four key Offices, the Strategy Coordination Office, the Data Management Office and the Digital Financial Services Programme Management Unit & Gender and Admin Office.

Figure B: FIS organogram

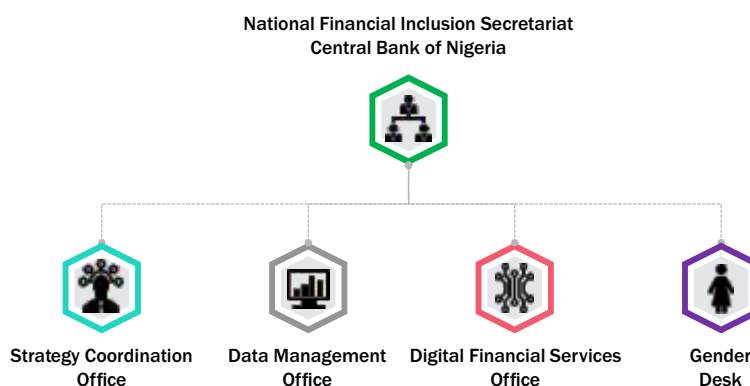


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FOREWORD



Godwin I. Emezie

Governor, Central Bank of Nigeria
Chairman, National Financial Inclusion
Steering Committee.

I am very honoured to present to you, the 2019 Annual Report for the implementation of the National Financial Inclusion Strategy. The implementation of the Strategy began in 2014 when the Financial Inclusion Secretariat was established. Since inception, we have seen significant progress towards the reduction in the financial exclusion rates in Nigeria. Our periodic measurement of the financial inclusion rate currently puts Nigeria's performance at 63.2%, leaving us with a 16.8% gap in projected achievement. Our headline target is to achieve 80% financial inclusion rate by the end of 2020. While much remains to be done, we are happy that we are inching closer to our objective and many Nigerians are beginning to be onboarded into the formal financial system.

When we began this journey, we had a very less optimistic outlook in terms of financial inclusion rates when compared to our peers. Empirical evidence as at 2014 showed that Nigeria had 36.9 million adults, which represents 39.5% of the adult population, outside the ambits of the financial services framework, and therefore unserved. Meanwhile, a significant population of those already onboarded, were still very much underserved, due to issues around

appropriateness of products and services, customization, proximity to access points, literacy, and awareness. So our task was already cut out for us. We therefore began this journey, by mobilizing stakeholders across the financial services landscape. I am happy to state here on record that the coordination and collaboration amongst regulators in the industry, and numerous other stakeholders such as the financial services providers, development partners, and other government agencies enabled us make significant strides towards the collective objective of accelerating access to financial products and services. I have been honoured to meet a wide spectrum of actors in this space during the course of the implementation of the strategy since 2014, and I am very pleased to state that we have achieved remarkable levels of cooperation, coordination and collectivity in our pursuit of an inclusive society in our country.

It is instructive to note that 2020 is a stocktaking year for the financial inclusion initiative and therefore symbolizes the collective aspirations of Nigerians to achieve an ubiquitous financial services environment where access points are prevalent across the length and breadth of our country, products and services abound, and usage of these products and services continue to proliferate.

This edition of the Financial Inclusion Annual Report has therefore put the journey in perspective and has chronicled the significant milestones already achieved in the quest to advance access to finance. It provides a deep dive into the performance outlook of the financial services industry, but with a focus on financial inclusion. I recommend this edition to anyone who is seeking to understand the details of Nigeria's financial inclusion aspects, the key drivers of exclusion, the analytical dimensions explored to inform policy and implementation actions, and the implementation arrangements and the governance processes utilized to drive outcomes. This publication comes rich with empirical evidence, both qualitative and quantitative dimensions, and also provides illustrative perspectives to foster understanding.

In conclusion, I wish to thank all stakeholders of the financial inclusion strategy, the members of the National Steering and Technical Committees on Financial Inclusion, the Working Groups and all other stakeholders who have been working assiduously to provide an enabling environment for the expansion of financial inclusion in Nigeria. Beyond 2020, there is still much left to be done. Our strategic aspiration for financial inclusion by 2024 is to achieve 95% inclusion in Nigeria and this would mean an environment with a profusion and prevalence of financial access points, products and services, a financially literate population, and a digital savvy customer base. I believe that this is achievable if we all continue to work together. As we continue to collaborate and share knowledge and experiences, our implementation actions will benefit from our collective efforts.

Thank you.



Mr. Godwin Emefiele – Governor of the Central Bank of Nigeria and Dr. Alfred Hanning - Executive Director, Alliance for Financial Inclusion (AFI) during the country visit to Nigeria



Dr. Alfred Hanning - Executive Director, Alliance for Financial Inclusion (AFI) and Dr. Olaitan Mudashiru – Director, Development Finance Department (CBN), other CBN Directors and Executives and AFI Delegates during the country visit.

EXECUTIVE SUMMARY

“To meet the set Financial Inclusion target 16.8% financially excluded Nigerian adult must be brought to in the inclusion bracket by 2020. Year 2019 focused on implementing high impact initiative and policies to address financially excluded demographics like women youth and northern Nigeria.”

63.2% up, 16.8% to go...

The year 2018 ended on a high with financial inclusion in Nigeria increasing to 63.2% from 58.4% in previous measurement year. Year 2019 started with a renewed vigor and determination by stakeholders to work collaboratively in ensuring the outstanding gap of 16.8% was closed within the next two years. To that effect the year largely focused on developing high impact policies and initiative that would facilitate the attainment of the inclusion objective, by addressing specific gap in disproportionately excluded demographics like women, youth, rural dwellers MSMEs and Northern Nigeria. While 2019 was not a measurement year, stakeholders put a robust framework on ground to ensure progress is appropriately tracked and deviations are timely corrected to ensure the successful implementation of planned initiative and to remain on track for year 2020.

Unlocking innovative channels and addressing underlying issues in the Digital Financial Services Ecosystem

“Provisional License was issued to three Payment Service Bank in 2019. September 16th is National Id day., CBN slash bank charges and protect consumers in revised guide to bank charges guideline.”

The Payment Service Bank (PSB) Licensing and Regulatory framework that was issued in 2018 led to an increase activity of some innovative promoters that wanted to come into the financial services space to extend the rails of financial services to the unbanked. This led to the issuance of Approval in Principle (AIP) licenses to three promoters.

A functional Id system is a critical foundational infrastructure for the expansion of the Digital Financial Services (DFS) frontier to hitherto unreached. To underscore the importance of DFS to Financial Inclusion, The Federal Government through the National Identity Management Commission (NIMC), a key stakeholder in the financial inclusion space, adopted September 16th as National Identity day. This would enhance the World Bank assisted ID for development project and ultimately lead to more financial inclusion through DFS.

Furthermore, one major concern for DFS adoption is pricing and consumer protection. Towards the end of the year, the Central Bank of Nigeria released the revised Guide to Bank charges which sort to address both concerns.

The drive to expand the agent network saw Shared Agent Network Expansion Facility (SANEF) increase its agent acquisition year on year by 184% by driving activities of agents onboarded from 83,560 as at December 2018 to 236,940 by year end, 2019.

A year of focus on addressing the Financial Inclusion Gender gap

The financial inclusion gender gap persisted at 9% between 2014 and 2017 according to the Global Findex Survey. Women often face peculiar challenges in accessing financial products and services hindering the effective contribution of 50% of the global population to growth and development.

In 2018, the Nigerian Financial exclusion rate stood at 36.8% with 41.1% of women financially excluded in comparison to 32.6% of men. The gender Financial Inclusion gap in Nigeria therefore stands at 8.5%

“Gender financial inclusion gap in Nigeria stands at 8.5%. To focus on addressing this gap, a Gender Desk was setup in the National Financial Inclusion Secretariat and a landscape diagnostic study was conducted. The study revealed that income, education and lack of trust in financial are responsible for the financial inclusion gender gap in Nigeria.”

“2019 was an election year, but macroeconomic fundamentals remained stable. The year saw growth in most sector of the economy but also saw a moderate decline in gross premium for the insurance industry”

In 2019, as part of efforts to achieve 80% financial Inclusion in Nigeria, a Financial inclusion Gender desk was established within the Financial Inclusion Secretariat to drive implementation of policies, schemes and interventions targeted at improving women's access to finance.

One major achievement of the gender desk was conducting a gender landscape study in conjunction with Enhancing Financial Innovation and Access (EFInA). The study identified lack of income, lack of education and lack of trust in the financial services as the tripod stand upon which the gender financial inclusion gap stands. This finding served as a fulcrum to developing policies and framework on addressing the financial inclusion gender gap in Nigeria.

Election year but relatively stable macroeconomic environment

Year 2019 is an election year. In spite of that, the economy sustained its modest growth in 2019. The growth in output was attributed, largely, to the relatively stable macroeconomic environment.

In a bid to increase lending to the real sector, CBN's directed banks to maintain a minimum Loan-to-Deposit ratio of 60.0 per cent in July 2019 and 65.0 per cent by end-2019. The bank also funded over 1.4 Million small Holder farmers under the Anchor Borrowers programme contributing to a growth of 2.4% in the Agriculture sector compared to 2.1% in 2018. The environment generally was enabled to facilitate financial inclusion amongst MSME one of the four disproportionately financially excluded segment in Nigeria.

The volume and value of electronic payments in 2019 rose by 46.7 and 25.5 per cent to 3,002.8 million and N167,014.32 billion, respectively, compared with 2,046.4 million and N133,042.24 billion in 2018. However, the insurance sector experienced a decline in the gross premium of the Insurance industry by 6.44 per cent to N453.6 billion in 2019 compared with the previous year.

A year of sustained collaboration for Financial Inclusion with eyes on year 2020

National Financial Inclusion stakeholders, through public-private sector collaboration embarked on a number of initiatives that would further improve the chances of meeting the financial inclusion target by 2020. The collaboration led to some gains which include commencement of the nationwide rollout of the National Peer Group Educator Programme (NAPGEP) for Financial Inclusion, and a pilot account opening week with a total of 70,534 new accounts and 16,471 mobile wallets opened during the week.

While the year is not without its challenges, financial inclusion stakeholder from various public and private organizations are firm on their resolution to achieve the set financial inclusion target by December 2020.



01

INTRODUCTION

2019 is the penultimate year to the targeted 2020 timeline for the National Financial Inclusion Strategy (NFIS) Implementation as defined at the official launch of the Strategy on October 23, 2012.

As anticipated, stakeholders scaled up their implementation efforts and embarked on various initiatives towards the achievement of the 2020 goals.

The priorities defined in the 2018 revision of the NFIS provided the needed impetus for

enhanced alignment between stakeholder initiatives and the national goal of 80 per cent financial inclusion by December 31, 2020.

The 2019 Annual Report documents the strategy implementation journey; key milestones achieved and related developments during the year, as well as recommendations to enhance the 2020 outcomes.

1.1 THE NATIONAL FINANCIAL INCLUSION STRATEGY

The National Financial Inclusion Strategy (NFIS) was launched on October 23, 2012 as a clarion call to policy makers and market innovators alike; towards realizing the common objective of enhancing access to finance, particularly for the unbanked population. The NFIS is a roadmap to decreasing the number of adult Nigerians that are excluded from financial services from 46.3 per cent as at 2010, to 20 per cent by 2020.

The current financial inclusion rate of 63.2% based on the bi-annual Access to Financial Services in Nigeria Survey (EFinA, 2018) revealed that there remains significant room for scaling up the implementation drive. In this regard, the revision of the Strategy in 2018 affirmed the overriding importance of closing five financial inclusion gaps: gender (women), youth (aged 18 – 35years), rural-urban, regional (northern Nigerians and the formality gap (Micro, Small and Medium Enterprises) with disproportionate access to finance. The following thematic areas were also prioritized and remain the fulcrum of strategy implementation by stakeholders:

- I. **Building Necessary Foundations:** Creating a controlled and enabling environment for innovation to thrive; expanding Agent networks and accelerating issuance of the national identity number to all citizens.
- II. **Unlocking High Potential Models:** Promoting Digital Financial Services (DFS) to foster innovation in serving the excluded population.
- III. **Broadening and Deepening Inclusion:** Investing 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.

In 2019, public-private sector collaboration on financial inclusion efforts were centered on rapidly expanding digital channels to unbanked and underserved areas, leveraging agent networks to broaden access to finance as well as targeted interventions and policies. Initiatives by stakeholders sought to overcome the identified barriers to financial inclusion namely; (i) Distance barrier (long distance to financial access points) (ii) Eligibility barrier (cumbersome requirements/documentation) (iii) low financial literacy (iv) lack of income (limited productive enterprise and income generation) and (v) high cost of services.

Some of the high-level measures adopted within the year to advance the financial inclusion rate along financial products and channels were as follows:

- I. **Payment:** Deployment of digital channels e.g. Automated Teller Machines (ATMs); Agent banking, Point of Sale (POS) merchants and other Branchless Banking services like the Unstructured Supplementary Service (USSD) were in the fore front of service providers' efforts to enable easy and convenient access to finance.
- II. **Savings:** Implementation of flexible and risk based Know Your Customer (KYC) requirements to support account opening and transactions within pre-determined limits. Innovative product design and market outreach programmes by financial service providers also facilitated mass mobilization of new customers that are first time savers into the financial system.
- III. **Credit:** Targeted policies and interventions expanded the lending capacity of financial institutions to advance credit to individuals and businesses in the critical sectors of the economy, particularly agriculture, micro, small and medium enterprises (MSMEs) manufacturing, hospitality, healthcare and services, among others.

“... in 2019, the CBN issued provisional licenses to three operators under the new banking category of Payment Service Banks”

“Nigerian Deposit Insurance Corporation (NDIC) approved the release of the exposure draft for the extension of deposit insurance coverage to the PSBs.”

“FGN adopted September 16 as National Identity Day”

- IV. **Insurance:** Adoption of the Micro and Takaful (Ethical) insurance guidelines via insurance window operations expanded coverage of low-income individuals and MSMEs to formal financial services.
- V. **Pension:** Implementation of the Micro Pension plan for the informal sector supported wider coverage for individuals and MSMEs.
- VI. **Capital Market:** Expansion of Collective Investment Schemes (CIS) provided opportunity for low income earners to participate in the capital market through pooled, low value contributions that are managed and invested by fund managers.

Similarly, policy makers sustained their drive for facilitating an enabling environment for innovation and market development through regulatory reviews; policy measures and broader stakeholder engagements.

Notably, 2019 witnessed the issuance of provisional licenses to three operators under the new banking category of Payment Service Banks by the Central Bank of Nigeria (CBN).

The license category was earlier introduced in 2018 to facilitate the entrance of new players with established distribution networks into the financial inclusion space.

To further boost confidence in the financial system with the new market entrants; the Nigerian Deposit Insurance Corporation (NDIC) approved the release of the exposure draft for the extension of deposit insurance coverage to the PSBs.

As part of the risk-based measures in balancing financial inclusion and financial system stability objectives; the CBN sustained the tiered licensing for Payment Service Providers (PSPs) as Super, Standard and Basic PSPs.

The differentiating factors of the PSPs were the size of their shareholding fund, scope and complexity of digital financial service operations. The CBN also expanded the capacity of banks to lend to individuals and businesses in the critical sectors of the economy, by strengthening the Loan-Deposit Ratio (LDR) policy.

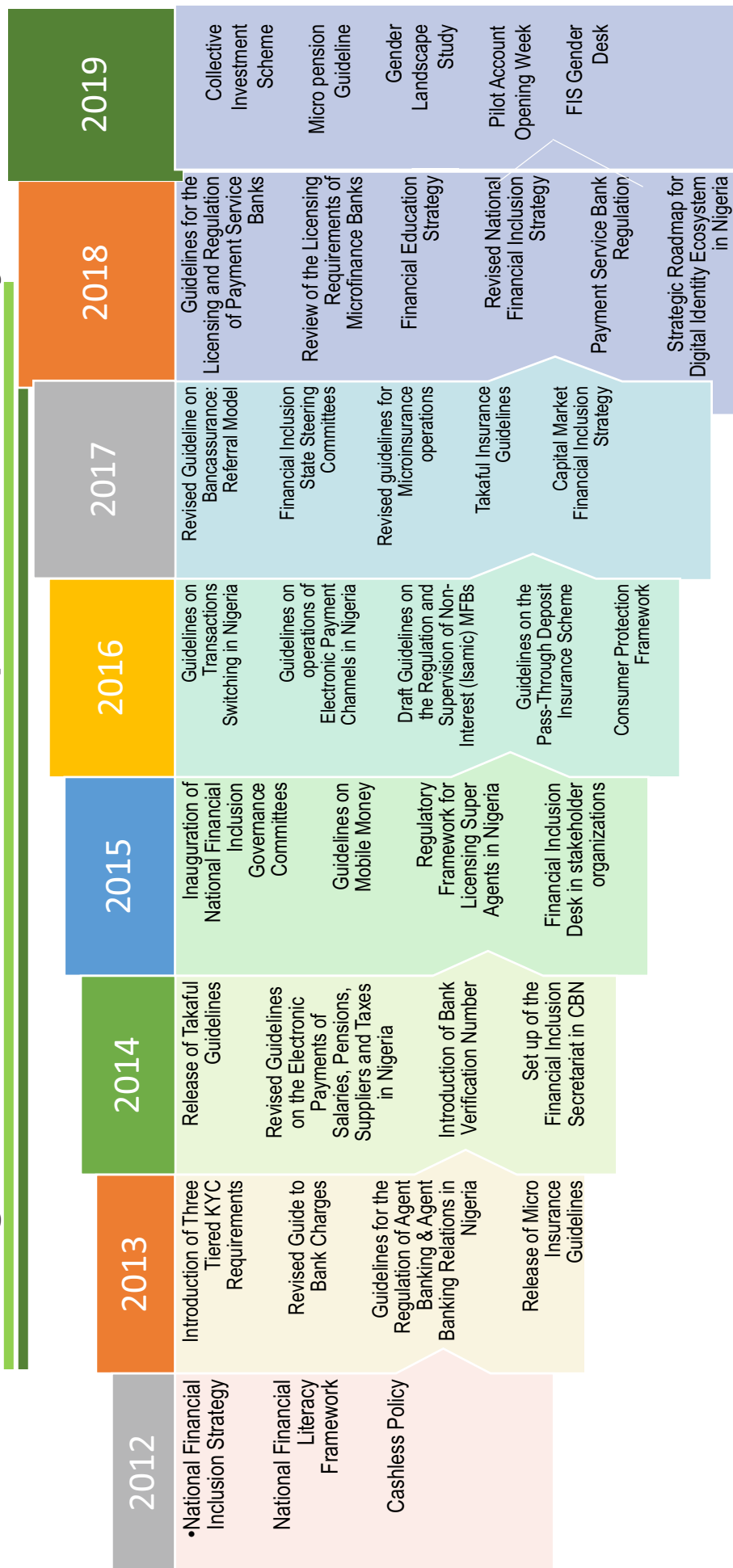
The promotion of genuine insurance cover as a risk mitigation factor for the target population was emphasized, as insurance stakeholders canvassed for the verification of insurance policies via the Nigeria Insurance Industry Database (NIID). Capital Market stakeholders on their part; launched the Mutual Fund Trading and Distribution Platform to promote mutual funds investment among retail investors. Awareness creation around the Contributory Pension Scheme (CPS) and Pension Literacy programmes were part of the focal initiatives for the pension industry.

The importance of a robust and secure national identification system to the goals of financial inclusion was underscored in 2019, with the Federal Government's adoption of September 16 as "National Identity Day". The day commemorates national identity as a tool for development and social cohesion. In this regard, the implementation of the World-Bank assisted electronic identification ecosystem project was sustained to enhance the legacy National Identity Number (NIN) in the country.

Through the year, concerted stakeholder efforts were geared towards actualizing the financial inclusion goals; under the auspices of the National Financial Inclusion Governance Committees, which provided a platform for dynamic and broad engagements among public-private sector collaborators.

Following this introductory chapter; chapter two provides information on the implementation environment for the period under review. Chapter three details the activities of different stakeholders, chapter four presents the data on strategy implementation progress while chapter five concludes the report with recommendations and outlook for 2020 and beyond.

