



2016 ANNUAL REPORT NATIONAL FINANCIAL INCLUSION STRATEGY IMPLEMENTATION

FINANCIAL INCLUSION SECRETARIAT

STAKEHOLDER INSTITUTIONS

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THE NIGERIAN BANKERS' COMMITTEE



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...improving the Nigeria Payments System



Small & Medium Enterprises Development Agency of Nigeria

SUPPORTING INSTITUTIONS:



ACKNOWLEDGMENTS

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

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

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

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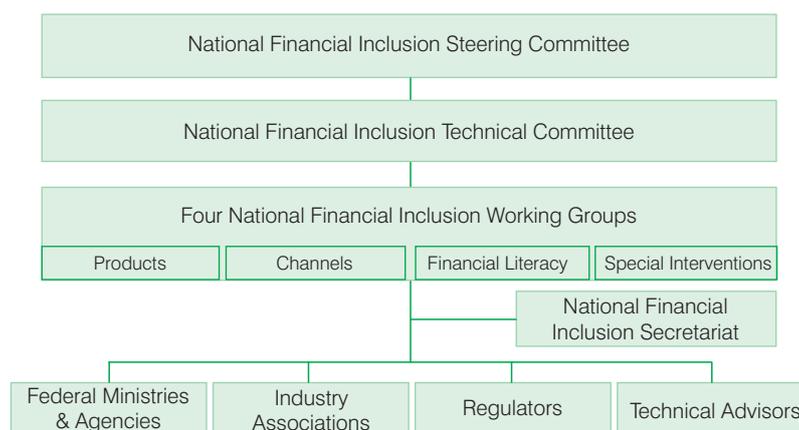
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ABOUT

ABOUT THE NATIONAL FINANCIAL INCLUSION STRATEGY

The Nigerian National Financial Inclusion Strategy (NFIS) was launched by the Nigerian financial sector on October 23, 2012 in order to reduce the percentage of adult Nigerians who do not have access to any formal or informal financial services from 46.3 per cent in 2010 to 20 per cent by 2020. Additionally, 70 per cent of the adult Nigerian population should have access to formal financial services by 2020.

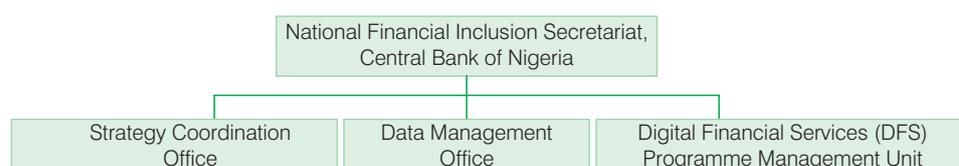
The Strategy is implemented through a wide range of stakeholders and the implementation monitored through Governing Committees, as shown below:



The **National Financial Inclusion Steering Committee**, chaired by the CBN Governor, comprises the Heads of relevant Ministries, Departments and Agencies, Industry Associations, Regulators and Technical Advisory companies 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 provides technical support and validates data supplied on financial inclusion. **The four National Financial Inclusion Working Groups (Products, Channels, Financial Literacy and Special Interventions)** develop and implement annual financial inclusion work plans in order to achieve the defined financial inclusion targets by 2020.

ABOUT THE NATIONAL FINANCIAL INCLUSION SECRETARIAT

The National Financial Inclusion Secretariat is a unit within the Central Bank of Nigeria, which was established in order to run the day-to-day coordination, data management and reporting on the National Financial Inclusion Strategy implementation process. It comprises three key offices, the Strategy Coordination Office, the Data Management Office, and the Digital Financial Services (DFS) Programme Management Unit.



One of its mandates is the publication of an annual progress report on the implementation process of the National Financial Inclusion Strategy.

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FOREWORD



The launch of the National Financial Inclusion Strategy on 23rd October, 2012 heralded the implementation of various initiatives and innovations to increase access to financial services in Nigeria's financial landscape.

The commitment from regulators, government, financial service providers, clients and the entire populace has been remarkable, inspiring and far reaching. The Central Bank of Nigeria commends and craves for sustenance of the efforts in order to achieve the goal of reducing the financial exclusion rate in the country to 20 per cent by 2020.

As the achievement of specific targets, such as channels for outreach and products are important to increase the overall financial inclusion rate, it has become imperative for stakeholders to specifically pursue measurable goals. The National Financial Inclusion Technical Committees should provide more guidance to logically pursue the implementation of already published policies and guidelines, while initiating new ones to further reduce the exclusion rate towards the target of 20 per cent by 2020.

It is worthy to note that the efforts of all stakeholders yielded positive impacts as the overall national financial exclusion rate improved to 41.6 per cent in 2016 from 46.3 per cent in 2010.

I wish to present the 2016 Annual Report on the National Financial Inclusion Strategy Implementation and I believe it will be very useful to both financial experts and the general public.

Thank you.

Godwin Emefiele (CON)

Governor, Central Bank of Nigeria

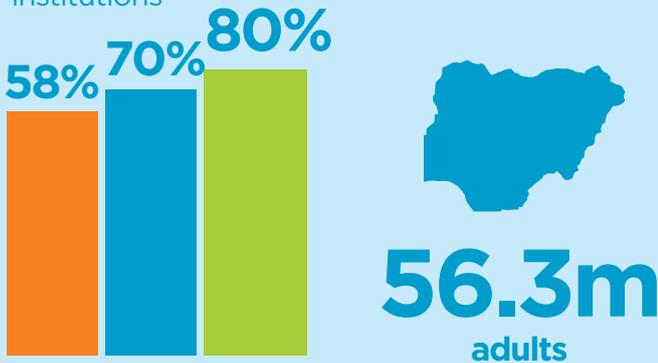
Chairman, National Financial Inclusion Steering Committee

STATUS OF FINANCIAL INCLUSION IN NIGERIA AS AT 2016

Financial Inclusion Rate

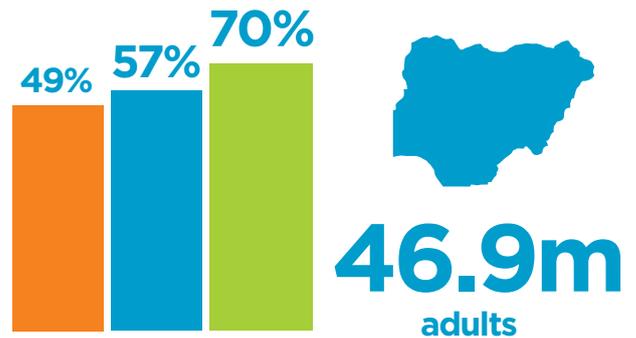
Financial Inclusion Rate

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



Formal Financial Inclusion Rate

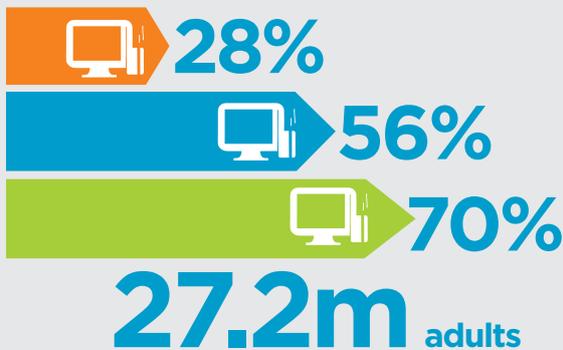
% of adult population that has or uses financial products from formal financial institutions



Product Indicators

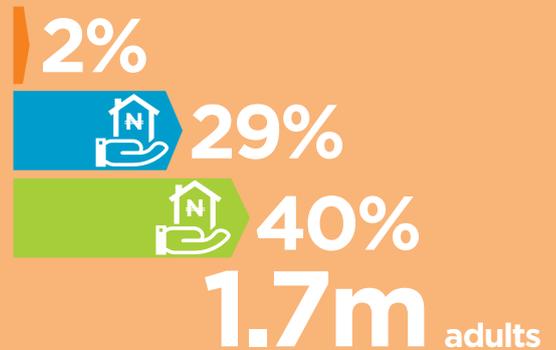
Electronic Payments & Savings

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



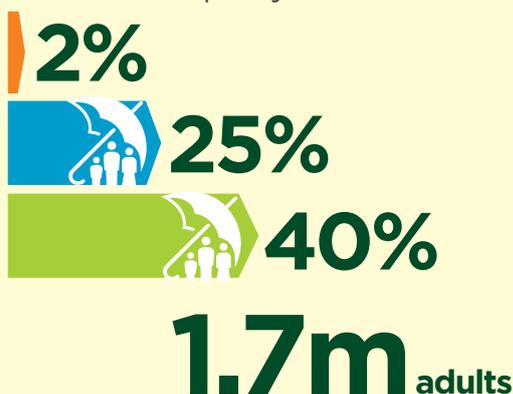
Credit

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



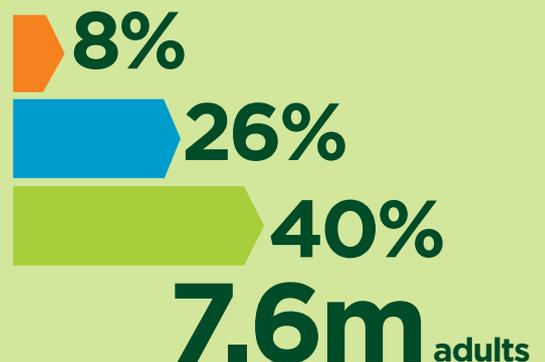
Insurance

% of adult population covered by a regulated insurance policy



Pensions

% of adult population registered with a regulated pension scheme



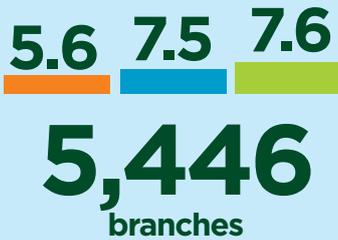
LEGEND



STATUS OF FINANCIAL INCLUSION IN NIGERIA AS AT 2016

Channels Indicators

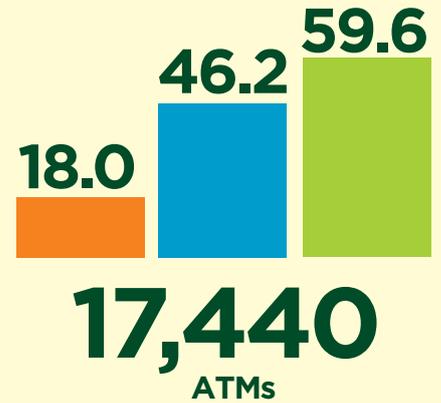
No. of **Commercial Bank Branches** per 100,000 Adults