Nigeria's Financial Inclusion Implementation Journey

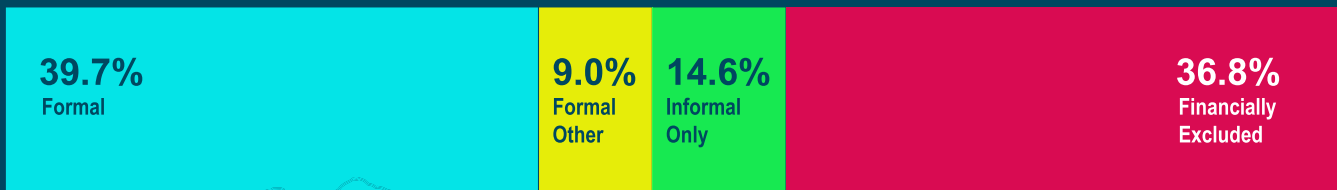


Policy/Strategy Innovations to drive implementation

NIGERIA AT A GLANCE

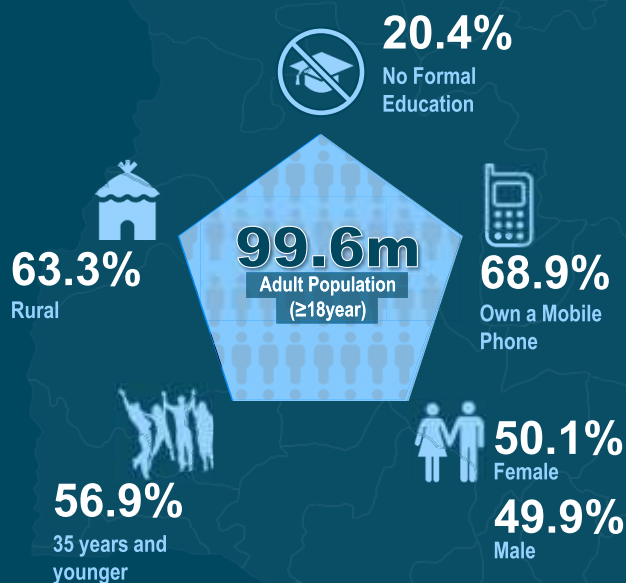
Key Performance Indicators (EFInA 2018)

63.2% Financially Served



48.7% Formally Included

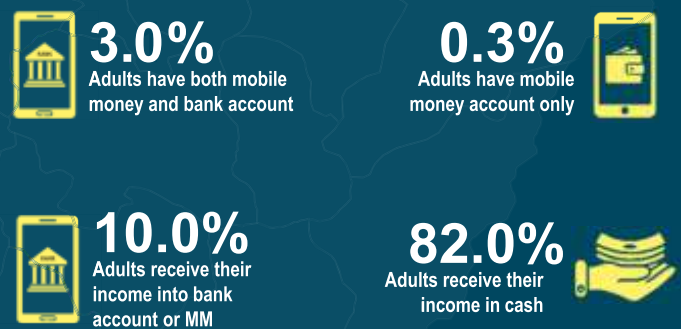
DEMOGRAPHIC PROFILE



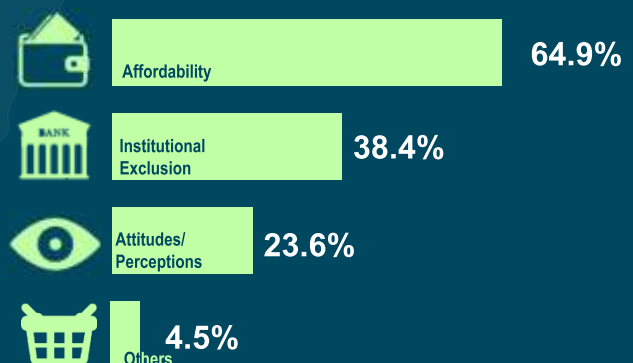
FINANCIAL NEEDS OF NIGERIAN ADULTS



DIGITAL USAGE



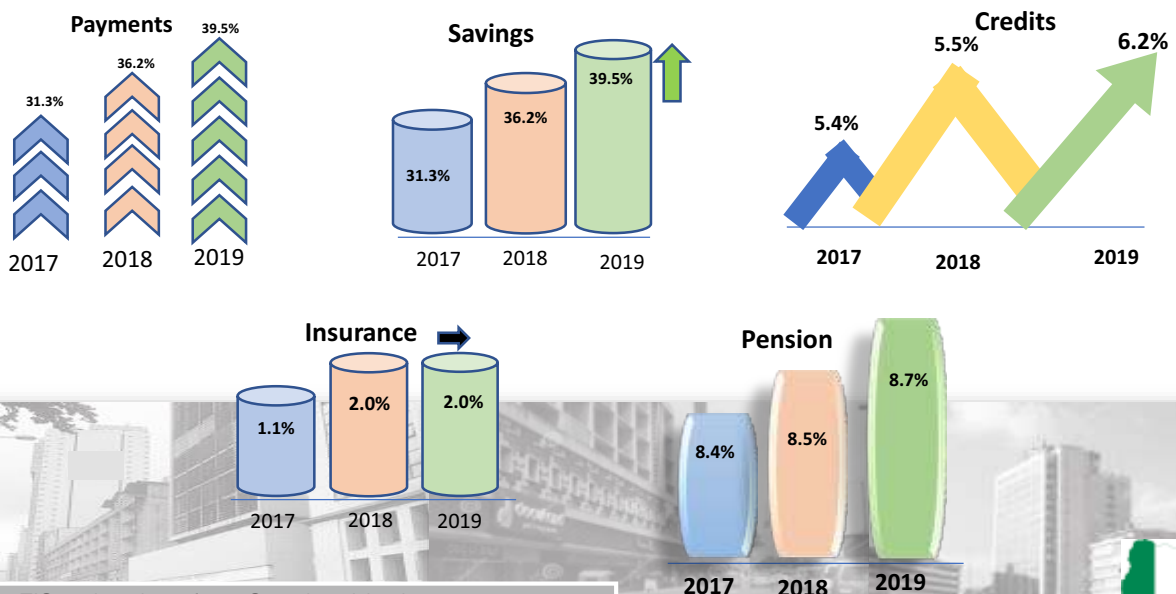
BARRIERS TO FINANCIAL INCLUSION



Source: EFInA Access to Financial Services in Nigeria 2018 survey

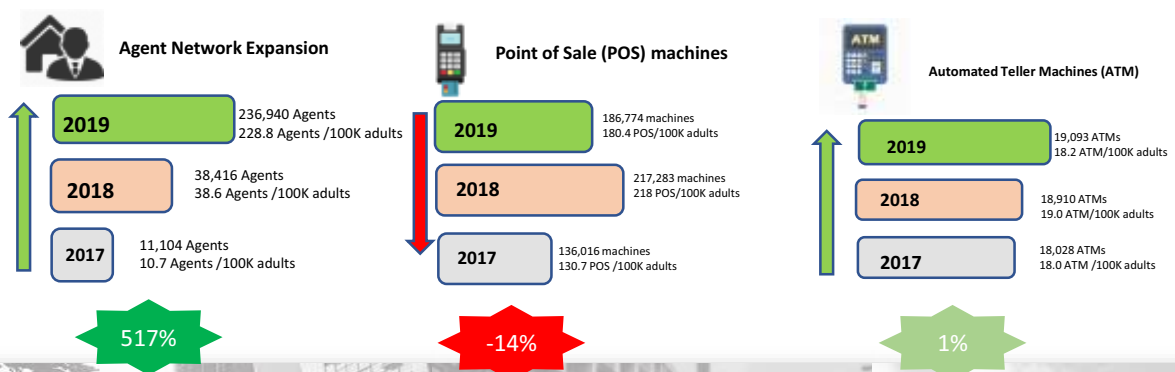
KEY PERFORMANCE INDICATORS (INDUSTRY DATA, 2019)

2019 progress compared with previous years... Products



Source: FIS estimations from Supply-side data

2019 progress compared with previous years... Channels



Source: FIS estimations from Supply-side data



02

IMPLEMENTATION ENVIRONMENT

This chapter describes the implementation environment of the National Financial Inclusion Strategy in 2019. It examines the macroeconomic environment as well as analyses relevant sub-sectors of the Nigerian financial industry.

2.1 MACROECONOMIC ENVIRONMENT

“ CBN directed Banks to maintain a minimum loan to deposit ratio of 60% in July and 65% by end-2019 ”

“ The Agriculture sector recorded the highest growth rate of 2.4 per cent, compared with a growth of 2.1 per cent recorded in 2018 ”

A. OUTPUT

The economy sustained its modest growth in 2019. The growth in output was attributed, largely, to the relatively stable macroeconomic environment witnessed in the country following the successful completion of the 2019 elections, the effective implementation of the 2019 budget, increased capital inflows which helped to stabilize the foreign exchange market, as well as, increased lending to the real sector, following CBN's directive to banks to maintain a minimum Loan-to-Deposit ratio of 60.0 per cent in July 2019 and 65.0 per cent by the end of 2019. In addition, sustained interventions in the real sector by the Federal Government and the CBN contributed to the growth outcomes in 2019.

Provisional data from the National Bureau of Statistics (NBS) indicated that the Gross Domestic Product (GDP), measured at 2010 constant basic prices grew by 2.3 per cent, compared with 1.9 per cent in 2018. The growth was driven, largely by the services, agriculture and industry sectors, which contributed 1.2, 0.6 and 0.5 per cent, respectively. (see Figure 2.1.1.).

Growth rates of individual sectors revealed that the agriculture sector recorded the highest growth rate of 2.4 per cent, compared with a growth of 2.1 per cent recorded in 2018, while the Industry sector grew by 2.3 per cent in 2019. The growth performance of the Agriculture sector in 2019 underscored the increasing role of financial inclusion in supporting economic growth as more stakeholders within the sector had improved access and usage of financial services, thus enabling increased economic activities within the sector in 2019.

In terms of sectoral shares to real GDP, the Services sector remained the most dominant sector with a size of 52.6 per cent of total real GDP in 2019, while Agriculture and Industry, accounted for 25.2 and 22.3 per cent, respectively, to the real GDP.

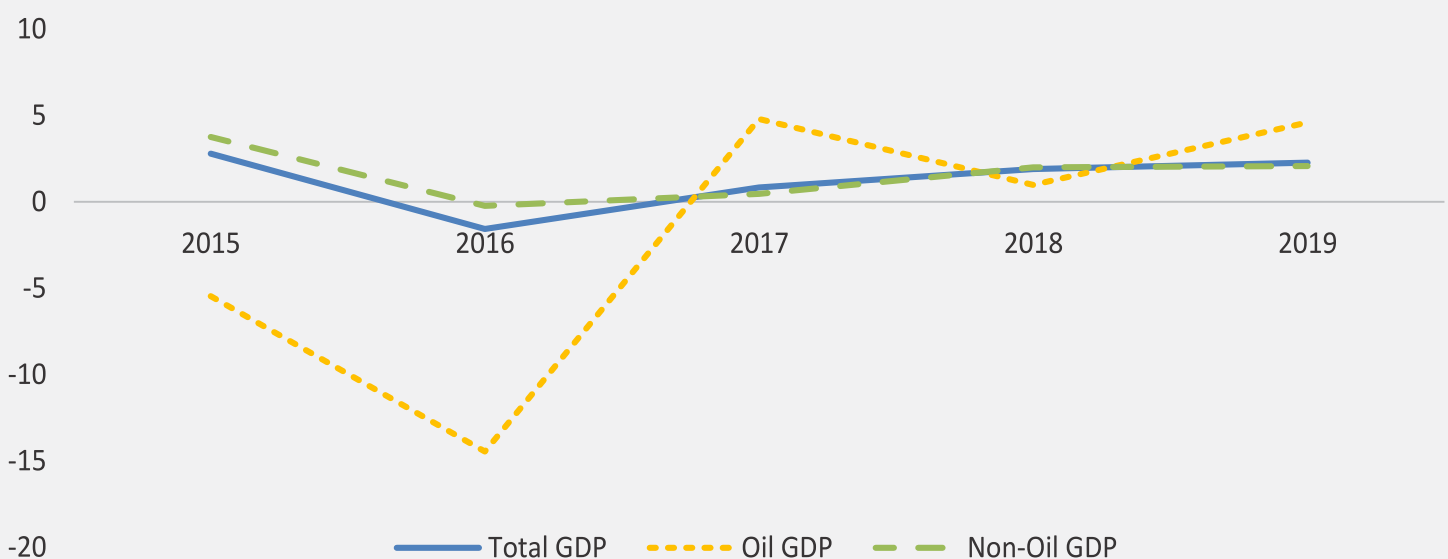


Figure 2.1.1. GDP Growth Rate, 2015-2019, (per cent)
Source: National Bureau of Statistics (NBS)

“ Services sector remained the most dominant sector with a size of 52.6 per cent of total real GDP in 2019 ”

B. PRICES

Inflation remained above the single digit benchmark in 2019 with the Year-on-Year headline inflation rising to 11.98 per cent in December 2019.

A further analysis indicated that inflation decelerated consistently from 11.37 per cent in January to 11.25 per cent in March 2019. The trend, however, reversed in April and May at 11.37 and 11.40 per cent, respectively. Thereafter, it slowed to 11.22 per cent in June and 11.02 per cent in August. The trend was again reversed for the rest of the year from September at 11.24 per cent to close at 11.98 per cent in December 2019. The persistent increase in inflationary pressure in the last four months of the year was driven, mainly, by the food component of the CPI, following supply shocks arising from implementation of the border protection policy of the Government which commenced in August 2019 and the seasonal effect of the yuletide.

Theoretically, financial inclusion may affect inflation indirectly through the interest rate channel – which would lead to reduced inflationary pressures given increased demand for money; and through the ease of access to credit channel – which could lead to increased inflationary pressures due to increased credit creation ability of banks.

However, given the economically disadvantaged segment of the population being targeted in financial inclusion efforts and the tight monetary policy stance of the CBN during the year, the possibility that increased financial inclusion promoted inflation in 2019 remains weak.



Figure 2.1.2: Trends in Headline Inflation, % (Year-on-Year) 2019
Source: National Bureau of Statistics

“ Actual federally collected revenue (gross) was N10,215.1 billion or 6.9 per cent of GDP, indicating a rise of 6.9 per cent over the amount realized in 2018. ”

C. FISCAL SECTOR

The fiscal policy thrust of the government in 2019 was aimed at sustaining economic diversification, inclusive growth and development to lift a significant proportion of the populace out of poverty. Actual federally collected revenue (gross) was N10,215.1 billion or 6.9 per cent of GDP, indicating a rise of 6.9 per cent over the amount realised in 2018. The development was attributed to increased earnings from non-oil revenue. Estimated Federal Government retained revenue in 2019, at N4,787.9 billion, rose by 14.4 per cent above the level in 2018, while estimated aggregate expenditure, at N9,391.4 billion, increased by 20.2 per cent above the level in 2018.

Consequently, the fiscal operations of the Federal Government resulted in an estimated overall deficit of N4,603.5 billion, or 3.2 per cent of GDP, financed through domestic sources.

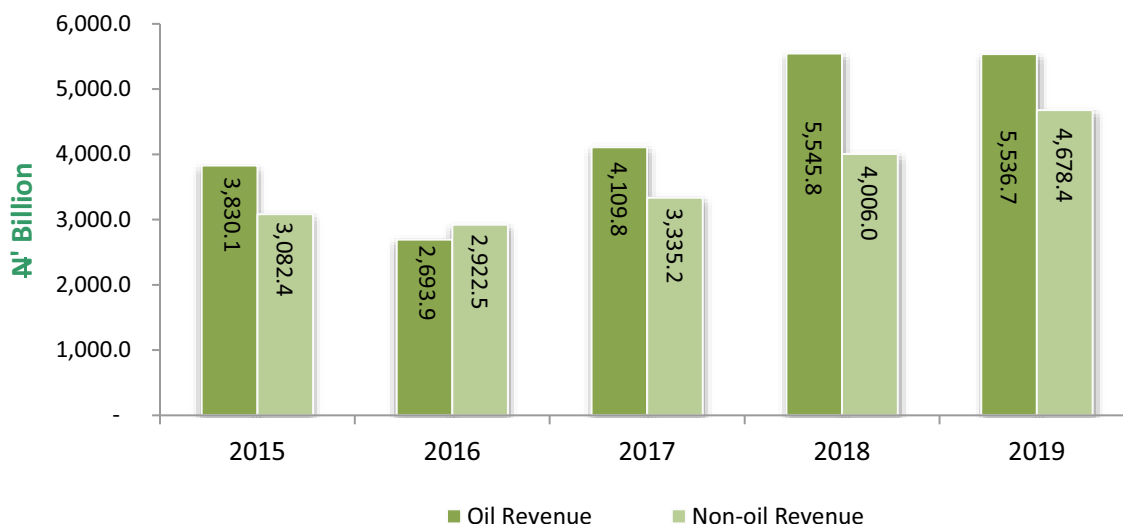


Figure 2.1.3: Federation Account: Composition of Revenue (Naira Billion), 2015 – 2019

Sources: FMF and the OAGF data

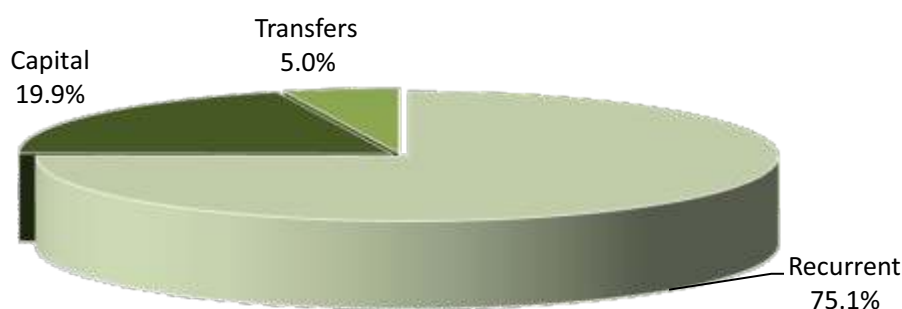


Figure 2.1.4: Composition of Federal Government Expenditure, 2019

Sources: FMF & the OAGF data

“The external sector experienced pressure in 2019 due to slowdown in global trade arising from weak demand and decline in crude oil prices. However, sustained policy measures taken by the monetary and fiscal authorities reinforced the sector's resilience.”

The consolidated debt stock of the Federal Government in 2019 was N23, 295.1 billion, or 16.2 per cent of GDP, compared with N21, 011.5 billion, or 16.4 per cent of GDP, in 2018. External debt stock rose by 9.5 per cent to US\$27.7 billion, following additional multilateral and bilateral loans to fund infrastructure. Despite the reduction in the net issuance of Nigerian Treasury Bills (NTBs) and Treasury Bonds in the fiscal year, domestic debt rose by 11.7 per cent to N14, 272.6 billion.

D. EXTERNAL SECTOR

The external sector experienced pressure in 2019 due to slow down in global trade arising from weak demand and decline in crude oil prices. However, sustained policy measures taken by the monetary and fiscal authorities reinforced the sector's resilience. Consequently, an overall balance of payments deficit of US\$2.33 billion equivalent to 0.6 per cent of GDP was recorded in the review period, in contrast to a surplus of US\$3.29 billion or 0.8 per cent of GDP in 2018. Similarly, the current account recorded a deficit of 2.7 per cent of GDP, as against a surplus of 1.3 per cent of GDP in 2018. The capital and financial account recorded a net financial asset of 0.6 per cent of GDP, in contrast to a net financial liability of 0.2 per cent of GDP in 2018. The stock of external reserves at end-December 2019 was US\$38.09 billion, compared with the US\$42.59 billion at end-December 2018.