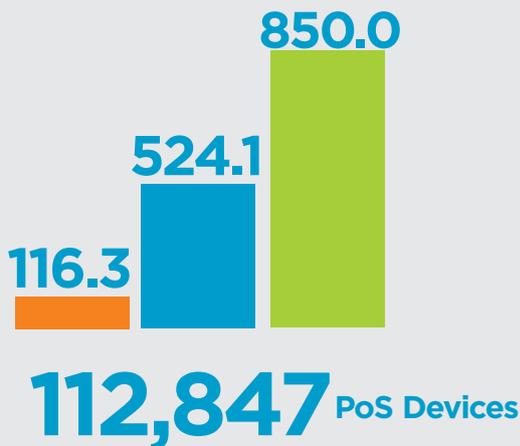
No. of **Microfinance Bank Branches** per 100,000 Adults



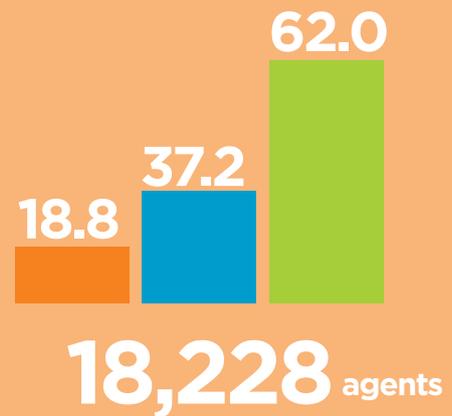
No. of **Automated Teller Machines (ATMs)** per 100,000 Adults



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



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



Enabler Indicators

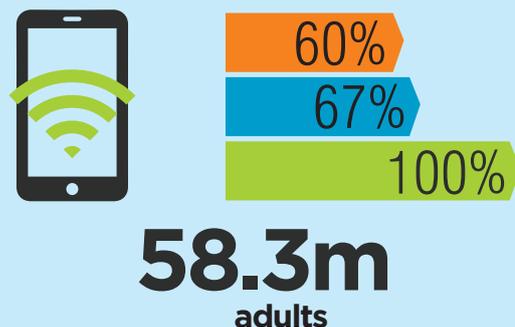
National Identification Number (NIN)

% of adult population having a NIN



Know Your Customer (KYC) Tier 1 ID

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



LEGEND





CBN Governor, Mr. Godwin I. Emefiele, with Mrs. Anastasia M. Daniel-Nwaobia (former Permanent Secretary, Federal Ministry of Finance) and Mr. Rodger Voorhies (Executive Director, Bill & Melinda Gates Foundation) at the Inaugural Project Meeting on Digital Financial Services in Nigeria



Mr. Enoch A. Ogun, former Postmaster-General, Nigerian Postal Service, Mr. Emeka Emuwa, MD/CEO, Union Bank (representing Bankers' Committee), Engr. Alliyu A. Abubakar, Director-General, National Identity Management Commission, and the Special Adviser on Development Finance, Mr. Paul N. Eluhaiwe, at the National Financial Inclusion Steering Committee Meeting

EXECUTIVE SUMMARY

Financial inclusion remained an important topic on the international development agenda in 2016. The Alliance for Financial Inclusion (AFI) recorded 432 financial inclusion-related commitments made by 58 member institutions from countries across the world as at 2016. Nigeria, having been one of the first countries to commit to the Maya Declaration in 2011, continued its dedicated implementation of the National Financial Inclusion Strategy in 2016.

“One of the key milestones in 2016 included the public release of the **Consumer Protection Framework** of the Central Bank of Nigeria.”

Several key initiatives were rolled out by a range of stakeholders in 2016 (see Table A). One of the key milestones included the public release of the Consumer Protection Framework of the Central Bank of Nigeria. The Framework's key objective is to enhance consumer confidence in the financial services industry and to promote financial stability, growth and innovation. It will be implemented over the next five years and describes nine consumer protection principles. One of the principles is consumer financial education. To promote this principle, the National Council on Education approved the stand-alone Financial Education Curriculum for basic and senior secondary schools, which had been developed by the Federal Ministry of Education, the Central Bank of Nigeria and several other stakeholders.

Another key initiative was the licensing of two insurance companies for Takaful Insurance by the National Insurance Commission, targeted at increasing uptake of insurance in the country. In order to promote access to credit by youths and micro, small and medium enterprises, the Central Bank of Nigeria launched the Youth Entrepreneurship Development Programme in collaboration with Heritage Bank and the National Youth Service Corps, while the Bank released its web-based National Collateral Registry, which allows financial services providers to register movable collateral online. Moreover, the Bankers' Committee approved financial inclusion targets for all commercial banks for the period of 2016 to 2020 to enable banks implement and track financial inclusion progress at the institutional level, while the Nigerian Communications Commission approved the licensing of mobile network operators as super-agents by the Central Bank of Nigeria, if they apply through a subsidiary.