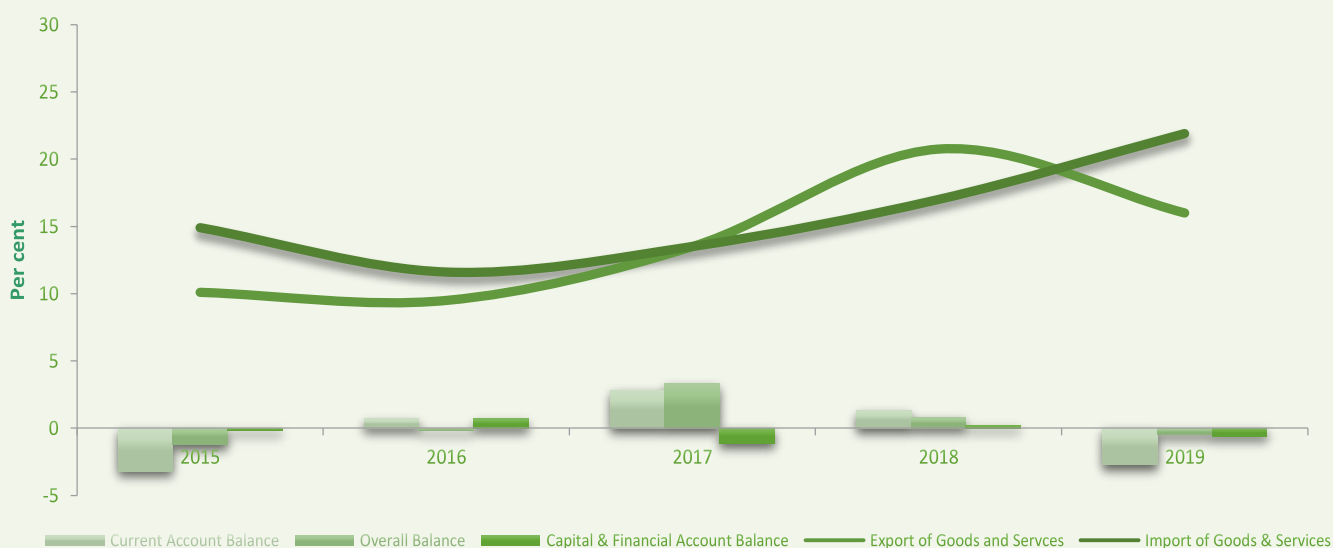


Figure 2.1.5: Balance of Payments, 2015-2019 (Per cent of GDP)

Source: Central Bank of Nigeria

The level of external reserves could finance 8.4 months of current import commitments, which was higher than both the international benchmark and that of the West African Monetary Zone (WAMZ) convergence criterion of three (3) months. The stock of external debt increased by 25.8 per cent, to US\$26.94 billion or 6.4 per cent of GDP at end-September 2019, relative to the US\$21.59 billion or 6.0 per cent of GDP at end-December 2018 but remained within the international threshold of 40.0 per cent of GDP. The exchange rate remained relatively stable, supported by the Bank's exchange rate management policies. The International Investment Position (IIP) recorded a net financial liability of US\$80.26 billion in 2019, compared with US\$80.65 billion in 2018, indicating a marginal decrease of 0.5 per cent.

2.2 BANKING SECTOR

The structure of the Nigerian banking sector remained unchanged in the review period as the number of licensed banks stood at 29, compared with 27 in the preceding year. The licensed banks comprised 22 commercial banks, five (5) merchant banks and two (2) non-interest banks.

In the other financial institutions (OFIs) sub-sector, there were 6,190 licensed institutions comprising, seven (7) Development Finance Institutions (DFIs), 34 Primary Mortgage Banks (PMBs), 911 Microfinance Banks (MFBs), 74 Finance Companies (FCs) and 5,164 Bureau De Change (BDCs), compared with a total of 5,488 institutions at end-December 2018.

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

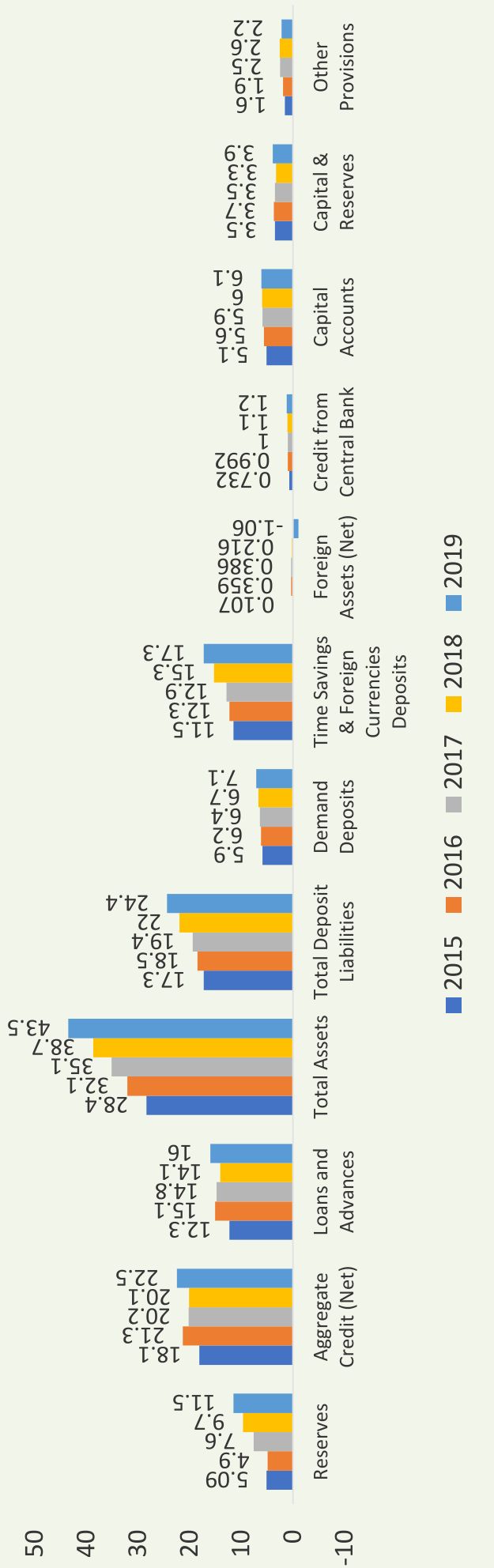


Table 2.2.1.: Statistics of the Banking Sector (DMBs), in Million Naira

Source: Central Bank of Nigeria

Available data indicates that total assets of the banking sector increased by 12.5 per cent to reach N43.5 trillion at end-December 2019 from N38.7 trillion at end-December 2018. Total deposit liabilities grew by 10.8 per cent from N22.0 trillion at end-December 2018 to N24.4 trillion by end-December 2019.

Similarly, there was a resurgence in increase in loans and advances compared to the decrease recorded in 2018. Consequently, total loans and advances increased by 13.42 per cent to reach N16.0 trillion at end-December 2019 from N14.1 trillion at end-December 2018. Credit from the Central Bank also increased by 10.8 per cent from N1.099 trillion at end-December 2018 to N1.227 trillion by end-December 2019, while net foreign assets decreased substantially from N216.4 billion in 2018 to a deficit of N1.064 trillion in 2019 (see Table 2.2.1.). Increase in the volume of loans was supported by the increased loan-to-deposit ratio policy of CBN during the year. This development also supported inclusion efforts of the Bank.

2.3 MICROFINANCE BANK SECTOR

The number of microfinance banks (MFBs) stood at 911 at end-December 2019, compared with 885 MFBs at end-December 2018. This comprised 10 National, 135 State and 766 Unit MFBs, compared with nine (9) National, 134 State and 742 Unit MFBs in 2018. The increase in the number of MFBs was attributed to the licensing of 26 new MFBs in the review period which also improved access to financial services by them.

Total assets/liabilities of MFBs was N496.85 billion at end-December 2019, compared with N421.95 billion at end-December 2018. The paid-up capital and shareholders' funds increased by 14.5 per cent and 16.4 per cent to N78.80 billion and N113.67 billion, respectively, compared with the levels at end-December 2018. The development was attributed, mainly, to capital injection and accretion to reserves from ploughed back profits. Net loans and advances increased by 15.6 per cent to N255.47 billion at end-December 2019, compared with N220.95 billion at end-December 2018. Deposit liabilities rose by 17.3 per cent to N250.00 billion at end-December 2019, compared with N213.25 billion at end-December 2018. Reserves also increased by 21.0 per cent, to N34.87 billion at end-December 2019, compared with N28.81 billion at end-December 2018.

2.4 e-PAYMENTS SECTOR

The volume and value of electronic payments in 2019 rose by 46.7 and 25.5 per cent to 3,002.8 million and N167,014.32 billion, respectively, compared with 2,046.4 million and N133,042.24 billion in 2018. The rise reflected more acceptance of electronic based transactions owing to increased awareness, and consumer confidence in the use of the e-payment channels.

A breakdown of e-payment transactions for 2019, indicated that the NIBSS Instant Payment (NIP) was the most patronised accounting for 38.5 per cent of the total volume of e-payment transactions. This was closely followed by ATM, POS and Mobile Money payment channels which accounted for 28.0, 14.6 and 12.6 per cent, respectively. Others were POS, Internet (Web), Remita and NAPS at 14.6, 3.5, 1.6, and 1.6 per cent, respectively. M-cash, Central Pay and e-Bills Pay were, however, the least patronised with 0.01, 0.02 and 0.04 per cent of total electronic payment transactions, respectively.

Figure 2.4.1: Volume of Electronic Payments (Million), 2017 – 2019

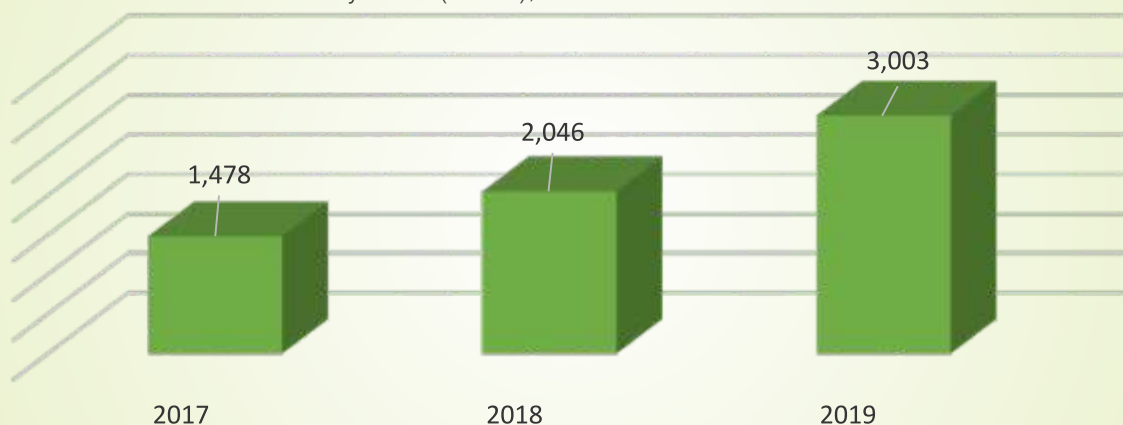
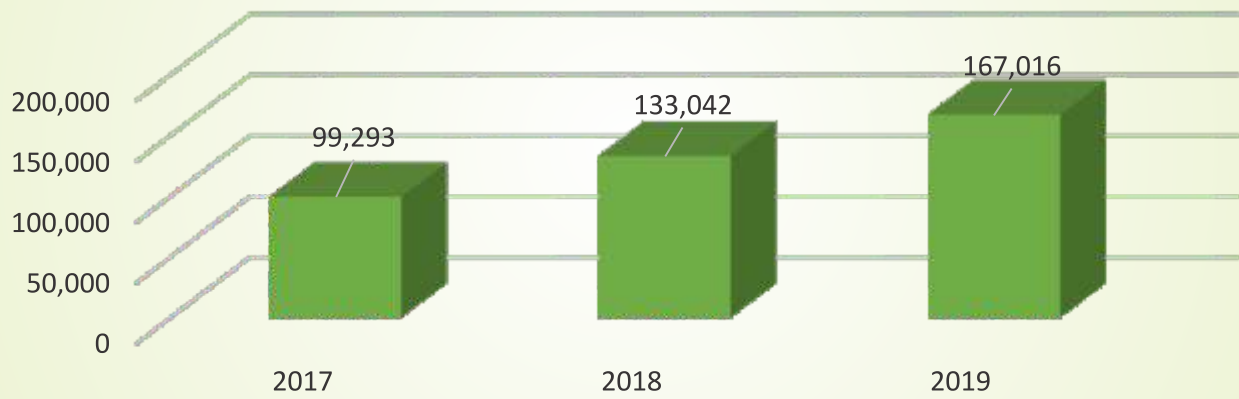


Figure 2.4.2: Value of Electronic Payments (N' Billion), 2017 – 2019



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

In terms of value of transactions on the electronic payment channels, NIP received the highest value at 63 per cent while Central Pay had the least value of electronic payments (0.00%) in 2019.

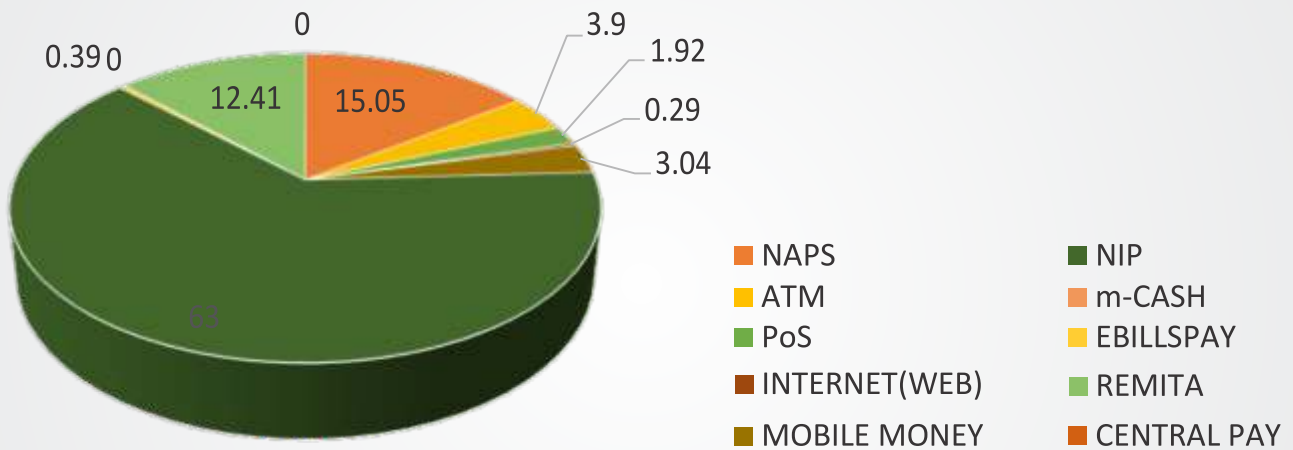


Figure 2.4.3: Classification of e-Money Products by Value, Proportion, 2019, (Per cent)

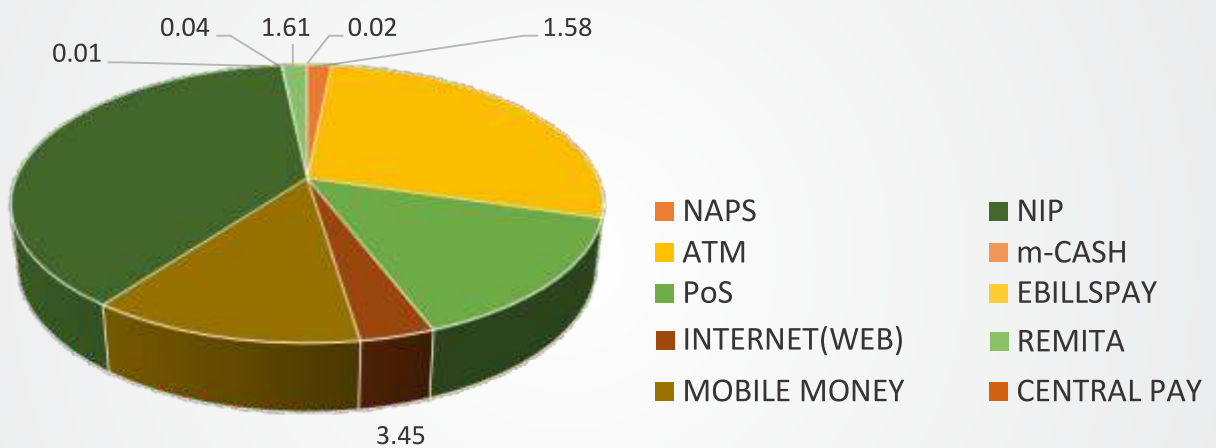


Figure 2.4.4: Classification of e-Money Products by Volume, Proportion, 2019, (Per cent)

Source: Central Bank of Nigeria, Nigeria Inter-Bank Settlement System

Tables 2.4.1 and 2.4.2 provides further insight into the trend of the volume and value of the specific electronic transaction channels from 2015 to 2019. It indicates that the NIP was the most preferred channel of electronic payments by users in 2019 followed by ATM, PoS and Mobile Money payment channels.

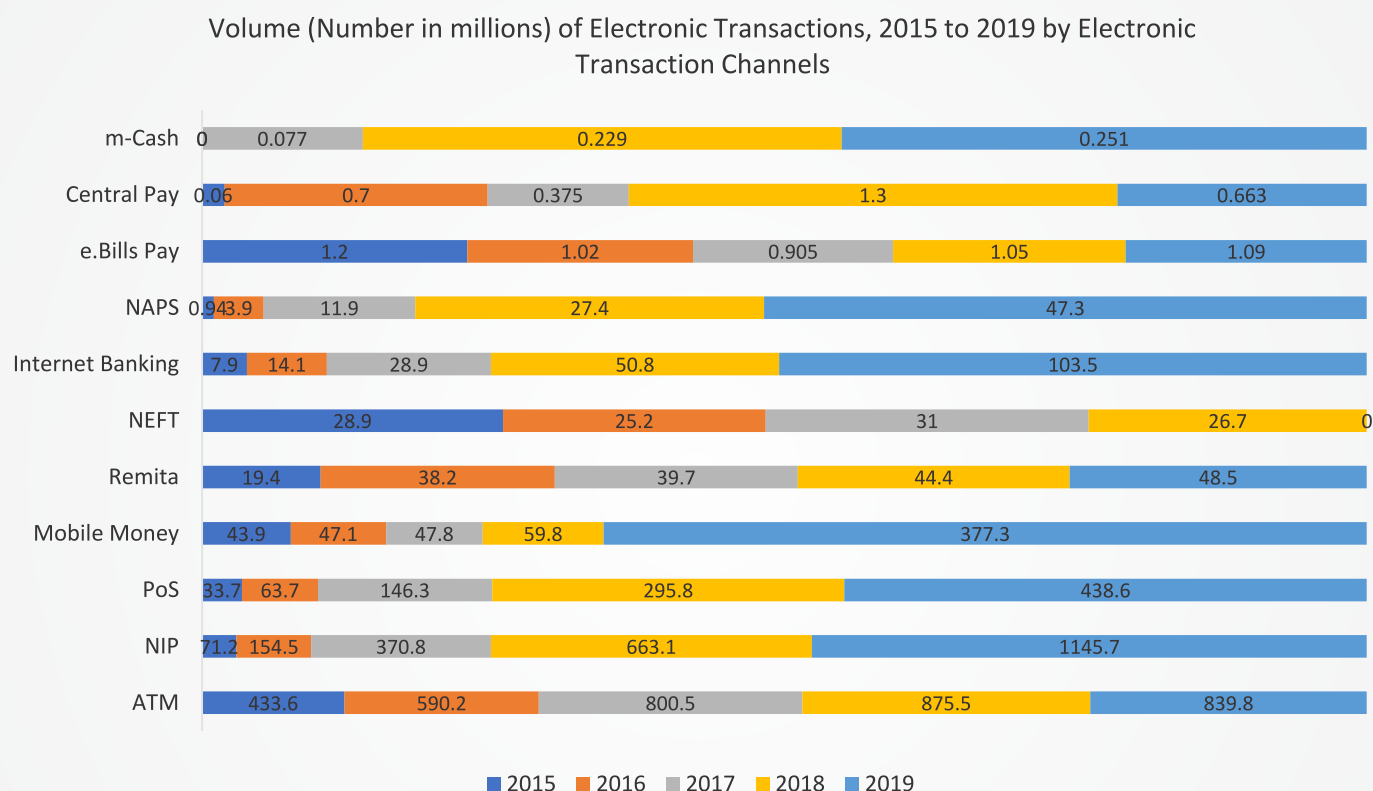


Figure 2.4.5 Volume (Number in millions) of Electronic Transactions, 2015 to 2019 by Electronic Transaction Channels
Source: Central Bank of Nigeria; Nigeria Inter-Bank Settlement System

In terms of growth in the use of these channels, the five fastest growing channels in 2019 were Mobile Money, internet banking, NIP, NAPS and PoS transaction channels which grew by 530.3, 103.7, 72.8, 72.8 and 48.2 per cent respectively compared to their growth rates in the previous year. Others were M-Cash, Remita, e-bills Pay channels which grew by 9.7, 9.0 and 4.4 per cent respectively. ATM recorded a negative growth of 4.1 per cent in 2019 compared to 2018.