In order to support the reliable measurement of progress made on agent banking in Nigeria, the Central Bank of Nigeria deployed an Agent Banking Database which assigns a unique agent ID to agents registered by mobile money operators (MMOs) and financial institutions. As at December 2016, the majority of MMOs had registered their agents online. Also, The Federal Government commenced the disbursement to beneficiaries of its Special Intervention Project in 2016, in particular to beneficiaries of the National Cash Transfer Programme and the Government Enterprise and Empowerment Programme. Under the National Cash Transfer Programme, one million poor households are to receive a monthly payment of ₦5,000 through a bank account, while under the Government Enterprise and Empowerment Programme, 1.6 million market women, artisans, farmers and enterprising youth are targeted to apply for microloans which are to be disbursed into bank accounts. In order to promote the financial inclusion of the youth, the Federal Ministry of Youth and Sports Development (FMYSD), in collaboration with the National Youth Service Corps (NYSC), the Central Bank of Nigeria (CBN) and other stakeholders, conceptualised the NYSC Peer Educator Programme for Financial Inclusion. Under the Programme, NYSC members would sensitize their host communities about financial inclusion as part of their community development service.

The National Financial Inclusion Steering Committee approved the conduct of a review of the National Financial Inclusion Strategy in 2017.

Initiatives which progressed slowly during 2016 included the outstanding release of the revised Bancassurance Guidelines by the Central Bank of Nigeria and the National Insurance Commission as well as the outstanding approval of the drafted Micro Pension Guidelines by the National Pension Commission.

2016 also represented the mid-point of the eight-year implementation period of the National Financial Inclusion Strategy. In order to review in detail the progress made so far and accelerate the achievement of the defined financial inclusion targets, in its 3rd meeting on September 29, 2016, the National Financial Inclusion Steering Committee approved that a review of the Strategy should be conducted in 2017.

Table A: Implementation Status of Key Initiatives as at December 2016

| Status | Implementation Area | Initiative |
|------------------|--|--|
| Completed | Consumer Protection | The Central Bank of Nigeria approved and released the Consumer Protection Framework. |
| | Financial Literacy | The National Council on Education approved the stand-alone Financial Education Curriculum for basic and senior secondary schools. |
| | Insurance | The National Insurance Commission granted Takaful Insurance licenses to two insurance companies |
| | Credit | Heritage Bank, the National Youth Service Corps and the Central Bank of Nigeria launched the Youth Entrepreneurship Development Programme. |
| | | The web-based National Collateral Registry (NCR) went live. |
| | Several Products and Channels | The Bankers' Committee approved financial inclusion targets for all commercial banks for the period of 2016 to 2020. |
| Agents | The Nigerian Communications Commission approved that mobile network operators can apply for a super agent license at the Central Bank of Nigeria through a subsidiary. | |
| On Track | Special Interventions for the Youth Segment | The Federal Ministry of Youth & Sports Development, in collaboration with the National Youth Service Corps (NYSC) and the Central Bank of Nigeria, developed the Youth Peer Educator Programme. |
| | Payments, Savings, Credit | The Federal Government initiated disbursements into bank accounts for beneficiaries of its Special Intervention Project, including the National Cash Transfer Programme and the Government Enterprise & Empowerment Programme. |
| | Agents | The Central Bank of Nigeria deployed an Agent Banking Database. |
| At Risk | Insurance | The revised Bancassurance Guidelines had not been published. |
| | Pensions | The drafted Micro Pension Guidelines had not been published. |

As at 2016, the status of the implementation of the National Financial Inclusion Strategy in terms of measurement of achievements against the defined targets was as follows (see Tables B, C, D, and E):

“The formal financial inclusion rate remained constant at **48.6%** between 2014 and 2016, while the overall financial inclusion rate decreased from **60.5%** in 2014 to **58.4%** in 2016.”

Overall Financial Inclusion Rate and Formal Financial Inclusion Rate

- Based on EFINA's Access to Financial Services in Nigeria 2016 Survey, the formal financial inclusion rate remained constant at 48.6 per cent between 2014 and 2016, which represented an achievement of 86 per cent of the 2016 target.
- The overall financial inclusion rate, which also considers adult Nigerians who use informal financial services only, however, decreased from 60.5 per cent in 2014 to 58.4 per cent in 2016 due to a decline in the adult population segment that uses informal financial services only. Achievement stood at 84 per cent of the 2016 target.

Product Indicators

- Electronic payments and savings: The percentage of the adult population owning a commercial bank account, proxied by the percentage of adults having a Bank Verification Number (BVN), increased from 23.6 per cent in 2015 to 28.0 per cent in 2016. The achieved value as at 2016 stayed behind the 2016 payments and savings targets of 56.4 and 45.6 per cent, respectively.
- Credit: The percentage of adult population that had borrowed or paid back a loan through a regulated financial institution over the last 12 months increased marginally from 1.5 per cent in 2014 to 1.8 per cent in 2016, based on estimates from EFINA's Access to Financial Services in Nigeria 2014 and 2016 Surveys. The 2016 target of a formal credit penetration of 28.8 per cent was not reached.
- Insurance: The percentage of the adult population that is covered by a regulated insurance policy increased from 1.1 per cent in 2014 to 1.8 per cent in 2016, according to estimates from EFINA's Access to Financial Services in Nigeria 2014 and 2016 Surveys. The penetration was far below the defined 2016 target of 24.8 per cent.
- Pensions: The percentage of the adult population that is registered with a pension scheme regulated by the National Pension Commission increased from 7.5 per cent in 2015 to 7.9 per cent in 2016. While the trend was positive, only about one third of the defined 2016 target of a penetration of 25.6 per cent was achieved.