In terms of nominal value of electronic transactions, NIP remained the channel through which transactions with the highest value in Naira were made in 2019. The value of NIP transactions increased by 31.0 per cent from N80.42 trillion in 2018 to N105.2 trillion in 2019, which resulted in a share of NIP in the total value of electronic transactions put at 63 per cent in 2019. NAPS was the channel with the second highest value in 2019 at N25.1 trillion as its share in total value of transactions stood at 15 per cent. The sum of N20.7 trillion was also transacted on Remita platform in 2019 representing a share of 12 per cent compared with a share of 14 per cent achieved in the preceding year.

2.5 INSURANCE SECTOR

The gross premium of the Insurance industry declined by 6.44 per cent to N453.6 billion in 2019 compared with the previous year. The decline was driven mainly by the 0.9 per cent contraction in gross premium received from the Non-life insurance segment of the industry while the gross premium received by the Life insurance segment grew by 16.4 per cent during the period. The respective shares of the non-life and life gross premium of the total industry gross premium amounted to 53.6 and 46.4 per cent, respectively, in 2019 (see Table 2.5.1.).

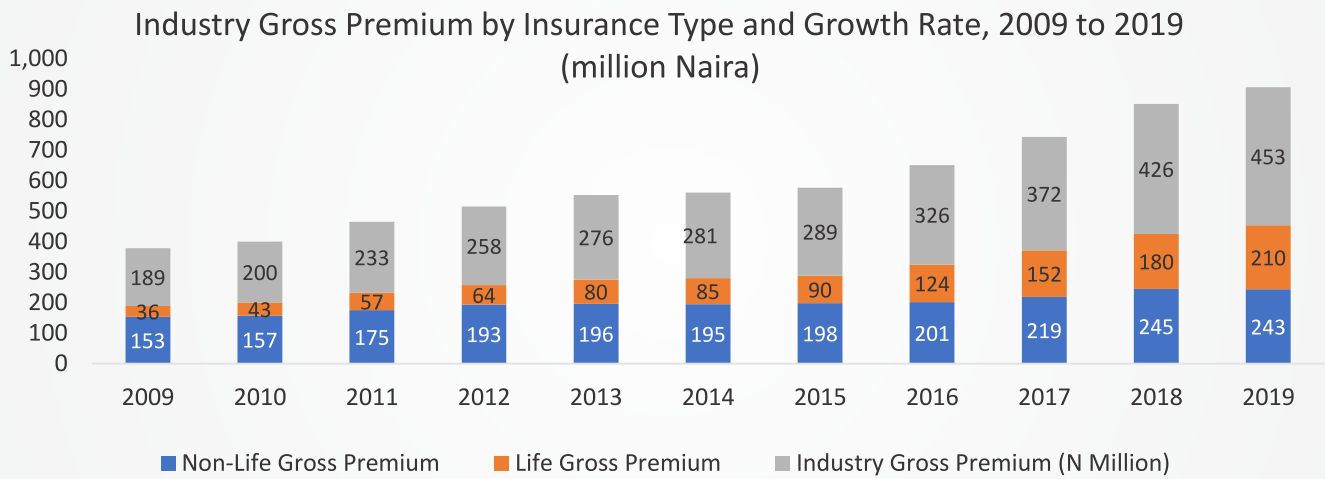


Figure 2.5.1: Industry Gross Premium by Insurance Type and Growth Rate, 2009 to 2019

Source: Returns from the National Insurance Commission

In terms of claims paid by Insurance companies during the year, the companies paid out claims worth ₦194.3 billion in 2018 compared to ₦186.5 billion paid out in 2017. This represented a growth of 4.2 per cent compared to the rate recorded in 2017. The growth recorded during the period could be attributed to the lag effects of the economic downturn that accompanied the recession which ended the preceding year as well as increased penetration of the insurance industry driven by increased insurance products and financial inclusion.

2.6 PENSION SECTOR (2019 information not available yet)

The total annual contributions made into the Contributory Pension Scheme (CPS) by employees and employers from both, the public and private sectors, amounted to N700.69 billion in 2019 compared to ₦607.55 billion in 2018 giving. This represents an increase of 13.75 per cent compared to the contributions made in 2018. The increase was due to the rise in both public and private sector contributions, which grew by 24.3 per cent and 8.3 percent respectively from the preceding year. The growth in the contributions saw the public sector grow 16 percentage points more than the private sector contributions. (see Table 2.6.1.).

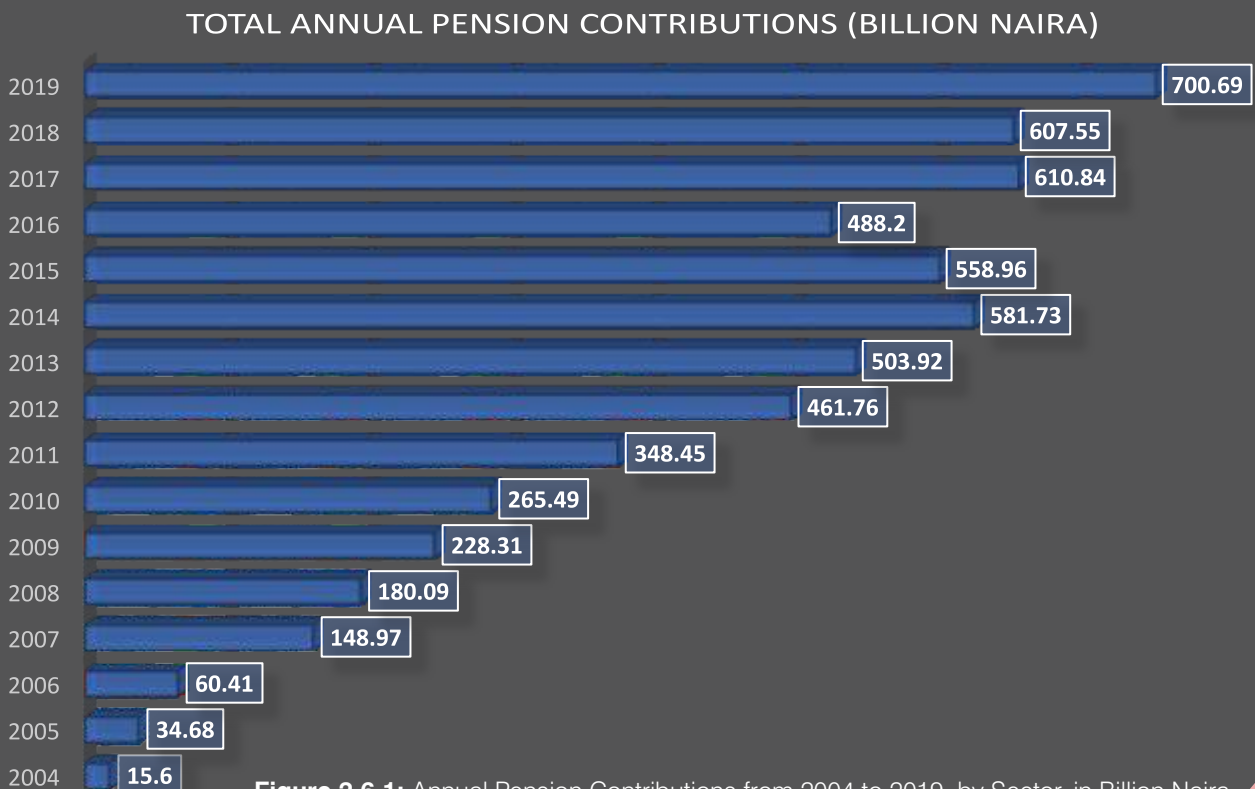


Figure 2.6.1: Annual Pension Contributions from 2004 to 2019, by Sector, in Billion Naira

Source: National Pension Commission

“ At end-December 2019, the cumulative volume and value of traded securities were 80.36 billion shares and ₦962.65 billion, respectively, in 880,275 deals. ”

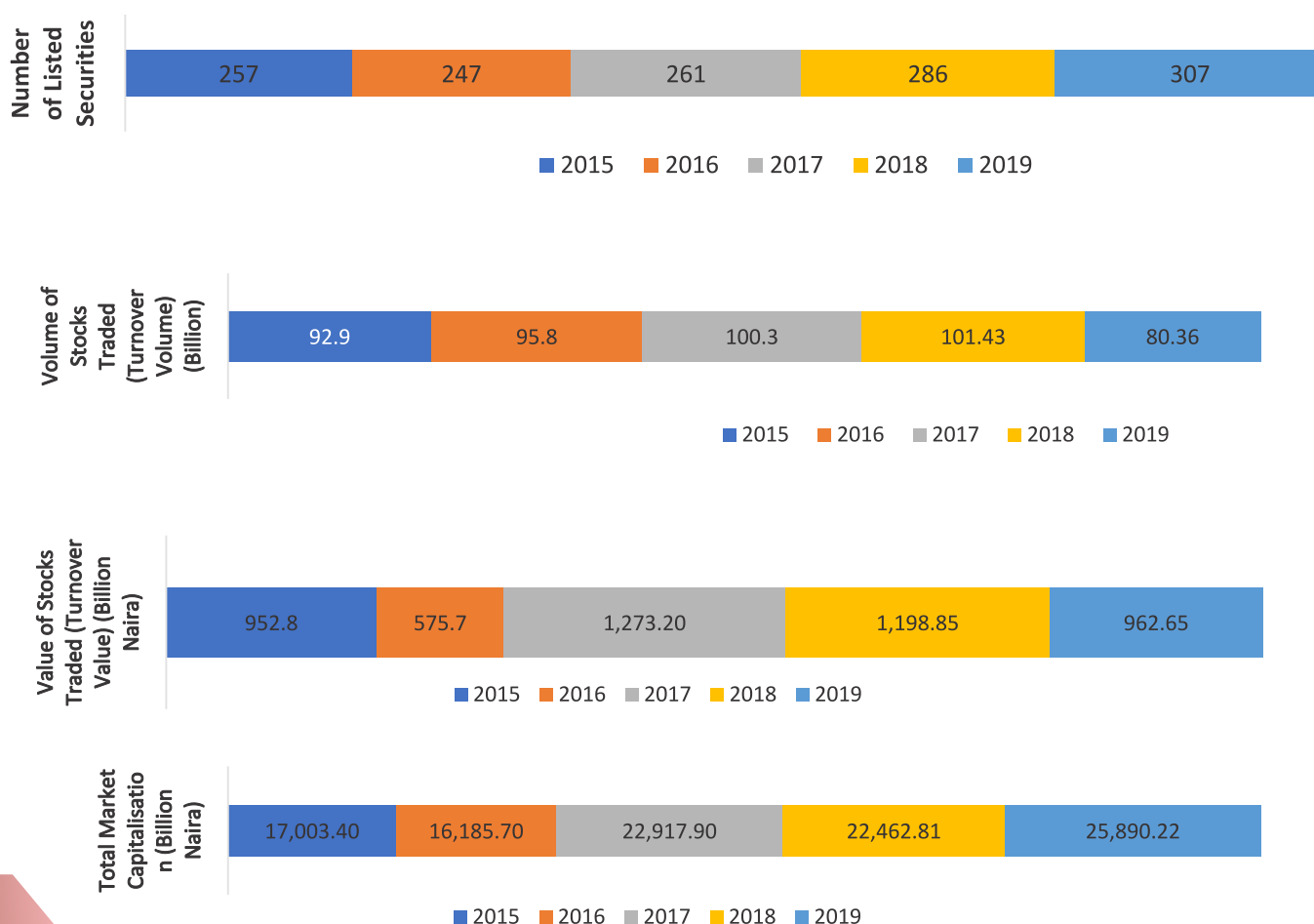
2.7 CAPITAL MARKET SECTOR

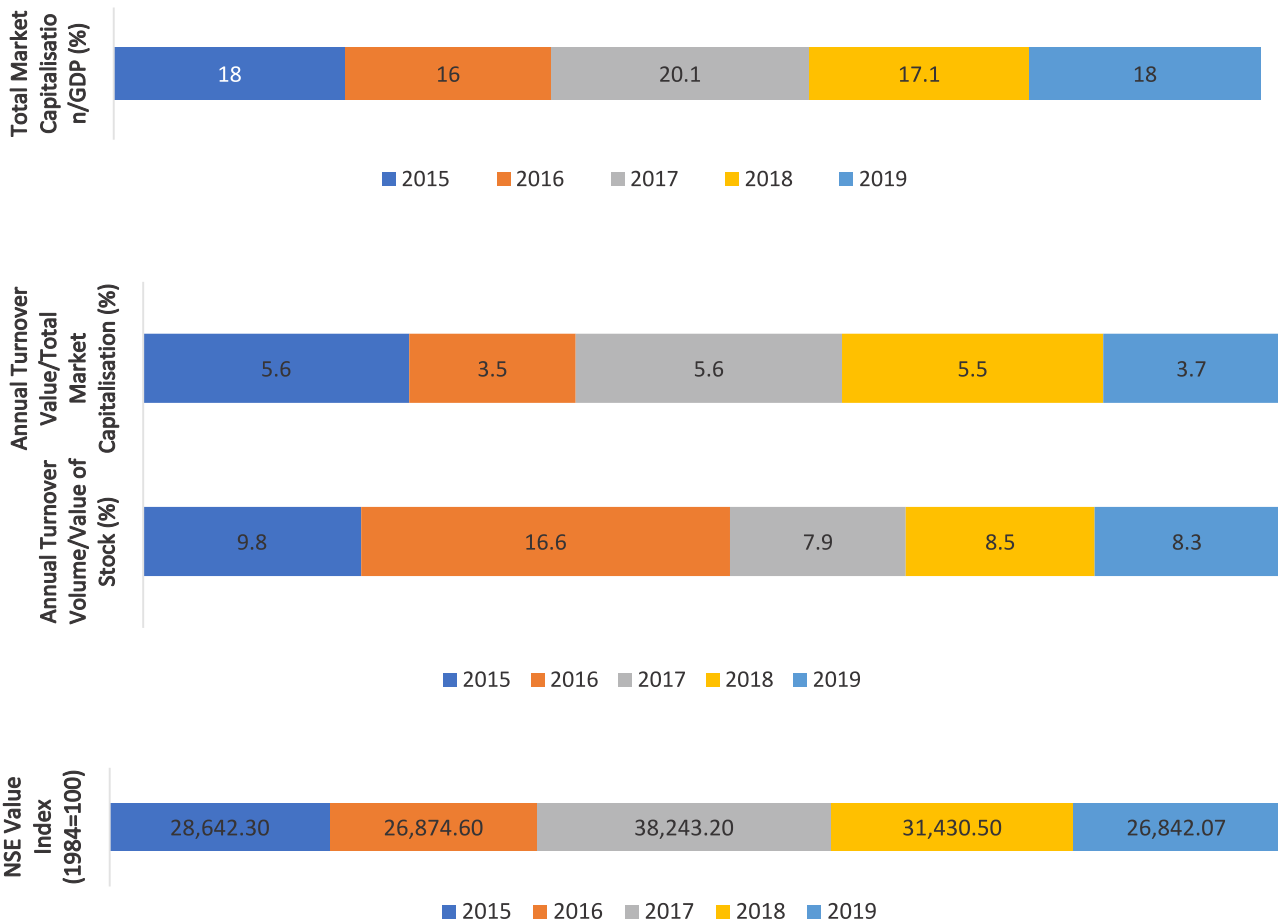
Activities in the Nigerian capital market mirrored the performance of the larger economy as it remained on the growth trajectory while activities in the secondary segment were mixed. The equities market capitalisation closed on a positive note, while the NSE All Share Index (ASI) posted a negative return. The market turnover (volume and value) also trended downward in 2019. The increase in market capitalisation was largely on account of sustained primary market activities throughout the year, most notably the listings of MTN Nigeria Communications Plc and Airtel Africa.

At end-December 2019, the cumulative volume and value of traded securities were 80.36 billion shares and ₦962.65 billion, respectively, in 880,275 deals. The total volume and value of traded securities fell by 20.8 per cent and 19.7 per cent, from the preceding year's levels of 101.43 billion shares and ₦1,198.9 billion, respectively, in 1,048,776 deals. The bulk of the transactions were in equities, which accounted for 99.9 per cent of the turnover volume and value of traded securities apiece, same as in the preceding year. The average daily volume and value of traded securities were 329.32 million shares and ₦3.95 billion, respectively, compared with 408.99 million shares and ₦4.83 billion, in 2018.

The aggregate market capitalisation of the 307 listed securities rose by 15.3 per cent to ₦25.89 trillion, compared with the level in 2018. This reflected an increase in the value of securities across different asset classes (equities and ETF). Similarly, market capitalisation of the 165 listed equities rose by 10.6 per cent, to ₦12.97 trillion at end-December 2019, compared with the level in 2018.

Table 2.7.1.: Indicators of Capital Market Developments in the Nigerian Stock Exchange, 2014 to 2019





Source: Securities & Exchange Commission

2.8. INFORMAL FINANCIAL SECTOR

Nigeria's informal sector is huge, accounting for over 65% of the country's GDP. People who are employed in this sector operate in an environment relatively free of regulation. In some cases, self-regulation by apex associations of the operators remains the norm.

In addition, the informal sector employs the largest proportion of the labour force in Nigeria. Micro and Small businesses such as dress makers, hair dressers, shoe cobblers, small scale traders, car wash services and a host of other services are provided by the informal sector. In 2019, employment opportunity was boosted in the informal sector as the Federal Government scaled up implementation of the “Tradermoni” empowerment programme, which is a loan given to micro and small traders to boost their economic activities. The Tradermoni scheme plans to extend business finance facility of N10,000 to at least 30,000 petty traders in each of the 36 States and the Federal Capital Territory. Beneficiaries would have access to higher loan values as they repay the initial facility.



Panelists at the "Making Finance Work for Women Roundtable"



R-L: Mr. Joseph Attah (Head, Financial Inclusion Secretariat, CBN), Mrs. Folakemi Fatogbe (Director, Risk Management, CBN) Mr. Ade Ashaye (Executive Vice President, Women World Banking), Mrs. Ifeoma Anagbogu (Permanent Secretary, Ministry of Women Affairs and Social Development),



Mr. Joseph Attah - Head, Financial Inclusion Secretariat, CBN



Gender Section: L-R: Mrs. Yetunde Ilori (Director-General, Nigeria Insurers Association), Mrs. Christabell Onyejekwe (Executive Director, Nigerian Inter-Bank Settlement System) and Mrs. Abiose Haruna (Public-Private Partnership Advisor, MercyCorps) at the Making Finance Work for Women Roundtable



03

STAKEHOLDERS' ACTIVITIES

Financial Inclusion activities are executed through a broad range of stakeholders.

These stakeholder groups include regulators, apex associations of Financial Service Providers (FSPs), representatives of various financial consumer groups, the civil society and development partners amongst others.

The activities of these stakeholders are coordinated under the National Financial Inclusion Governing Structure. This structure consists of relevant Working Groups that report to a Technical Committee, and a Steering Committee (which is the apex Committee of the Governing arrangement).

This chapter highlights the activities of financial inclusion stakeholders and the Governing Committees for the reporting period.

GOVERNING COMMITTEES

3.1. NATIONAL FINANCIAL INCLUSION STEERING COMMITTEE (NFISC)

The Committee held its statutory meetings in July and December 2019 following which the following outcomes were achieved:

- The 2018 Annual Report of the NFIS Implementation was approved.
- The National Peer Group Educator Programme (NAPGEP) Strategy document for the posting of Corps Members for Financial Inclusion was developed and launched. This helped to improve financial education level of corps members and their communities.
- The operationalization of the NAPGEP Strategy and its implementation with effect from the first quarter of 2020.
- The conduct of Account Opening Week in six geopolitical zones and the eventual roll out across the country on quarterly basis.
- The commencement of a review of the draft framework for Advancing Women's Financial Inclusion in Nigeria.