Channel Indicators

- Commercial bank branches: The number of commercial bank branches per 100,000 adults marginally declined from 5.7 in 2015 to 5.6 in 2016, continuing the negative trend since 2010. The target of 7.5 branches per 100,000 adults, therefore, was missed.
- Microfinance bank branches: The number of microfinance bank branches per 100,000 adults stayed constant at 2.3 between 2015 and 2016. Compared to the 2016 target of 4.6 branches per 100,000 adults, only 50 per cent of the target was reached.
- Automated Teller Machines (ATMs): The number of ATMs per 100,000 adults increased slightly from 17.2 in 2015 to 18.0 in 2016. However, the achieved value was lower than the target of 46.2 ATMs per 100,000 adults for 2016.
- Point-of-Sale (PoS) Devices: The number of PoS terminals per 100,000 adults accounted for 116.3 in 2016, which represented a decrease from 122.4 PoS terminals per 100,000 adults in 2015. The 2016 target of 524.1 PoS devices per 100,000 adults was missed.

“One key issue which adversely affected financial inclusion developments in 2016 was the economic recession which the country was facing.”

- Agents: The number of mobile money agents which were registered on CBN's Agent Banking Database as at December 2016 was 18,228, representing 18.8 agents per 100,000 adults. This was 51 per cent of the 2016 target of 37.2 agents per 100,000 adults.

Enabler Indicators

- National Identification Number (NIN): The percentage of the adult population that had registered for a NIN as at December 2016 amounted to 15.1 per cent, which represented a laudable increase of 101 per cent relative to the 2015 value of 7.5 per cent. However, the increase was not enough to reach the 2016 target of 67.2 per cent.
- Know Your Customer (KYC) Tier 1 ID: The estimated percentage of the adult population that has a KYC Tier 1 ID, proxied by the percentage of the adult population having a mobile phone, decreased marginally from 62.8 per cent in 2014 to 60.4 per cent in 2016, based on demand-side survey data from EFINA. The 2016 value represented 90 per cent of the 2016 target of 67.2 per cent of the adult population having a KYC Tier 1 ID.

The status quo analysis shows that while progress was made on several indicators between 2015 and 2016, many indicator values stayed far behind the defined targets as at 2016. One key issue which adversely affected financial inclusion developments in 2016 was the economic recession which the country was facing. While the oil price further declined from its already low level in 2015, the Naira depreciated significantly and overall Gross Domestic Product declined by 1.51 per cent relative to the previous year. This negatively affected the ability of the low-income population to save, the likelihood of borrowers to pay back outstanding loans as well as the overall business performance of financial institutions. Therefore, one key recommendation is that the Federal Government implements its recently launched Economic Recovery & Growth Plan according to schedule. Because of a simultaneous relationship between economic growth and financial inclusion, positive economic growth will likely increase the impact which financial inclusion will have on economic growth itself.

Other key recommendations for the different stakeholder groups involve the following:

Financial Services Providers

- Reach out to un-served or under-served areas: The number and dispersion of financial access points remained below expectations in 2016. Therefore, providers need to further expand their current financial access points significantly. They are strongly encouraged to perform feasibility studies of deploying new branches or agents in remote areas and should partner with Local, State or Federal Government Agencies in the implementation of Government Programmes, such as the Special Intervention Project, to increase profitability of new financial access points in rural areas.
- Increase awareness of consumers about financial services: Low awareness, in particular of mobile money, remained a key issue to financial inclusion. It is recommended that financial services providers scale up their sensitization activities and that Apex Associations consider joint industry-wide initiatives on increasing awareness, as they are expected to be more efficient than multiple programmes conducted by financial services providers individually.
- Enhance financial inclusion database: Improvements in the financial inclusion data were recorded between 2015 and 2016. However, financial services providers in some industries, in particular insurance companies and microfinance banks, still need to improve compliance with data return rendition to their regulators to inform policies as well as their own strategies.

“One key recommendation is that the Federal Government implements its recently launched Economic Recovery & Growth Plan according to schedule.”

“Providers are encouraged to analyse and exploit the benefits of digital financial services.”

“It is necessary that the Government and financial regulators examine how incentives can be raised for providers to serve remote areas.”

“Supporting institutions should focus their assistance on existing key issues, such as the need to make financial services more attractive in the Northern parts of the country.”

- Exploit advantages of digital financial services: All financial services providers, including insurance companies, pension fund administrators and non-bank microfinance institutions, need to analyse how they can use digital technology to make their internal processes more efficient and how they can deliver their services at a lower cost to customers.

Enablers, including Government Agencies and Financial Regulators

- Examine how incentives can be raised for providers to reach rural areas: Given the current unequal distribution of financial access points between areas with a relatively high and relatively low financial inclusion rate, it is necessary that the Federal, State and Local Governments as well as financial regulators examine how incentives could be raised for financial services providers to serve remote areas.
- Support an enabling mobile money ecosystem: It is necessary that regulators examine issues around high USSD costs, low agent profitability, the role of mobile network operators (MNOs) and poor mobile network. Government Agencies and regulators are also encouraged to support awareness programmes about mobile money and digitise their own payments.
- Monitor and evaluate credit interventions closely: In order to drive the credit penetration in the country, the Government and CBN need to ensure the successful implementation of initiated credit programmes, such as the National Collateral Registry, the Government Enterprise & Empowerment Programme, and the Anchor Borrowers' Programme. It is crucial that adequate monitoring and evaluation mechanisms are in place from the onset in order to minimise default rates of beneficiaries. The Government and regulators should also continue to promote large-scale credit interventions targeted at specific industries where competitive advantages exist and efficiency gains may be obtained from economies of scale and spill-over effects on other industries.
- Examine issues related to low insurance and pension penetration: Regulators should analyse the status quo as well as issues related to the low penetration in the country so far, and develop enabling policies to increase penetration significantly. To drive insurance penetration, the revised Bancassurance Guidelines as well as other relevant Guidelines, such as the Takaful Insurance and Micro Insurance Guidelines, should be implemented as soon as possible and closely monitored and evaluated. For the pension sector, it is essential that a Board is convened to approve the Micro Pension Guidelines.

Supporting Institutions

- Tailor support towards existing issues: It is recommended that supporting institutions focus their assistance on existing key issues. Focus areas may include the sub-optimal dispersion of financial access points, the low mobile money awareness, the need to make financial services more attractive in the Northern parts of the country, and the need to develop viable business models which allow financial services providers to deliver services profitably and at an affordable cost to the financially excluded.
- Provide in-depth analysis: Supporting institutions should consider examining high-level recommendations further and providing technical support on more detailed analysis and research around the high-level issues. For instance, support could be useful in conducting research on incentive schemes to increase rural outreach by financial services providers, in enhancing capacity-building on data management and analysis for microfinance banks or insurance companies, or in advising on how non-

bank microfinance institutions and government agencies could benefit most from digital financial services.

Increasing evidence has shown the positive impact which financial inclusion can have on individuals' standards of living as well as the country's economic growth. The implementation status of the National Financial Inclusion Strategy was behind its target as at 2016. It is essential that all stakeholders commit to improving the current situation by adopting the key recommendations, by conducting their own status quo analyses and by implementing targeted interventions.

Table B: Implementation Status based on the Overall and Formal Adult Financial Inclusion Rate as at 2016

| Definition of Indicator ^a | Baseline 2010 ^b | Actual 2014 ^c | Actual 2016 ^{d,e} | Target 2016 ^e | % Achieved 2016 | Trend 2014-16 | Status | Target 2020 ^f |
|--|----------------------------|--------------------------|----------------------------|--------------------------|-----------------|---------------|--------|--------------------------|
| Adult Financial Inclusion Rate | 53.7% (45.5m adults) | 60.5% (56.6m adults) | 58.4% (56.3m adults) | 69.5% (67.5m adults) | 84% | ↔ | ● | 80% (84.7m adults) |
| Formal Adult Financial Inclusion Rate | 36.3% (30.7m adults) | 48.6% (45.5m adults) | 48.6% (46.9m adults) | 56.5% (54.8m adults) | 86% | ↔ | ● | 70% (74.1m adults) |

| | | |
|---|---|--|
|  Target achieved or exceeded (Actual > 100%) |  Target not achieved, but could be achieved within next period (85% < Actual < 100%) |  Increase in indicator value > 5% |
|  Target not achieved and unlikely to be achieved within next period (Actual < 85%) |  Achievement unclear as indicator measured is different from indicator defined in NFIS or data is incomplete |  Increase or decrease in indicator value < 5% |
| | |  Decrease in indicator value > 5% |

Table C: Implementation Status based on Product Key Performance Indicators as at 2016

| Definition of Indicator | Definition of Proxy Indicator | Base line 2010 ^g | Actual 2015 ^{h,i} | Actual 2016 ⁱ | Target 2016 ^j | % Achieved 2016 | Trend 2015-16 | Status | Target 2020 ^j |
|---|--|-----------------------------|--------------------------------------|--------------------------------------|--------------------------|-----------------|----------------|----------------|--------------------------|
| Payments: % of adult population having a payment product with a formal financial institution | % of adult population having a Bank Verification Number ^k | 22% | 23.6% (22.6m adults) ^l | 28.0% (27.2m adults) ^l | 56.4% (54.7m adults) | 50% | ↑ ⁱ | ● ^m | 70% (74.1m adults) |
| Savings: % of adult population having a savings product with a formal financial institution | | 24% | | | 45.6% (44.3m adults) | 61% | ↑ ⁱ | ● ^m | 60% (63.5m adults) |
| Credit: % of adult population having borrowed or paid back a loan through a regulated financial institution over last 12 months ⁿ | | 2% | N/A | 1.8% (1.7m adults) | 28.8% (28.0m adults) | 6% | ↑ ^o | ● | 40% (42.3m adults) |
| Insurance: % of adult population covered by a regulated insurance policy ^p | | 1% | N/A | 1.8% (1.7m adults) ^p | 24.8% (24.1m adults) | 7% | ↑ ^q | ● ^r | 40% (42.3m adults) |
| Pensions: % of adult population registered with a regulated pension scheme ^s | | 5% | 7.5% (7.2m adults) | 7.9% (7.6m adults) | 25.6% (24.8m adults) | 31% | ↔ | ● | 40% (42.3m adults) |