3.2 NATIONAL FINANCIAL INCLUSION TECHNICAL COMMITTEE (NFITC)

The Committee held its quarterly meetings in March, July, September and November 2019 following which the following key outcomes were achieved:

- The convening of 2 (two) roundtable sessions on:
 - o Fintech for Financial Inclusion
 - o Closing the Gender Financial Inclusion Gap
- The conduct of a study and launch of the report on the Assessment of Women's Financial Inclusion in Nigeria
- Approval to commence nationwide rollout of the National Peer Group Educator Programme for Financial Inclusion (NAPGEP).
- Conduct of User Acceptance Tests (UAT) and generation of reports/go-live documentation for the Nigerian Financial Services (NFS) maps.

Approval to conduct an Account Opening Week (AOW) with a total of 70,534 new accounts and 16,471 mobile wallets opened during the week..

3.3. NATIONAL FINANCIAL INCLUSION WORKING GROUPS

The four Working Groups defined and implemented their respective annual work plans. Their meetings were held in March, July, September and November 2019. The major achievements of the Working Groups were as follows:

3.3.1 Financial Inclusion Channels Working Group (FICWG): Notable achievements by member institutions of the Working Group included Publication of the Report of the Unstructured Supplementary Service Data (USSD) pricing and the identification of six infrastructure companies to provide broadband connectivity in 774 Local Government Areas by Nigerian Communications Commission (NCC). The National Identity Management Commission (NIMC) also proposed the use of National Identification Number (NIN) as a means of customer verification in micro-insurance uptake.

3.3.2 Financial Inclusion Literacy Working Group (FLWG): Notable achievements by member institutions of the Working Group included the hosting of the Financial Literacy Stakeholders Conference in January 2019 and the development of a framework for posting



L-R: Mr. Joseph A. .A. Attah – Head, Financial Inclusion Secretariat, Dr. Paul Oluikpe – Head, FIS Strategy Coordination Office, Dr. Mudashiru Olaitan – Director, Development Finance Department and and Dr. Alfred Hanning – Executive Director, AFI during the country visit to Nigeria



Dr. Olaitan Mudashiru – Director, Development Finance Department



The Director Consumer Protection Department and other CBN delegates to the AFI GPF in Kigali



Mr. Stephen Ambore of Financial Inclusion Seretariat receiving his Fellowship Award for the Fletcher Leadership Programme for Financial Inclusion during the AFI Global Policy Forum (GPF) in Kigali

Volunteer Corps Members (VCMs) to financial institutions for financial inclusion. In addition, financial institutions embarked on fraud awareness campaigns across the country. Similarly, stakeholders conducted awareness campaigns to promote savings culture which impacted 72,508 children during the 2019 Global Money Week.

3.3.3 Financial Inclusion Products Working Group (FIPWG): Notable achievements by member institutions of the Working Group included the launch of the Micro Pension Guideline by PenCom and operationalization of the Super-Agent license of NIPOST.

3.3.4 Financial Inclusion Special Interventions Working Group (FISIWG): During the period under review, 2.1 million persons benefited from Government Enterprise Empowerment Programme (GEEP) through the Market Moni, Trader Moni and Farmer Moni schemes. A database was initiated by the Federal Ministry of Women Affairs and Social Development to cater for the inclusion of women, the elderly and persons with disabilities. The Assessment of Women's Financial Inclusion in Nigeria was successfully concluded and the Federation of Women in Micro Small and Medium Enterprises (FEDWIM) were onboarded into the Working Group to fast track women inclusion and access to finance.

3.4 FINANCIAL INCLUSION STATE STEERING COMMITTEE (FISSCO)

The Financial Inclusion State Steering Committee (FISSCO) held 4 (four) quarterly meetings in March, June, September and November, 2019 to deliberate on strategies to drive improved uptake and usage of financial services by unbanked populations at the State level.

The major outcomes across the states are grouped under the following thematic areas;

- i. **Bank Verification Number (BVN) Enrollment:** During the year, the state FISSCO representatives facilitated awareness campaigns across markets, religious establishments and other business locations to enlighten them on the need to enroll for their BVN. The awareness campaigns focused on the benefits of owning formal accounts and how the BVN is an enabler of account ownership.
- ii. **Account Opening Week:** The Financial Inclusion Technical Committee approved the conduct of an account opening week in December 2019. One state per geo-political zone was selected for the pilot run of the AOW as follows; Kano, Ondo, Bayelsa, Ebonyi, Gombe and Nasarawa.

The FISSCO representatives in the states selected outlined strategies to ensure a successful outing while other states continued to engage with their stakeholders in preparation for the Nationwide rollout of the Account opening week in 2020.

- iii. **State Government Collaboration:** The Outreach and Vulnerable segments working groups of the FISSCO across the states engaged several state government officials on the mandate of the committee in order to get support of the state government in the implementation of the National Financial Inclusion Strategy. Some states have been able to build a symbiotic relationship with government officials while other states continue to advocate for improved opportunities for indigenes of their state geared towards improving their access to financial products and services.

Some states also took the liberty to engage the National Orientation agency to gain support for its awareness campaigns across the state.

- iv. **Establishment of Local Government Financial Inclusion Steering Committees (LOGFISCO):** One major achievement during the year was the establishment of a Local Government structure in some states. The LOGFISCO was established in several states with the support of the traditional rulers. A guide was provided to the LOGFISCO members on their mandate and reporting lines to enable effective inclusion of excluded populations in the Local Government Areas.

“ NIBSS also launched its New Merchant Category Code (MCC) for Agency Bank Point of Sale (POS) terminals enabling the accurate reporting of Financial Services Agents POS transactions.”

“ SANEF Agents increased to 236,940 in 2019 from 83,560 in 2018, representing 184 percent growth.”

“NIA launched 'Wetin U Carry' USSD Code *565*11#” for online insurance confirmation

“ CFAN sensitized 1,000 cooperative leaders on financial inclusion products meant for the informal sector of the economy”

“ FMAN and other industry stakeholders launched the Mutual Fund Trading and Distribution platform”

3.5 PROVIDERS

3.5.1 Bankers Committee

Activities of members of the Committee includes:

- i. **Agency Banking Expansion:** Member institutions expanded their Agency Banking network across the country by setting targets to be achieved during the period under review. An example was the Agency Banking Framework version 2.0 approved by the board of a member institution with a target to provide 4,000 agents by year-end 2020.
- ii. **MSME Finance:** In its bid to extend finance to MSMEs, member institutions launched several financial products aimed at providing credit to the MSME sector. An example is the “I-Go-Trade finance scheme” of a member institution targeted at providing quick funds to microbusinesses across different trading sectors in the country. 1,035 new accounts were opened as a result of the scheme with 397 individual beneficiaries.
- iii. **Women's Financial Inclusion:** As part of efforts to bridge the gender gap in financial inclusion in Nigeria, a member institution engaged economically active low income women in partnership with the Country Women Association of Nigeria (COWAN) and Beyond Credit Limited. The objective of the engagement was to provide micro lending opportunities to economically disadvantaged persons. This led to the increase in financial touch-points to financially excluded populations by creating a wallet for non-BVN financial transactions.
- iv. **Financial Literacy:** In order to support the education of half a million children in Nigeria by 2025, a member institution expanded its Agent Banking Edu-finance scheme by executing a partnership with Bridge International Academies. 200 new accounts were opened by the end of 2019, with 96 children as beneficiaries under the scheme. In addition, several literacy efforts across bankers committee member institutions led to 80,000 flex accounts opened, N600m mobilized during a campus activation and 4,000 new BVN registered using the Nigerian Postal Service (NIPOST) as a super-agent.

3.5.2. The Nigeria Interbank Settlement System (NIBSS): In 2019, NIBSS expanded its Instant Payment (NIP) channel to include Other Financial Institutions (OFIs) and Mobile Money Operators (MMO). The expansion provided for interoperability between Micofinance Banks (MFBs), Primary Mortgage Banks (PMBs), Mobile Money Operators (MMOs) and conventional commercial banks and switches. It also increased avenues at OFI branches and agency points for BVN enrolment.

NIBSS also launched its New Merchant Category Code (MCC) for Agency Bank Point of Sale (POS) terminals, enabling the accurate reporting of Financial Services Agents POS transactions.

3.5.3. Shared Agent Network Expansion Facilities (SANEF): SANEF increased its agents acquisition year on year by 184 percent by driving activities of super agents from 83,560 as at December 2018 to 236,940 by the end of 2019. In addition, SANEF onboarded nine (9) licensed super agents and monitored the acquisition of agents in accordance with the target for geopolitical zones and the SANEF subvention funds distributed to super agents.

In the period under review, SANEF also conducted forums in five (5) geopolitical zones to build the capacity of agents to identify business improvement opportunities. Lastly, they collaborated with NIBSS to automate the submission of agent data by super agents and banks through Application Programme Interface (API). This provided for the aggregation and availability of agent banking data for use by regulators and other stakeholders.

3.5.4. The Nigerian Insurers Association (NIA): During the period under review, the Association undertook a grassroot public enlightenment campaign for the informal sector through the 'Insurance Street Town Hall Meeting Groups' programme. This saw 200 representatives of various informal associations educated on insurance products and benefits.

“NIRSAL MFB developed an online portal for Agribusiness Small and Medium Enterprises Equity Investment Scheme (AGSMEIS)”

In a move to restore confidence of the public in the sector and showcase how to confirm the genuines of purchased insurance policy, NIA launched the 'Wetin U Carry/ USSD Code *565*11# awareness platform for customers who cannot do online confirmation due to internet connectivity. More than 2.5 million vehicles have been verified to have genuine insurance policies on the Nigeria Insurance Industry Database (NIID) after the launch. Furthermore, the NIA participated in the Account Opening Week held by the CBN and other stakeholders on December 2 – 6, 2019, to ramp up the national financial inclusion targets. Over 5,000 uninsured Nigerians were sensitized on insurance products and its benefits as they were encouraged to take up insurance policies through the access points created.

3.5.5 The National Co-operative Financing Agency of Nigeria (CFAN): The Agency commemorated the United Nations International Day of Cooperatives, in collaboration with the Central Bank of Nigeria, Sterling Bank and International Finance Corporation of the World Bank. The one-week event features a symposium, road shows, jingles on the radio and television. Accordingly, account opening, access to credit, pension, housing finance, health Insurance and capacity building formed the discourse at the event. Furthermore, the agency sensitized 1,000 cooperative leaders on financial inclusion products for the informal sector at the 4th CFAN Summit with theme 'Leveraging on technology to drive Financial Inclusion down to the grassroot'. The Summit appraised the performance of Financial Cooperatives in Nigeria in 2019 and set an agenda for the incoming year. Also, the agency in collaboration with Dezionite Woji Women Cooperative Forum under the unified cooperative platform, sensitized women on financial inclusion and how to access financial products and services.

“As at December 2019, 73 MFBs migrated to the NAMBUIT platform.”

3.5.6 National Association of Microfinance Banks (NAMB): NAMB, in collaboration with Opportunity International, hosted the Edufinance Capacity Building for out-of-school children, their parents or guardians and school owners from April to December 2019. The objective was to encourage the inclusion of children to be enrolled into schools while at same time providing their guardians with credit facilities to improve their standard of living and capacity to maintain the child in an affordable school. The programme runs currently in three states, Lagos, Kaduna and the FCT. Also, NAMB participated in the World Savings Day activities and the pilot Financial Inclusion Week held in Gombe, Nasarawa, Kano, Ondo and Bayelsa States in 2019.

3.5.7 Fund Managers Association of Nigeria (FMAN): FMAN in collaboration with the Nigerian Stock Exchange (NSE), Association of Stockbroking Houses of Nigeria (ASHON), Central Securities Clearing System (CSCS) Plc and the Securities and Exchange Commission (SEC) launched the Mutual Fund Trading and Distribution Platform designed for retail investors of mutual funds on February 22, 2019. Additional training on the use of the platform was provided for stockbrokers on April 2, 2019. The development and implementation of the platform was one of the initiatives in FMAN's 5-year Road Map. In addition, FMAN conducted financial literacy and awareness programmes which reached over 1,400 students in Lagos State through: Global Money Week seminars tagged 'Learn, Save, Earn' held for Igbobi College and Queens College on March 27 to 28, 2019; and World Savings Day seminars held for Victoria Island and Kuramo Secondary Schools on December 29 and 30, 2019. Lastly, FMAN participated in the 2019 pilot Account Opening Week (AOW) activities themed 'Open Account, Get Beta Life' which held between November 25 and December 1, 2019 in Ondo, Bayelsa, Ebonyi, Gombe, Kano and Nasarawa States.

3.5.8 NIRSAL Microfinance Bank NIRSAL MFB developed an online portal for Agribusiness Small and Medium Enterprises Equity Investment Scheme (AGSMEIS) in 2019.

It disbursed approved loans to over 4,700 loan beneficiaries under the scheme and provided support to the federal government scheme targeted at smallholder farmers through the Anchor Borrowers Programme (ABP).

3.6 ENABLERS

3.6.1 Central Bank of Nigeria

The Central Bank of Nigeria embarked on various initiatives and policies geared towards accelerating financial inclusion in the country. Some of the major initiatives include:

3.6.1.1 Launch of National Association of Microfinance Banks Unified Information Technology (NAMBUIT) Platform

Noting the important role of Microfinance Banks in extending banking and financial inclusion services to the under-served and unbanked populace, the Central Bank of Nigeria in conjunction with the Nigeria Deposit Insurance Corporation (NDIC), and the National Association of Microfinance Banks (NAMB) launched the NAMBUIT Platform. NAMBUIT is a unified information technology platform for microfinance banks. It comprises of core agent banking solutions designed to automate and integrate the operations of MFBs with the National Payment System. It impacted the financial inclusion landscape largely as MFBs' operational capacity for BVN enrolment of customer were enhanced while account opening recorded significant increases. As at December 2019, 73 MFBs had migrated to the platform.

3.6.1.2 Conduct of targeted Financial Education Programme

In order to deepen financial literacy among MSMEs, the Central Bank of Nigeria trained farmers and faith-based organizations on how to manage their personal finances to enhance their economic wellbeing. Organizations that benefitted from this training include, Methodist Diocese in Northern Nigeria; Nasrul-Lahi-il Fathi Society of Nigeria (NASFAT); Ahmadiyya Muslim Jama'at; and the Redeemed Christian Church of God, Northern Region.

3.6.1.3 Development Financing Initiatives

The Development Finance interventions of the Central Bank of Nigeria aim to address market failures while stimulating activities along the value chain processes of key agricultural commodities. Specifically, the interventions aim at achieving self-sufficiency by expanding finance to smallholder farmers and large-scale production of target commodities. One of such interventions is the Anchor Borrowers Programme (ABP). The programme aims at increasing banks' financing to the agricultural sector by providing affordable credit to smallholder farmers.

ABP recorded a significant uptick in the 2019 wet season, as the Bank financed 1,068,981 smallholder farmers, cultivating 17 commodities on 1,157,605 hectares of farmland across the country, namely rice, wheat, maize, cotton, fish, soya bean, poultry, cassava, groundnut, ginger, sorghum, oil palm, cocoa, sesame, tomato, castor seed and cattle. Comparative details for 2018 and 2019 wet seasons are presented in the table below.

Table 2: ABP Performance for 2018 and 2019 Wet Seasons

S/No.	Season	Number of Farmers	Hectares Cultivated
1	2018 Wet	476,428	471,907
2	2019 Wet	592,553	685,699
TOTAL		1,068,981	1,157,606

The milestone achieved during both planting seasons include: expanding access to credit to over 1 million smallholder farmers across the country; 1.3 trillion reduction in import bill of major agricultural products, such as rice, sugar, and wheat; and supporting the establishment and running of 10 private sector integrated rice mills across the country.

3.6.2 National Pension Commission (PENCOM):

PENCOM launched the Micro Pension Plan designed to integrate the informal sector of the economy into the micro pension spectrum. The objective was the expansion of pension coverage to the unserved population especially the informal sector. The Commission also embarked on enlightenment and awareness programmes on the workings of the Contributory Pension Scheme (CPS) which led to increased pension literacy and coverage in all sectors of the economy. Furthermore, PENCOM in conjunction with tertiary institutions in Nigeria introduced Pension Literacy Programmes which seeks to educate students on pension services and management. The University of Lagos (UNILAG), commenced pension

“PENCOM in conjunction with tertiary institutions in Nigeria introduced Pension Literacy Programmes which seeks to educate students on pension services and management”

“ (SEC) embarked on public enlightenment programmes in Abaji, Kwali and Gwagwalada Area Councils of the FCT”

administration courses in their academic curriculum for undergraduates with a plan to implement same for 2020 postgraduate students. In addition, Ahmadu Bello University (ABU) students sat for their first session Administration course examinations after which the Commission gave awards to the best performing students. The overall goal is to increase pension literacy and awareness among youths which will increase confidence and pension coverage.

3.6.3 National Insurance Commission (NAICOM):

The National Insurance Commission (NAICOM), undertook an interactive session with consumers of insurance products on how to improve the insurance service delivery. The session improved the perception of the public about insurance products and their benefits. In addition, NAICOM also hosted the 2019 Almond Insurance Industry Consumers Forum. The programme had in attendance school students, market traders and the security outfits including the Nigerian Police, Nigerian Security and Civil Defense Corps (NSCDC), Federal Road Safety Commission (FRSC) and Vehicle Inspectorate Office (VIO).

3.6.4 Securities and Exchange Commission (SEC):

The Securities and Exchange Commission (SEC) embarked on public enlightenment programmes in Abaji, Kwali and Gwagwalada Area Councils of the FCT. The aim of the campaigns were to sensitize the public on the benefits of investing in capital market products. The enlightenment programmes were targeted at members of Farmers Associations, Market Women Associations, Artisans and National Union of Road Transport Workers (NURTW) Association. At the end of the campaign, over 35 per cent of participants invested in mutual funds. Similarly, the Commission sensitized the Military, Paramilitary and Anti-Graft agencies on Savings, Collective Investment Schemes and purchase of financial products. Equally, the functions of SEC and the ecosystem of the capital market were exposed to the participants, with 43% of the participants keying into the Collective Investment Scheme.

In addition, as part of efforts to deepen knowledge of the capital market products, the Securities and Exchange Commission welcomed students from secondary and tertiary institutions and paramilitary organizations on educational visits. The students were exposed to the benefits derivable from saving and investing in capital market products such as Mutual Funds, Sukuk and Non-Interest Products.

3.6.5 Nigeria Deposit Insurance Corporation (NDIC): In a bid to automate rendition of returns to the supervisory and regulatory institutions as well as monitor the activities of all Microfinance Banks (MFBs) in Nigeria, the NDIC, National Association of Microfinance Banks (NAMB) and the CBN, acquired and launched the Nigeria Association of Microfinance Banks Unified Information Technology (NAMBUIT) platform. The platform enables all MFBs to come under a single platform for their day to day accounting operations. It avails the regulator effective supervision of MFBs in order to easily detect and mitigate risks to depositors' funds and enhance necessary interventions to ensure greater protection of depositors. One hundred and three (103) MFBs have been included into the NAMBUIT application for the purpose running their operations. 34 MFBs are live on portal and their staff have been trained on the application.

NDIC also developed a draft for exposure on the extension of Deposit Insurance coverage to Payment Service Banks (PSBs) licensed by the CBN. The document aims to enhance public confidence in the stability of the financial system through the protection of depositors of PSBs against the risk of bank failure and encourages uptake of financial products.

Furthermore, the Corporation participated in all the trade fairs to promote awareness on the depositor protection role of the NDIC and encourage the unbanked to save their money in licensed financial institutions. In addition, the NDIC provided participants with unresolved issues relating to the closure of Deposit Money Banks to file their claims as part of the 'NDIC Special Day'. Finally, the Corporation participated in the 2019 National Peer Group Educator Programme training-of-trainers where selected Volunteer Corps Members were trained on issues pertaining to financial inclusion for onward transfer of acquired knowledge/skills to the excluded populace in their various communities.

“ NDIC participated in all the trade fairs to promote awareness on the depositor protection role of the NDIC and encourage the unbanked to save their money in licensed financial institutions.”