| | | |
|---|---|--|
|  Target achieved or exceeded (Actual > 100%) |  Target not achieved, but could be achieved within next period (85% < Actual < 100%) |  Increase in indicator value > 5% |
|  Target not achieved and unlikely to be achieved within next period (Actual < 85%) |  Achievement unclear as indicator measured is different from indicator defined in NFIS or data is incomplete |  Increase or decrease in indicator value < 5% |
| | |  Decrease in indicator value > 5% |

Table D: Implementation Status based on Channel Key Performance Indicators as at 2016

| Definition of Indicator | Base line 2010 ^t | Actual 2015 ^{u,v} | Actual 2016 ^v | Target 2016 ^w | % Achieved 2016 | Trend 2015-16 | Status | Target 2020 ^w |
|---|-----------------------------|----------------------------|--------------------------------------|--------------------------------------|-----------------|---------------|----------------|--------------------------|
| Commercial Bank Branches per 100,000 adults | 6.8 | 5.7 (5,462 branches) | 5.6 (5,446 branches) | 7.5 (7,300 branches) | 75% | ↔ | ● | 7.6 (8,000 branches) |
| Microfinance Bank Branches per 100,000 adults ^x | 2.9 | 2.3 (2,227 branches) | 2.3 (2,197 branches) ^x | 4.6 (4,500 branches) ^x | 50% | ↔ | ● | 5.0 (5,300 branches) |
| ATMs per 100,000 adults | 11.8 | 17.2 (16,452 ATMs) | 18.0 (17,440 ATMs) | 46.2 (44,800 ATMs) | 39% | ↔ | ● | 59.6 (63,000 ATMs) |
| PoS Devices per 100,000 adults | 13.3 | 122.4 (116,868 PoS) | 116.3 (112,847 PoS) | 524.1 (509,000 PoS) | 22% | ↔ | ● ^y | 850.0 (899,000 PoS) |
| Agents per 100,000 adults | 0.0 | N/A | 18.8 (18,228 agents) | 37.2 (36,100 agents) | 51% | N/A | ● ^z | 62.0 (65,600 agents) |

- Target achieved or exceeded (Actual > 100%)
- Target not achieved, but could be achieved within next period (85% < Actual < 100%)
- Target not achieved and unlikely to be achieved within next period (Actual < 85%)
- Achievement unclear as indicator measured is different from indicator defined in NFIS or data is incomplete
- ↑ Increase in indicator value > 5%
- ↔ Increase or decrease in indicator value < 5%
- ↓ Decrease in indicator value > 5%

Table E: Implementation Status based on Enabler Key Performance Indicators as at 2016

| Definition of Indicator | Definition of Proxy Indicator | Base line 2010 ^{aa} | Actual 2015 ^{ab} | Actual 2016 ^{ab} | Target 2016 ^{ac} | % Achieved 2016 | Trend 2015-16 | Status | Target 2020 ^{ac} |
|---|---|------------------------------|---------------------------|---------------------------------------|---------------------------|-----------------|-----------------|--------|---------------------------|
| National Identification Number (NIN): % of adult population having a National Identification Number (NIN) | | 0% | 7.5% (7.2m adults) | 15.1% (14.6m adults) | 67.2% (65.2m adults) | 22% | ↑ | ● | 100% (105.8m adults) |
| Know Your Customer (KYC) Tier 1 ID: % of adult population having a KYC Tier 1 ID | % of adult population having a mobile phone ^{ad} | 58% | N/A | 60.4% (58.3m adults) ^{ae} | 67.2% (65.2m adults) | 90% | ↔ ^{af} | ● | 100% (105.8m adults) |

- Target achieved or exceeded (Actual > 100%)
- Target not achieved, but could be achieved within next period (85% < Actual < 100%)
- Target not achieved and unlikely to be achieved within next period (Actual < 85%)
- Achievement unclear as indicator measured is different from indicator defined in NFIS or data is incomplete
- ↑ Increase in indicator value > 5%
- ↔ Increase or decrease in indicator value < 5%
- ↓ Decrease in indicator value > 5%

Notes

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

^b Source: EFINA (2010).

^c Source: EFINA (2014).

^d Source: EFINA (2016).

^e The target adult population is estimated for December, while the actuals were estimated based on EFINA's Access to Financial Services in Nigeria Survey which was conducted between June and November of the respective year.

^f The number of adults is estimated based on adult population estimates from EFINA's Access to Financial Services in Nigeria Surveys.

^g Source: Central Bank of Nigeria (2012).

^h Indicator values may marginally differ from the values stated in the 2015 Annual Report, as adult population estimates have been updated, based on new data from EFINA's Access to Financial Services in Nigeria 2016 Survey.