“ NIMC launched the licensing of verification agents on the NIMC Verification Service (NVS) portal.”

“ FMYSB championed the NAPGEP on Financial Inclusion in collaboration with the Central Bank of Nigeria and other stakeholders.”

3.6.6 National Identity Management Commission (NIMC):

The Commission launched the licensing of verification agents on the NIMC Verification Service (NVS) portal. The portal allows for the authentication and verification of citizens' identity by authorized agents.

The service enables citizens with only the National Identity Number Slip (NIN) get verified and be availed of financial services. It is expected that the service will impact directly the intended micro pension and insurance plans of the Government. Furthermore, the Commission collaborated with strategic partners (Commercial banks, Ministries, Departments and Agencies) to increase enrolment centers providing access to identity and easy access to financial services.

3.6.7 Federal Ministry of Youth and Sports Development (FMYS):

The Federal Ministry of Youth and Sports championed the National Peer Group Educator Programme (NAPGEP) on Financial Inclusion in collaboration with the Central Bank of Nigeria and other stakeholders.

The main aim of the NAPGEP is to increase the financial literacy levels of the vulnerable and marginalised segment of the Nigerian society, by leveraging the NYSC platform to provide financial education training to volunteer corps members who will in turn step down these trainings to the identified populations within their communities.

As at year end 2019, 5467 Volunteer Corps Members (VCMs) were trained with 96,000 beneficiaries from host communities impacted.

3.6.8 Federal Ministry of Communication and Digital Economy:

The Ministry commenced implementation of its National Broadband policy in 2019 with the coordination of set out objectives aimed at achieving increased broadband penetration across the country. The Ministry worked in collaboration with the Federal Ministry of Works and Housing, the Nigerian Communications Commission, Nigerian Information Technology Development Agency (NITDA), Nigeria Communication Satellite (NigComSat), Galaxy Backbone, Nigerian Postal Service and Universal Service Provision Fund (USPF) to facilitate the development of ubiquitous broadband infrastructure for accelerated growth and improved digital financial inclusion.

3.7. SUPPORTING INSTITUTIONS

3.7.1 The Alliance for Financial Inclusion (AFI)

In 2019, the Alliance for Financial Inclusion reported that over 70 member countries drafted or reviewed 682 policies to drive financial inclusion in their respective countries. These policies were in line with the AFI accords focused on the advancement of financial technologies in budding areas of inclusive green finance as well as efforts to create the right enabling environments for the institutionalization of initiatives or interventions aimed at catering to vulnerable segments like women and youth.

AFI has 3 (three) key strategic objectives and performed as follows in each of these objectives;

- I. Guidance for devising financial inclusion policies: AFI produced 31 knowledge products including Annual reports, case studies, guideline notes, member series, policy models, frameworks and toolkits amongst others. Also, a total of 13 peer reviews were conducted by the Working groups.
- II. In-County Implementation: AFI delivered 17 trainings (in-country) for 77 member institutions reaching a total of 633 policymakers. The trainings were provided based on identified policy needs through tailored practical capacity building events, small policy

grants and communication support to highlight progress. Some of the topics included Digital Financial Services and Interoperability, FinTech regulation and proportionality for financial inclusion and improving implementation of financial inclusion strategy using monitoring and evaluation data.

- III. Global advocacy on financial inclusion policy: AFI hosted its 11th Annual Global Policy Forum in September 2019 in Kigali, Rwanda with over 670 participants in attendance. The GPF focused on the use of technology to promote financial inclusion for women and youth. Some of the key outcomes of the GPF included the adoption of a policy model for E-money, the AFI core set policy model, appointment of gender inclusive finance ambassadors and the inaugural meeting of the Inclusive Green Finance Working Group. The GPF culminated in member countries committing to the 'Kigali Statement; Accelerating Financial Inclusion for Disadvantaged Groups'.

Other advocacy roles performed by AFI include engagement with standard setting bodies on policies to ensure effective implementation of financial inclusion policies, engagement with members of the G-20 Global Partnership for Financial Inclusion to support the Japanese presidency on financial inclusion policy issues and preparation for the presidency by Saudi Arabia in 2020. This aims to focus on digital financial inclusion for women, youth and MSMEs.

3.7.2 Enhancing Financial Innovation & Access (EFinA)

EFinA is a financial sector development organization dedicated to promoting financial inclusion in Nigeria. EFinA focuses on 4 key pillars to drive financial inclusion in Nigeria including research, innovation, advocacy and capacity building.

In 2019, as part of its research function, EFinA in collaboration with the Central Bank of Nigeria spearheaded research on the assessment of women's financial inclusion in Nigeria in collaboration. The study leveraged data to better understand the gendered nature of usage, access and supply of financial services, identified gaps and challenges impeding women's access to finance and proposed steps for implementing stakeholders to work together to close the Financial Inclusion gender gap.

EFinA also conducted a survey assessing the impact of female financial service agents in driving financial inclusion in Nigeria. The survey provided data on the gender dynamics in agent banking and highlighted the business case for female agents to drive improved access to finance for women.

3.7.3 Deutsche Gesellschaft Fuer Internationale Zusammenarbeit (GIZ):

GIZ in collaboration with Microfinance Banks, developed and pilot tested three new standardized loan products which aims to increase employment and income generation. The three new loan products namely Business+/Esusu+, Agro+ and Opportunity+ were designed to provide funding for Micro, Small and Medium-sized Enterprises, Farmers, Youths and (Potential) Migrants engaged in business and economic activities with repayment prospects. Under the Esusu+, about N182 million at an average of N191,000 per beneficiary was disbursed to 952 beneficiaries (71 per cent of whom were women). Agro+ loans were disbursed to 68 clients while a total N99.14 million at an average loan amount of N720,000 were disbursed to 138 customers. Also, GIZ in collaboration with the CBN and financial literacy stakeholders reviewed and updated existing financial literacy materials to ensure they were aligned with local policies and met international best practices. An e-learning platform which enables trainees become Certified Financial Literacy Trainers (CFLT) was developed by the GIZ, CBN and members of the Financial Literacy Working Group. Furthermore, GIZ collaborated with the CBN, Financial Service Providers, Federal Ministry of Youth and Sports Development, National Youth Service Corps and Financial Inclusion State Steering Committee (FISSCO) to develop, review and implement the revised National Peer Group Educator Programme (NAPGEP) Strategy. As part of the NAPGEP initiative, Volunteer Corps Members (VCMs) are selected, trained and deployed to propagate financial literacy to the financial excluded populace.



Governance: Mr. Emmanuel Atama – Executive Secretary, Cooperative Financing Agency of Nigeria and Chairman, FIPWG facilitating a Working Group Meeting



Governance: Mrs. Folasade Agbejule – Programme Specialist (Epayments), Enhancing Financial Innovation and Access and Chairperson, FISIWG anchoring a Working Group Meeting



Governance: Mrs. Henrietta Bankole-Olusina – MD/CEO ARM Financial Advisers and Chairperson, FICWG chairing a Working Group meeting



Governance: Paper Presentation by Junior Achievers of Nigeria during a Plenary Session of Financial Inclusion Working Group Meeting



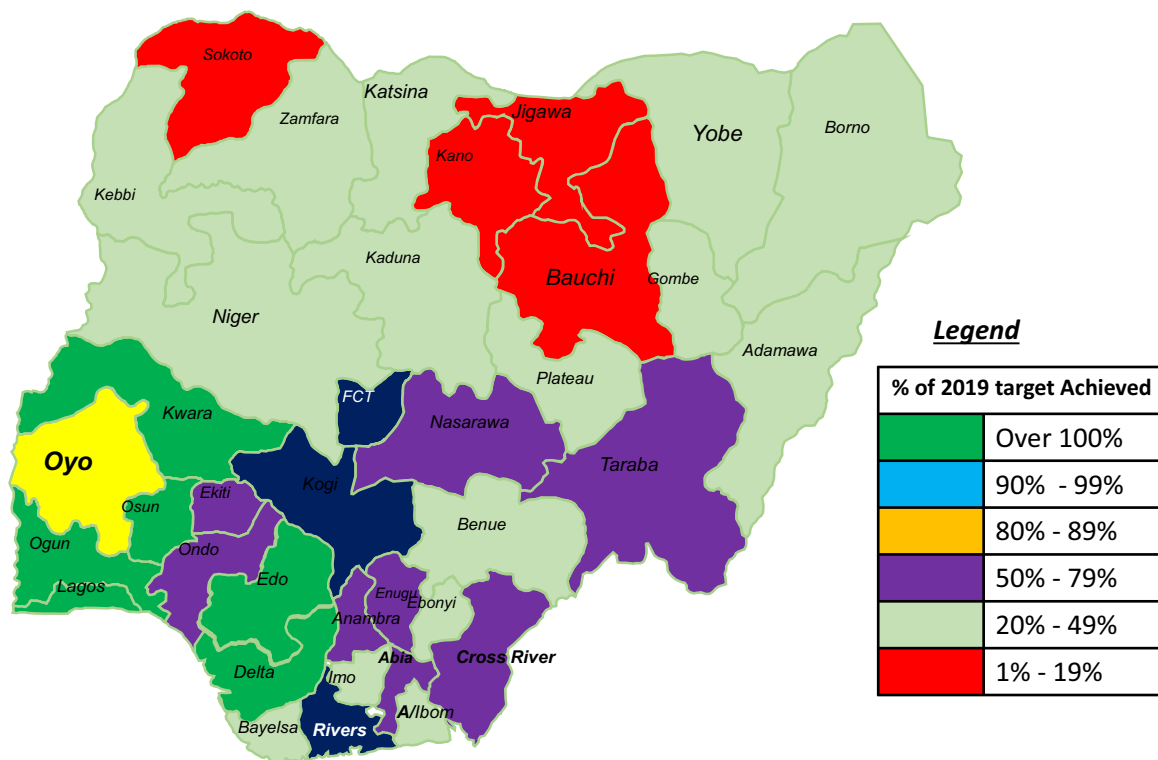
04

STRATEGIC IMPLEMENTATION PROGRESS

This chapter¹ presents the statistical measure of progress made during the year under review. The measurement is presented under three sub-headings, namely: Products, Channels and Enablers.

¹ The chapter relies heavily on supply side (industry data) because demand-side survey was not conducted in 2019. Where indicators are not directly measurable, proxies are used and explained. Industry data are statutory returns submitted by service providers to their respective regulatory agencies.

NIGERIA'S FINANCIAL INCLUSION STATUS AS AT 2019



Note that the financial inclusion status per state was estimated using the new BVN registration only. Informal financial services were not included.

Definition of Indicators	Baseline 2010	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Target 2019	Trend 2018-2019	Status (missed or achieved)	Target 2020
Payments % of adult population who have a payment product with a formal financial institution*	22%	23.6%	28%	31.3%	36.2%	39.5% (40.7m)	66.6% (68.2m)	↑	●	70%
Savings % of adult population having a savings product with a formal financial institution*	24%	23.6%	28%	31.3%	36.2%	39.5% (40.7m)	56.4% (57.8m)	↑	●	60%
Credit % of adult population having borrowed or paid back a loan through a regulated financial institution over the last 12 months	2%	3%	1.8%	5.4%	5.5%	6.2% (6.3m)	37.2% (38.1m)	↑	●	40%
Insurance % of adult population covered by a regulated insurance policy	1%	1%	1.80%	1.1%	2.0%	2.0% (2.01m)	36.2% (37.1m)	↔	●	40%
Pension % of adult population registered with a regulated pension scheme	5%	7.5%	7.9%	8.4%	8.5%	8.7% (8.9m)	36.4% (37.3m)	↑	●	40%

*Definition of proxy indicator: % of adult population who have the BVN

Figure 4.1.1: Status of the key performance indicators as at December 2019

PRODUCT INDICATORS

4.1 PRODUCT INDICATORS

Five financial products were tracked for the purpose of measuring financial inclusion penetration. The products are payments, savings, credit, insurance and pension. This subsection presents quantitative measure of progress on these products.

The Bank Verification Number

The Bank Verification Number is a unique identity number issued to every individual who owns an account in the Banking sector. As at December 2019, the number of people who had a BVN increased to 40,704,517 from 36,169,604 in 2018. Gender disaggregated data shows that more male (23,753,174) are banked compared to female (16,951,343).

Counts of BVN Registration

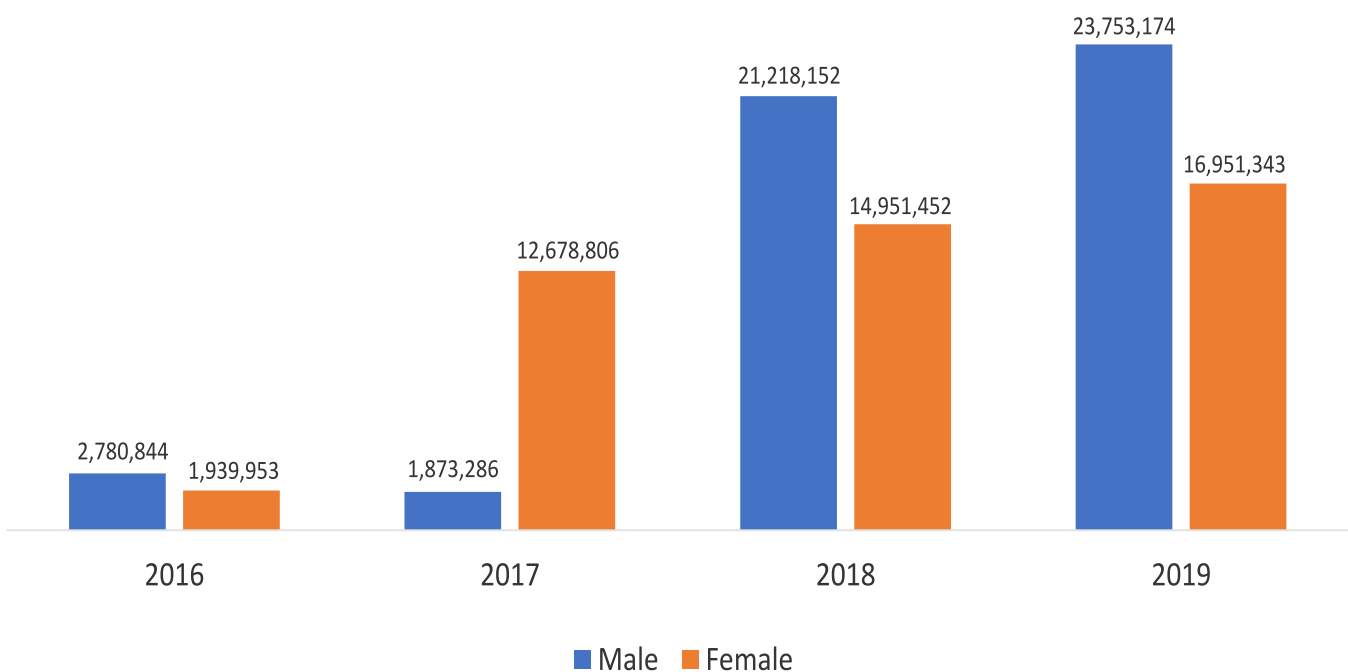


Figure 4.1.2: Total number of BVN registered in Nigeria. Source: NIBSS, Lagos.

4.1.1 Payments

Key activities in 2019

As at December 2019, ten (10) banks and fifteen (15) non-bank institutions had obtained commercial licenses as Mobile Money Operators while three (3) banks and four (4) non-bank institutions had Approvals in Principle (AIP) to operate as MMOs.

Status and Trends in 2019

The supply-side data shows a marginal improvement in the volume and value of electronic payment channels. The volume and value of NIBSS Instant Payment (NIP) increased to 1.1 billion transactions with a value of N105.2 trillion in 2019 from 729.4 million transactions with a value of N80.4 trillion in 2018.



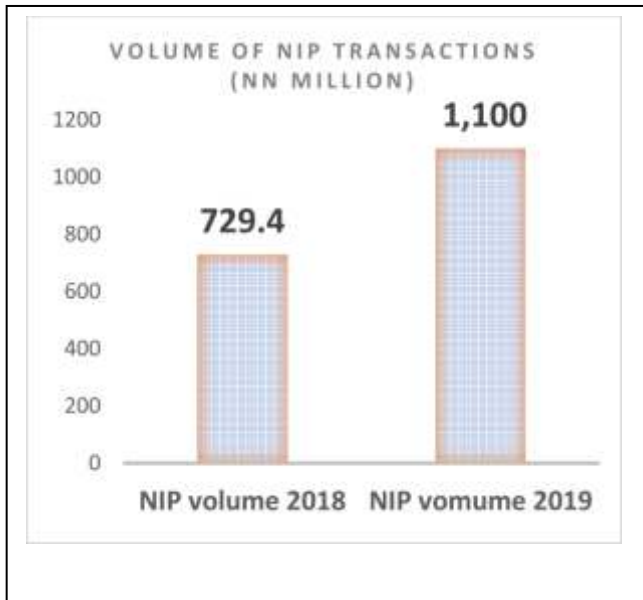


Figure 4.1.3: NIP Transactions (source: NIBSS)

Similarly, the volume and value of PoS transactions increased to 438.6 million transactions valued at N3.2 trillion in 2019 from 285.9 million transactions valued at N2.3 trillion in 2018.



Figure 4.1.4: POS Transactions (source: NIBSS)

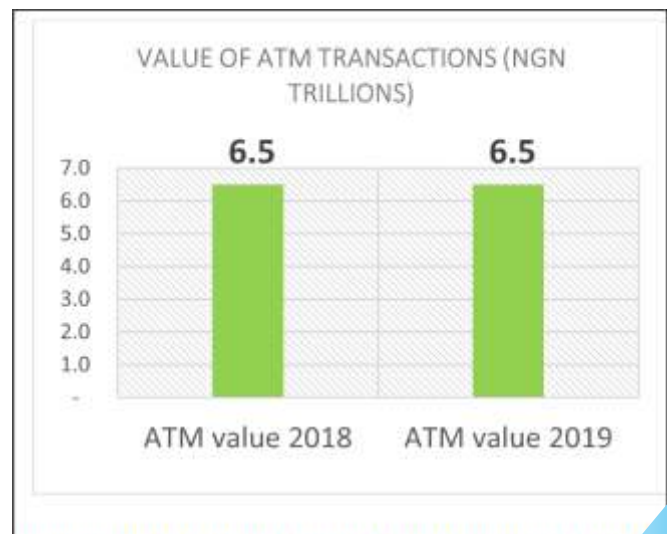
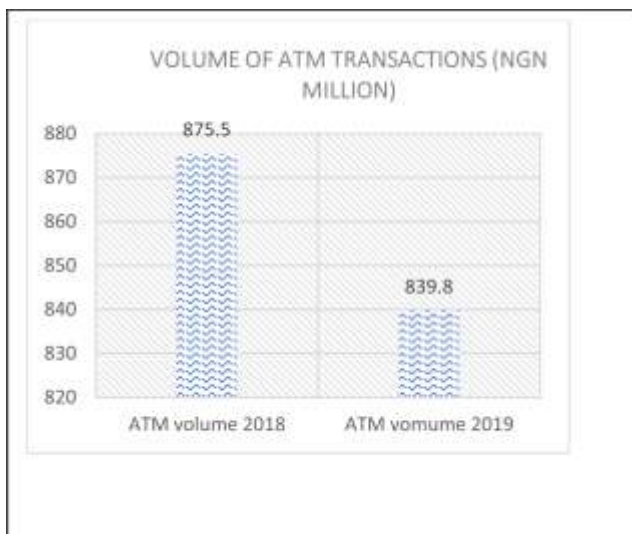


Figure 4.1.5: ATM transactions (source: NIBSS)

There was a downward movement in the volume of ATM transactions which dropped to 839.8 million transactions in 2019 valued at NGN6.5 trillion from 875.5 million transactions in 2018 also valued at NGN6.5 trillion.

The percentage of active BVN dropped by 4 percentage points to 77 per cent of total BVN registration from 81 per cent recorded in 2018. In addition, supply-side data shows that the proportion of adult Nigerans who used electronic payment channels increased to 40 per cent in 2019 from 38 per cent in 2018. However, At the end of 2019, the data reveals a lag behind the 2019 electronic payments target of 66.6%.

Table : Statistics of Bank Verification Number

	2018 (million)	2019 (million)
Total BVN Registration	36.4	40.7
Active BVN	29.4	31.3
% Active	81%	77%
Total Adult population	99.6m	103m
% Adults who used payment channels	38%	40%

At the end of 2019, the country lags behind the 2019 electronic payments target of 66.6%.

Way forward and Future outlook

The National Financial Inclusion Strategy prescribes a target of 70 per cent payments by 2020 and while there still exists a 30 per cent gap in the achievement of the target, the reaffirmation of the strategic importance of adoption of Digital Financial Services in the NFIS 2.0 continues to provide the impetus for initiatives targeted at driving increased e-payments.

4.1.2 Savings

The total number of deposit accounts by regulated financial institutions increased to 158.1 million in 2019 from 135.3 million in 2018.

These comprised of accounts held by Deposit Money Banks (128.1 m in 2019), accounts held by Microfinance Banks (14.8 m in 2019) and wallets held by mobile money operators (15.2 m in 2019). This figure does not give the unique number of account holders as one individual may hold more than one account in 2 or more financial institutions. However, the unique bank verification number registration holds that there were 40.7 million unique BVN by December 2019.

Table 1: Statistics of Deposit Accounts

	2018 (million)	2019 (million)	% change
Total number of deposit account in DMBs	111.8 m	128.1 m	+ 15%
Total number of deposit accounts in MFBs	15.1 m	14.5 m	-2%
Total number of mobile wallets	8.5 m	15.2 m	+ 81%
Total number of accounts and wallets that can be used for financial transactions	135.3	158.1	+ 17%

*NB: Accounts not for unique individuals account holders.
Source: Compiled from monthly returns from FSPs*

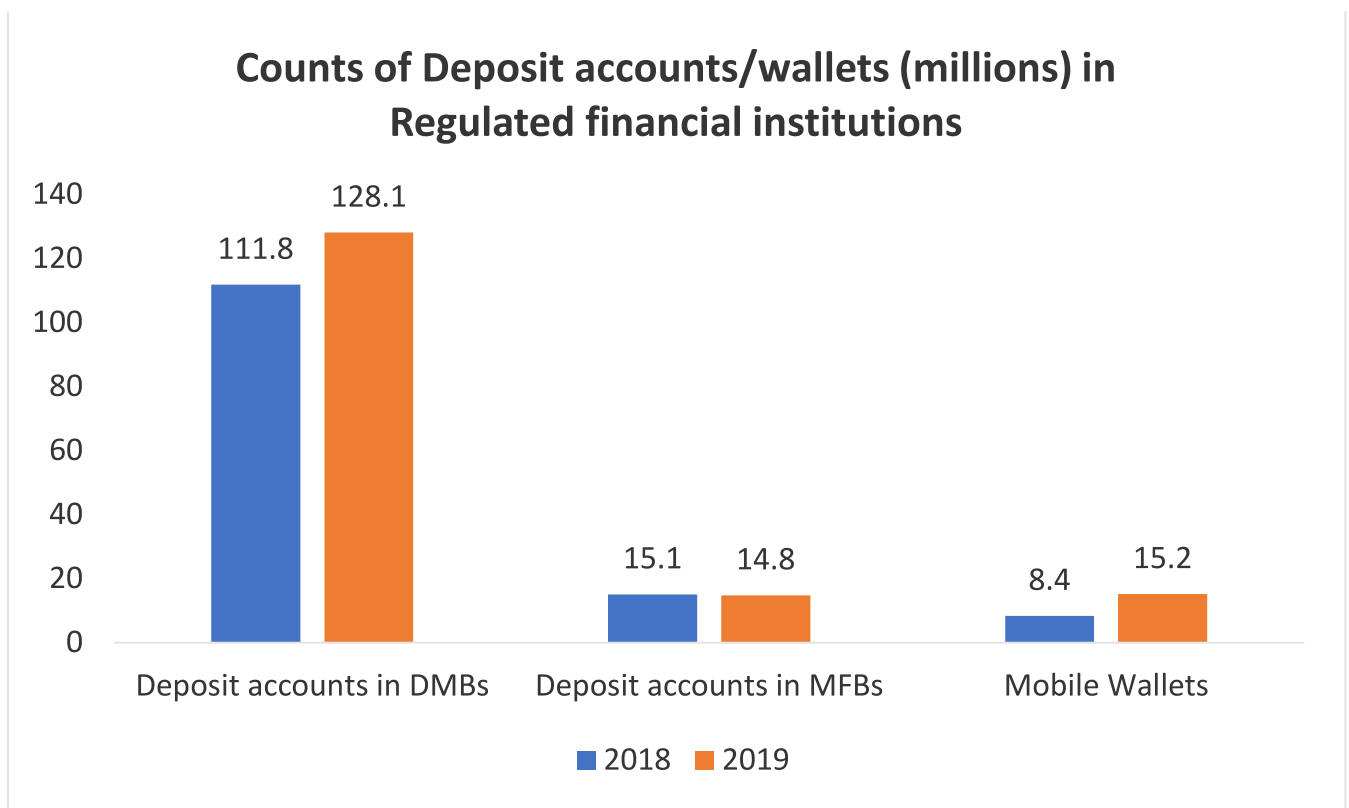


Figure 4.1.6: Total number of savings and current accounts in Nigeria. Source: CBN

Way forward and Future outlook

Access to formal savings represents the first point of contact for the unbanked to enter the formal financial system. Looking to the 2020 targets, at least 12.5 million previously unbanked Nigerians need to be formally included in the financial system to achieve 80 per cent financial inclusion. This group of persons may be brought into the formal financial system either through opening a bank account or a mobile wallet. In either case, new entrants into the formal system are expected to obtain a Bank Verification Number.

4.1.3 Credit

Key activities in 2019

Credit to the real sector stimulates production and distribution of goods and services to meet aggregate demand. To promote increased credit to the economy, the CBN increased the Loan-to-Deposit ratio to 60 per cent and later 65 per cent in 2019. This development was expected to increase lending to the real sector and deepen financial inclusion in the country.

Status and Trends in 2019

From the industry data, the total number credit accounts rose to 6.31 million accounts (made up of 2.87 million in DMBs and 3.44 million accounts in MFBS) from the previous year's figure of 5.43 million accounts (made up of 1.7 million accounts in DMBs and 3.72 million accounts in MFBS). If these credit accounts were owned by unique individuals, the country would have about 5 per cent of her adult citizens having a credit account in 2019. This lags behind the year's target which expects 37.2 per cent of adults to have access to credit.

Credit to the private sector (CPS) as a percentage of Real Gross Domestic Product increased to 25.2 per cent in 2019 from 23.5 per cent in 2018.

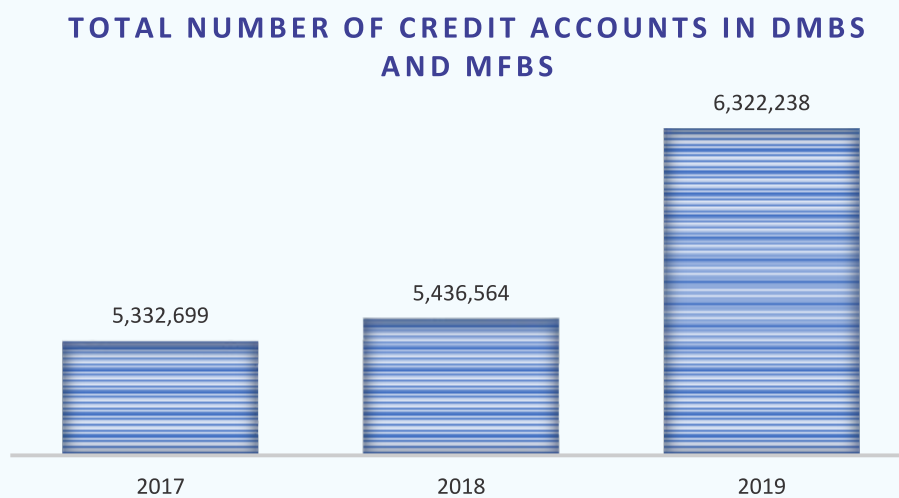


Figure 4.1.7: Total number of Credit accounts held in DMBS and MFBS

4.1.4 Insurance

Insurance penetration remained below the target of 36.2 per cent set for 2019. The available data shows that there was a total of 1.6 million valid insurance policies as at end of 2019. Out of this figure, Life insurance recorded 1.2 million policies and motor insurance recorded 249,110 policies. Others are General Accident (67,601), fire insurance (39,371) and 'other policies' (38,928)

4.1.5 Pension

Pension penetration also remained below the year's target. A total of 8,891,236 Retirement Savings Accounts were recorded as at December 2019 in a population of about 103 million Adults. Micro pension guidelines which aims to offer pension services to the organized informal sector was implemented in 2019, little uptake was recorded in the Micro pension sub-sector as only 47,000 accounts were registered.

4.2 CHANNELS INDICATORS

4.2.1 Bank Branches

As at December 2019, the total number of commercial banks branches and cash centers was 5,432 from the previous year's figure of 5,464. Therefore, the number of DMB branches per 100,000 adults was 5.25 in 2019 lower than 5.39 in 2018. The decline could be attributed to the increased use of electronic and branchless channels for financial service delivery.

4.2.2 Microfinance Branches

As at December 2019, the number of Microfinance Bank branches increased to 2,132 from 2,044 in December 2018.

The number of MFB branches per 100,000 adults in 2019 stood at 2.06 as opposed to 2.02 per 100,000 adults in 2018.






		Baseline 2010	Actual 12/2017	Actual 2018	Actual 2019	Target 2019	Trend 2018 – 2019	Status (missed or achieved target)	Target 2020
	DMB branches per 100K adults	6.8	4.9 (5,049 branches)	5.39 (5,464)	5.25 (5,432)	7.6 (7,850)	↓	●	7.6 (8,000 branches)
	MFB branches per 100K adults	2.9	2.3 (2,197 branches)	2.02 (2,044)	2.06 (2,132)	4.9 (5,074)	↑	●	5.0 (5,300 branches)
	ATMs per 100,000 adults	11.8	18.0 (18,028 ATMs)	19 (18,910)	16.92 (17,518)	56.2 (58,241)	↓	●	59.6 (63,000 ATMs)
	POS devices per 100,000 adults	13.3	130.7 (136,016 POSs)	218 (217,283)	180.4 (186,774)	768.5 (795,858)	↓	●	850 (899,000 POS)
	Agents per 100,000 adults	0.0	10.7 (11,104 Agents)	82.5 (83,560)	228.8 (236,940)	388 (350,000)	↑	●	472.5 (500,000)

Figure 4.2.1: Key performance indicators for Channels of distribution

² From the supply-side data, only 28 out of 47 insurance companies submitted returns to the National Insurance Commission.

4.2.3 ATM

As at December, 2019 the number of ATMs deployed across the country in absolute terms stood at 17,518, down by approximately 7.9 per cent from the preceding year's figure of 18,910 machines. Number of ATM machines per 100,000 adults also decreased from 18.37 in 2018 to 16.92 in 2019.

4.2.4 POS

Total number of POS devices deployed and connected as at December 2019 rose to 303,162 from the 2018 figure of 217,283. Similarly, total number POS devices used increased to 186,774 in 2019 from 144,461 recorded for 2018. Therefore, active PoS devices per 100,000 increased to 180.4 in 2019 from the previous year's record of 142.5 devices per 100,000 adults.

POS devices deployed and active

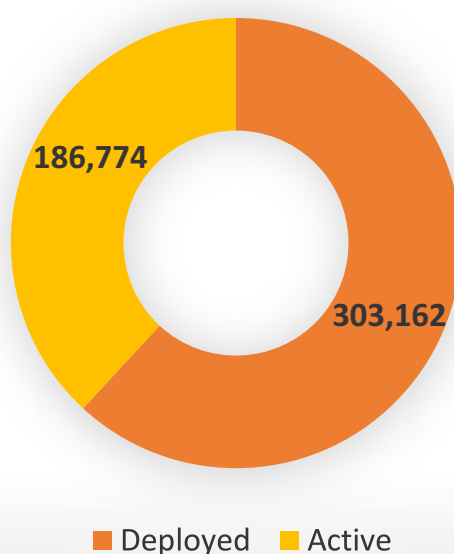


Figure 4.2.2: Number of Point of Sale machines deployed in 2019

Number of ATMs and POS devices deployed in the period under review is shown in the figure below:

Table 4.2: Number of ATM and POS devices

Total As at Month	ACQUIRING DEVICES (2019)		
	ATMs	POS Terminals	
	Deployed	Connected	Active
January	18,598	223,098	142,135
February	18,773	225,924	124,978
March	18,731	221,056	152,340
April	18,618	232,900	153,203
May	17,690	240,828	158,666
June	18,913	238,801	161,336
July	17,394	250,387	167,850
August	17,417	260,709	172,541
September	17,437	266,146	176,431
October	17,439	273,082	184,474
November	17,885	287,759	185,537
December	17,518	303,162	186,774

4.2.5 Agents

SANEF reported that there were 236,940 unique Agents spread across the 774 LGAs in Nigeria as at December 2019. This was higher than the number of Agents in 2018 at 83,560 (excluding 38,416 agents not under SANEF supervision). SANEF also onboarded 2 additional licensed super Agents within the period, bringing the total number to 9 Super Agents in December 2019. SANEF was able to increase the number of Financial Access Points to serve the excluded population – from 84 agents per 100,000 adult population in December 2018 to 237 agents per 100,000 as at December 2019.

AGENTS PER 100,000 ADULTS IN NIGERIA

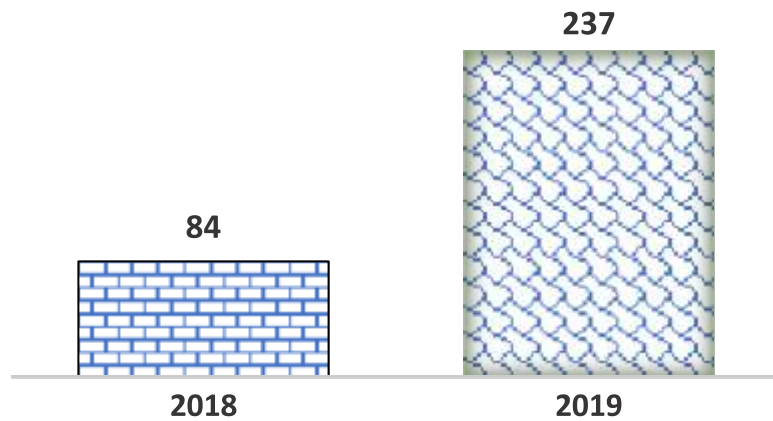


Figure 4.2.3: Number of Agents per 100,000 Adults

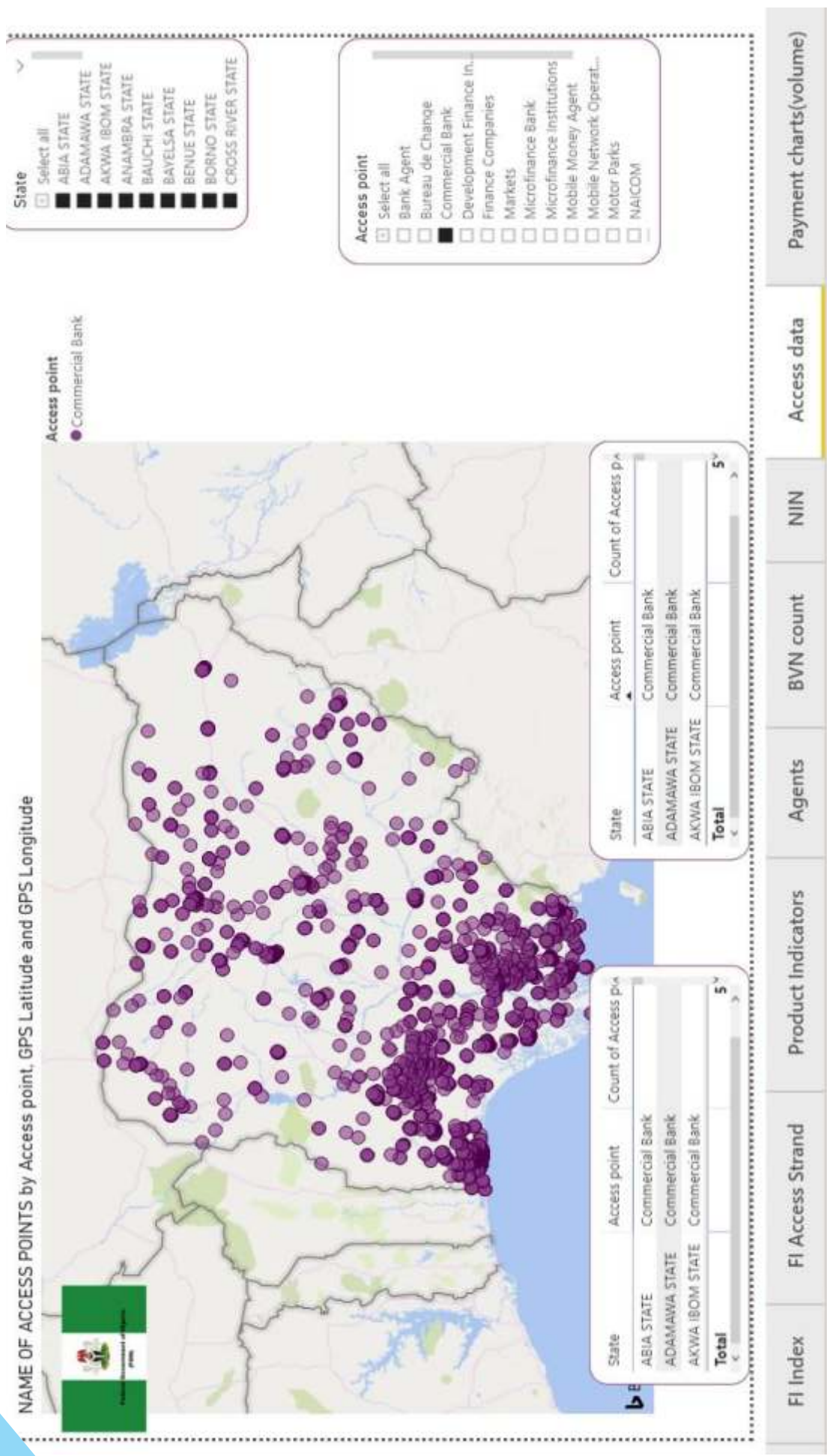


Figure 4.2.4: Geographical spread of Financial Access points in Nigeria

4.3. ENABLERS

4.3.1 Know Your Customer (KYC)/ ID

As at December 2019, the National Identity Management Commission (NIMC) reported that a total of 39.4 million Nigerians had been issued the National Identity Number (NIN) up from 33.7 million in 2018. Of this figure, 16.05 million are female while 23.38 million are male. In terms of age bracket, 11.4 million were between 34 and 45 years of age while 9.8 million are between 26 and 33 years of age. The lowest figure was recorded for people less than 18 years of age with only 1.46 of them had the NIN.

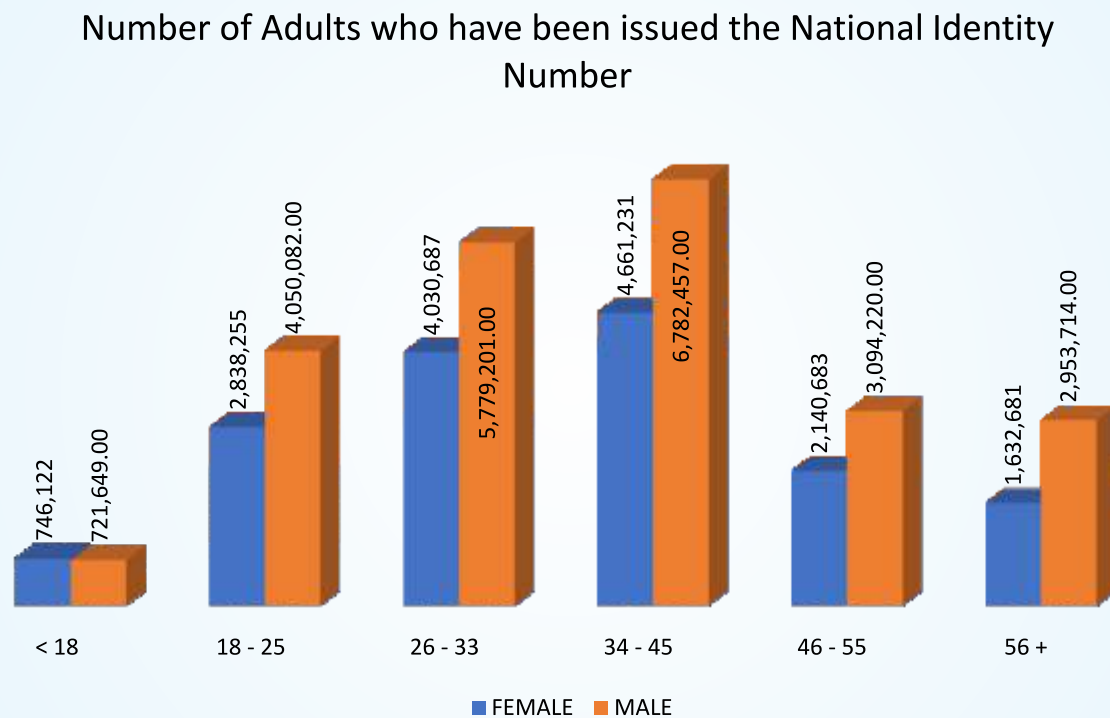


Figure 4.3.1: National Identity Number issued to Nigerians

Source: National Identity Management Commission

Status as at 2019

The NFIS's target was to issue NIN to 92% of all Nigerians by the end of 2019. As it stands, only ~38% of Nigerians have NIN at the end of the review period.



Photorama: Financial Inclusion Stakeholder's Forum for Financial Services Providers



Financial Inclusion Zonal Forum



Financial Inclusion Zonal Forum



Cross Section of participants at the 19th Nation Financial Inclusion Working Group Meeting



05

FUTURE OUTLOOK

This chapter presents the summary of 2019 activities and the future projections for achieving the 80 per cent financial inclusion target. Also, the section outlines plans for the development of a roadmap towards achieving the 2024 projections and target of 95 per cent inclusion rate in Nigeria.

Eight years after the launch and successful implementation of the NFIS in Nigeria, two things stand out based on engagements with stakeholders and the coordination efforts of the Financial Inclusion Secretariat:

- (i) A one-size-fits-all approach cannot be used for all categories of the financially excluded populace. Hence, there is a need to develop policy measures and recommendations targeted particularly at the five most excluded demographics highlighted in the revised NFIS, namely: women, youth, MSMEs, rural dwellers and core northern residents.
- (ii) Sustained multi-stakeholder collaboration and effective monitoring and evaluation of financial inclusion efforts of stakeholders is essential.

Post 2019, the need to aggressively ensure that Nigeria's efforts in accelerating financial inclusion is not stagnated or decelerated is very critical. Nigeria, thus far, has made concerted efforts and progress through multi-stakeholder policy reforms, key engagements, initiatives and activities targeted at bringing the unbanked into the financial inclusion circle in the past few years. While these efforts are commendable, there is no doubt that more still needs to be done to ensure that the target of 20 per cent financial inclusion by 2020 and the CBN Governor's declaration of a 95 per cent financial inclusion by 2024 is attained.

The CBN Governor, Mr. Godwin Emefiele in his 5-Year policy thrust of CBN (2019-2024) noted that one of the CBN's priority areas for the period would be to “foster the development of a robust payments system infrastructure that will increase access to finance for all Nigerians thereby raising the financial inclusion rate in the country”. Furthermore, he noted that the ultimate objective is to ensure that 95 per cent of eligible Nigerians have access to financial services by 2024.

On this premise, a three- pronged approach comprising of several embedded activities is recommended to drive Financial Inclusion in Nigeria post 2019:

- (i) Sustained focus on the 5 priority themes identified to accelerate financial inclusion in Nigeria highlighted in the revised NFIS (NFIS 2.0)
- (ii) Addressing other thematic areas identified in NFIS 2.0
- (iii) Continuous implementation of high-level initiatives

5.1 SUSTAINED FOCUS ON THE 5 PRIORITY THEMES IDENTIFIED TO ACCELERATE FINANCIAL INCLUSION IN NIGERIA HIGHLIGHTED IN THE REVISED NFIS

NFIS 2.0 forms the bedrock of policy reforms to accelerate financial inclusion in Nigeria. The Strategy highlighted three broad steps covering nine themes that could be leveraged on to accelerate financial inclusion in Nigeria, However, five priority themes were recommended as follows:



Figure 5.1.1: Five Priority Themes to accelerate financial inclusion in Nigeria

Along each of these priority areas, several initiatives and policy reforms have been implemented. Key highlights of activities across these themes include:

- (i) **Agent Networks:** the establishment of the Shared Agent Network Expansion Facility (SANEF), a collaborative effort between CBN and the Body of Bank Chief Executives.
- (ii) **National Identity:** the implementation of the Digital ID Ecosystem project, a public-private partnership which would aid the creation of an enabling environment for ID enrolment and the maintenance of a National Identity Database championed by NIMC.
- (iii) **Digitization of Government payments:** the steady uptake of P2G payments, notably, payment for the mandatory NYSC programme of the Federal Government can now be done online via a payment portal available on the registration website or digital channel. Other similar payments include the National Driver's License, Nigerian Passport among others.
- (iv) **Digital Financial Services:** the introduction of guidelines and approvals issued for PSBs by CBN, USSD cost determination and the re-introduction of cashless policy which has helped to ensure that non-traditional institutions play in the banking space within a prescribed limit.
- (v) **Conducive Environment to serve the excluded:** key financial regulatory agencies in Nigeria have consistently implemented policies, guidelines and initiatives to drive

the uptake and adoption of financial inclusion by the excluded populace. Some of these policies include: Micro Pension Guideline by PENCOM, Collective Investment Scheme by SEC and NAPGER, a collaborative strategy implemented by CBN, FMY&SD, NIBSS and GIZ. This transcended into initiatives such as the posting of corps members to financial institutions, the conduct of the 'assessment of women's financial inclusion in Nigeria' study, account opening week among others.

While a lot has been accomplished along the themes, it is recommended that more stakeholder efforts should be sustained post-2019 on the actualization of these themes.

5.2 ADDRESSING OTHER THEMATIC AREAS IDENTIFIED IN NFIS 2.0

The five priority themes have been harnessed since the launch of the NFIS 2.0 in 2019. Post 2019 it is recommended that the four other themes highlighted in the Strategy should also be critically considered. These themes include:

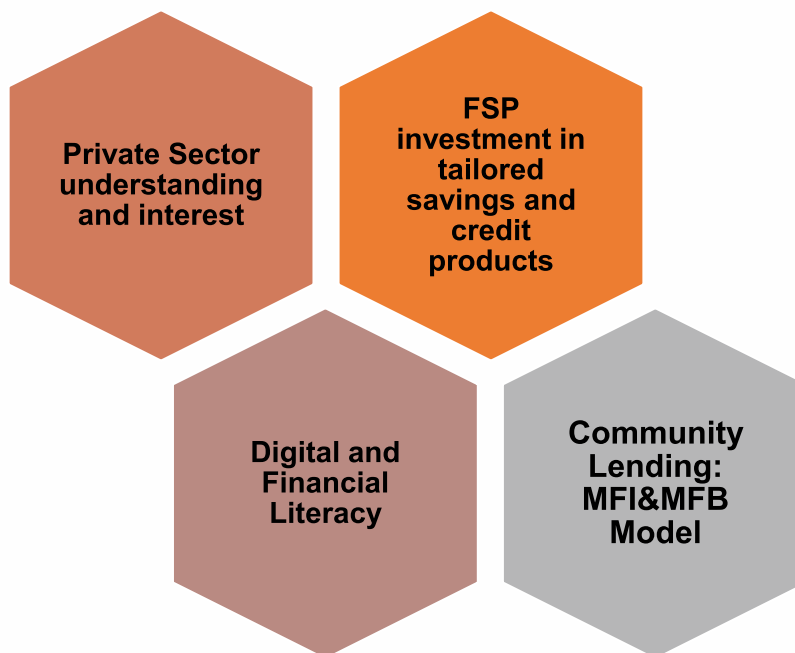


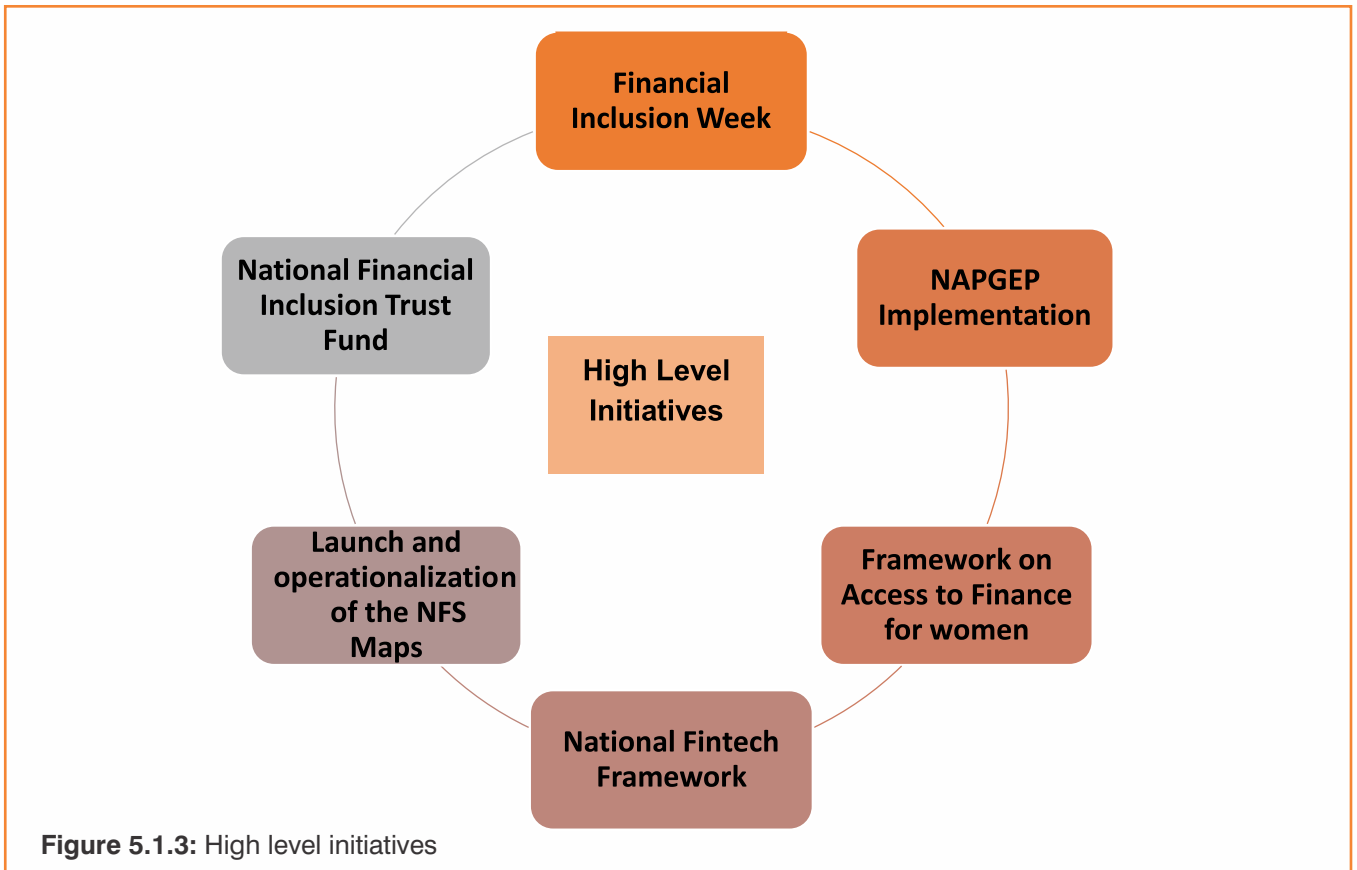
Figure 5.1.2: The Themes highlighted in NFIS 2.0

5.3 CONTINUOUS IMPLEMENTATION OF HIGH-LEVEL INITIATIVES

It is recommended that the ongoing high-level initiatives currently being undertaken to accelerate financial inclusion should be continued.

These high-level initiatives conceived by the Financial Inclusion Secretariat with immense support from critical stakeholders addresses a broad range of the demographics that form the most excluded populace in Nigeria.

These 6 (six) high level initiatives are given below:



The recommendations above are being implemented by all stakeholders and are under the purview of the FIS. In addition, it is recommended that the Secretariat broadens initiatives that would create greater publicity for the country's financial Inclusion efforts. Recommended initiatives include:

- Build Social Media Presence (Instagram, Facebook, Youtube e.t.c)
- Engagement of Heads of Agencies
- Presentation at Government Forum Meeting
- Bankers Committee Briefings
- Leverage International Partnerships
- Institution of the FI awards
- Financial Inclusion Conference

5.4 CONCLUDING THOUGHTS

The recommendations listed in this publication are by no means exhaustive and it is believed that current realities post 2019, would be the determinant factor in the continued acceleration of Financial Inclusion in Nigeria. The National Financial Inclusion Strategy (NFIS2.0) remains the rallying point for stakeholders in the financial inclusion ecosystem in Nigeria. The revision of the NFIS in 2018, prioritized focus on five themes comprising the creation of an enabling environment to serve the most excluded, rapid expansion of agent networks, removal of KYC and identification barriers to the formal financial system, scaling up of digital financial services adoption and digitizing Government payment ecosystem. Similarly, five segments were identified for priority attention in the drive for closing the financial inclusion gaps: regional, formality, gender, age and rural-urban dispersion. These areas remain the fulcrum of Nigeria's NFIS journey into reducing overall financial exclusion rate in the country.

Beyond 2019, the 5-year policy thrust of the CBN projects to achieve a 95 per cent financial inclusion rate by 2024. This is expected to be driven through:

- Innovations aimed at improving payment infrastructure including the recently released guidelines for licensing Payment Service Banks;
- Expansion of Agent Network across the country through SANEF;
- Improved Credit enhancement programmes to MSMEs through CBN's development finance intervention programmes;
- Accelerated financial literacy drive, and
- Cashless Nigeria project.

It is anticipated that Nigeria's focus will be renewed to enhance access to financial services for the young population which are currently the most excluded age group. The youth population are expected to have access to productive enterprises and increase their income earning potentials in the coming years. The anticipated economic growth will necessitate broader financial and digital literacy, in order to financially include the youth in the financial system. In the same vein; the renewed focus will benefit greatly from not only advocating for access to financial services, but also improving usage and quality of financial services offered to the newly banked and yet unbanked population.

Appropriate framework development on the element of financial health would be essential to supporting daily financial needs of consumers; enabling them to build resilience and weather financial shocks. This would signify a shift in focus from just enabling access, to improving financial outcomes for participants in the financial system, with a focus on enhancing their socio-economic well-being through financial health. This is the state envisioned for Nigeria as the next phase of financial inclusion post-2019.

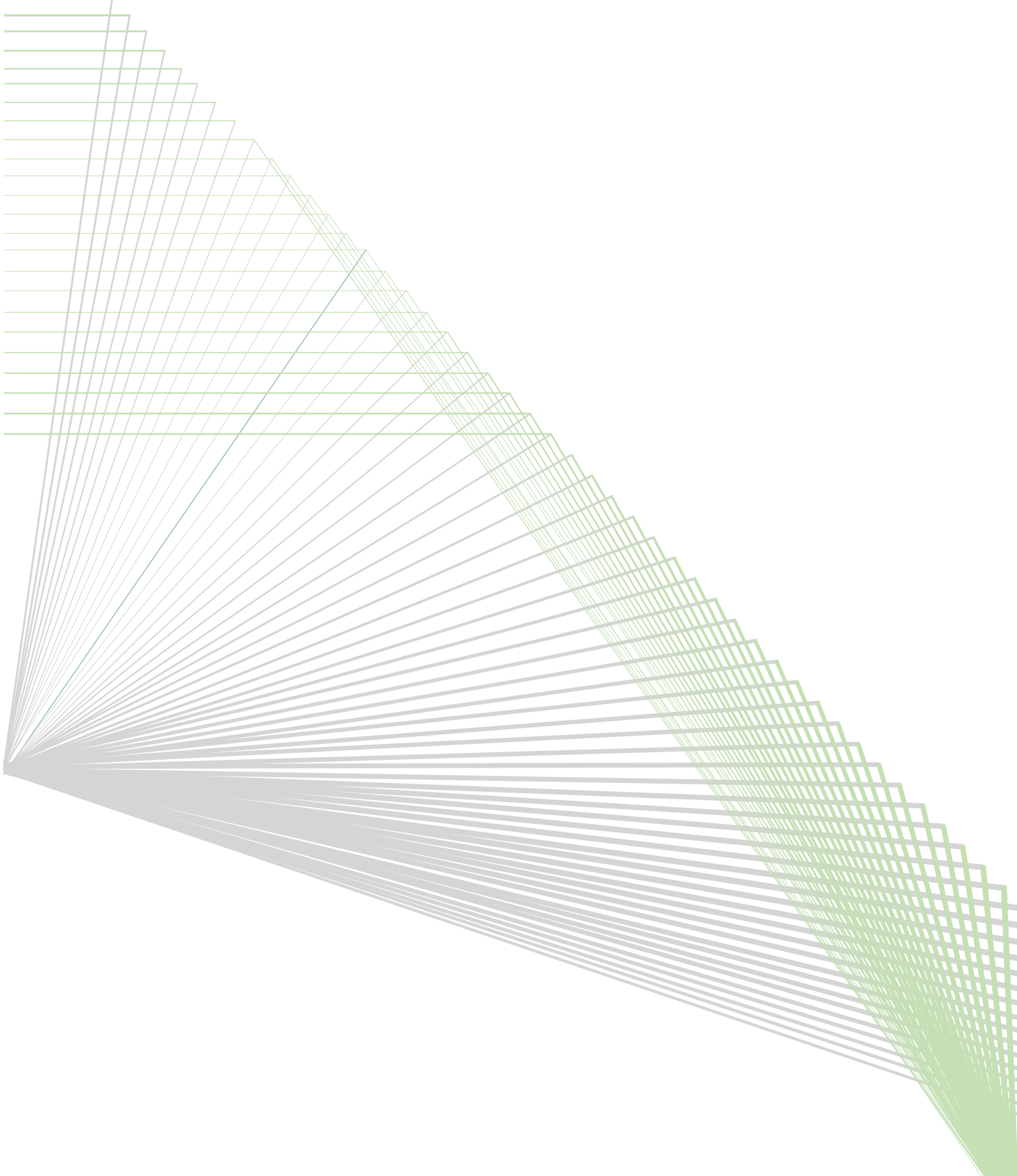
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LIST OF ACRONYMS

Acronyms	Full Meaning
ABP	Anchor Borrowers' Programme
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
BMS	Biometric Management System
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
FITF	Financial Inclusion Trust Fund
FLWG	Financial Literacy Working Group
FMAN	Fund Managers Association of Nigeria
FMBN	Federal Mortgage Bank Of Nigeria
FMCG	Fast Moving Consumer Goods
FME	Federal Ministry of Education
FMoCT	Federal Ministry of Communication Technology
FMoF	Federal Ministry of Finance
FMoIC	Federal Ministry of Information and Culture
FMWASD	Federal Ministry of Women Affairs & Social Development
FMYSD	Federal Ministry of Youth & Sports Development
FSP	Financial Services Provider
G2B	Government to Business Payments
G2P	Government to Public Payments
GDP	Gross Domestic Product
GEEP	Government Enterprise and Empowerment Program

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoN	Government of Nigeria
GPF	Global Policy Forum
GPZ	Geopolitical Zone
GWP	Gross Written Premium
IATF	Interagency Taskforce
IFC	International Finance Cooperation
IFIS	Interagency 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
MC	Mercy Corps
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
NAMB	National Association of Microfinance Banks
NAPGEP	National Peer Group Educator
NBC	Nigerian Bankers Committee
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 Strategy
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
NIMC	National Identity Management Commission
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 of Nigeria
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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