ⁱ The data sources used are the following: Nigeria Inter-Bank Settlement System for BVN data; EFINA (2016) for credit and insurance data; National Pension Commission for pension data. The number of adults is estimated based on adult population estimates from EFINA's Access to Financial Services in Nigeria Surveys.

^j The number of adults is estimated based on adult population estimates from EFINA's Access to Financial Services in Nigeria Surveys.

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

^l The process of enrolling existing commercial bank customers was still on-going as at December 2015, which is why the actual % of the adult population having a commercial bank account could have been higher than the value stated for 2015. This is also why the increase in the indicator between 2015 and 2016 to some extent could have also been due to the enrolment of existing commercial bank customers and not only due to new adults registering for an account at a commercial bank for the first time. Note that the % of the adult population having an account with other financial institutions, such as microfinance banks and primary mortgage banks, as well as mobile money operators only were not captured, because BVN was not a mandatory requirement as at December 2016. Taking into account adult customers who had an account at any of these formal institutions but not at a commercial bank, the actual values would therefore be higher.

^m Even though the % of the adult population having an account with other financial institutions, such as microfinance banks and primary mortgage banks, as well as mobile money operators only was not captured, the status is still reported as red. This is because this adult segment only accounted for approximately 0.6 per cent, or 0.6 million adults, as at 2016, according to estimates from EFINA's Access to Financial Services in Nigeria 2016 Survey.

ⁿ The actual value is based on results from EFINA's Access to Financial Services in Nigeria 2016 Survey; Adults who indicated that they had borrowed with any of the following were included: Commercial banks, microfinance banks, non-interest banks, mortgage banks, Government.

^o The trend shown is for the period of 2014 to 2016; Penetration in 2014 was 1.5% of the adult population, based on EFINA (2014).

^p The actual value is based on results from EFINA's Access to Financial Services in Nigeria 2016 Survey. The value was calculated

based on interviewees' responses to the questions "Do you have (micro) insurance?" and "Are you covered by any insurance other than micro insurance?". It is assumed that respondents would refer to regulated, formal insurance policies in response to the questions. The actual value is comparable to the 2010 baseline data, however, is to be seen as a conservative estimate, since another demand-side survey, InterMedia's Financial Inclusion Insights Tracker Survey, with 6 per cent, recorded a far higher value for 2015. The difference in the values may be due to a different questionnaire design. InterMedia asked individuals in nine separate questions whether or not they had any of nine different types of insurance to obtain a value for insurance penetration, while EFINA asked only in general whether individuals had insurance, without referring to any specific type of insurance. Listing different types of insurance may have increased respondents' awareness. Another potential issue why the stated 1.8% for 2016 is to be seen as a conservative estimate could be that people do not relate to schemes to which they contribute through their employer, such as the NHIS or the NSITF, when being asked about insurance.

^q The trend shown is for the period of 2014 to 2016; Penetration in 2014 was 1.1% of the adult population, based on EFINA (2014).

^r Even though the actual from EFINA's Access to Financial Services in Nigeria 2016 Survey is to be seen as a conservative estimate, given the large gap between the 2016 target and the conservative estimate the status is assumed to be red.

^s Note that information on the age distribution for Nigerians below 30 years who are registered with a regulated pension scheme was not available. It was assumed that all people registered with a regulated pension scheme would be 18 years old or above.

^t Source: Central Bank of Nigeria (2012).

^u Note that indicator values may marginally differ from the values stated in the 2015 Annual Report, as adult population estimates have been updated, based on new data from EFINA's Access to Financial Services in Nigeria 2016 Survey.

^v The data sources used are the following: Central Bank of Nigeria for commercial bank branches and microfinance bank branches; Interswitch and Central Bank of Nigeria for ATMs; Nigeria Inter-Bank Settlement System for PoS Devices; Central Bank of Nigeria for agents. The number of adults is estimated based on adult population estimates from EFINA's Access to Financial Services in Nigeria Surveys.

^w The number of adults is estimated based on adult population estimates from EFINA's Access to Financial Services in Nigeria Surveys.

^x Data on microfinance bank branches is based on the returns of 67%, and 61% of all registered microfinance banks for the data as at 2015 and 2016, respectively.

^y Note that for PoS Devices only PoS terminals were considered, while other merchant access points, such as mobile phones or other USSD channels, were not considered. Status is still assumed to be red, because preliminary data collection on other PoS Devices indicated that the value would remain well below the 2016 target.

^z Note that for the agent KPI only those agents which had been registered on CBN's Agent Banking Database as at December 31, 2016 were considered. However, not all mobile money operators and financial institutions had completed uploading their agents as at December 31, 2016. Therefore, the actual could have been higher and status is unclear as at December 31, 2016.

^{aa} Source: National Identity Management Commission for NIN and EFINA (2010) for KYC Tier 1 ID.

^{ab} The data sources are the following: National Identity Management Commission for NIN data; EFINA (2016) for KYC Tier 1 ID; The number of adults is estimated based on adult population estimates from EFINA's Access to Financial Services in Nigeria Surveys.

^{ac} The number of adults is estimated based on adult population estimates from EFINA's Access to Financial Services in Nigeria Surveys.

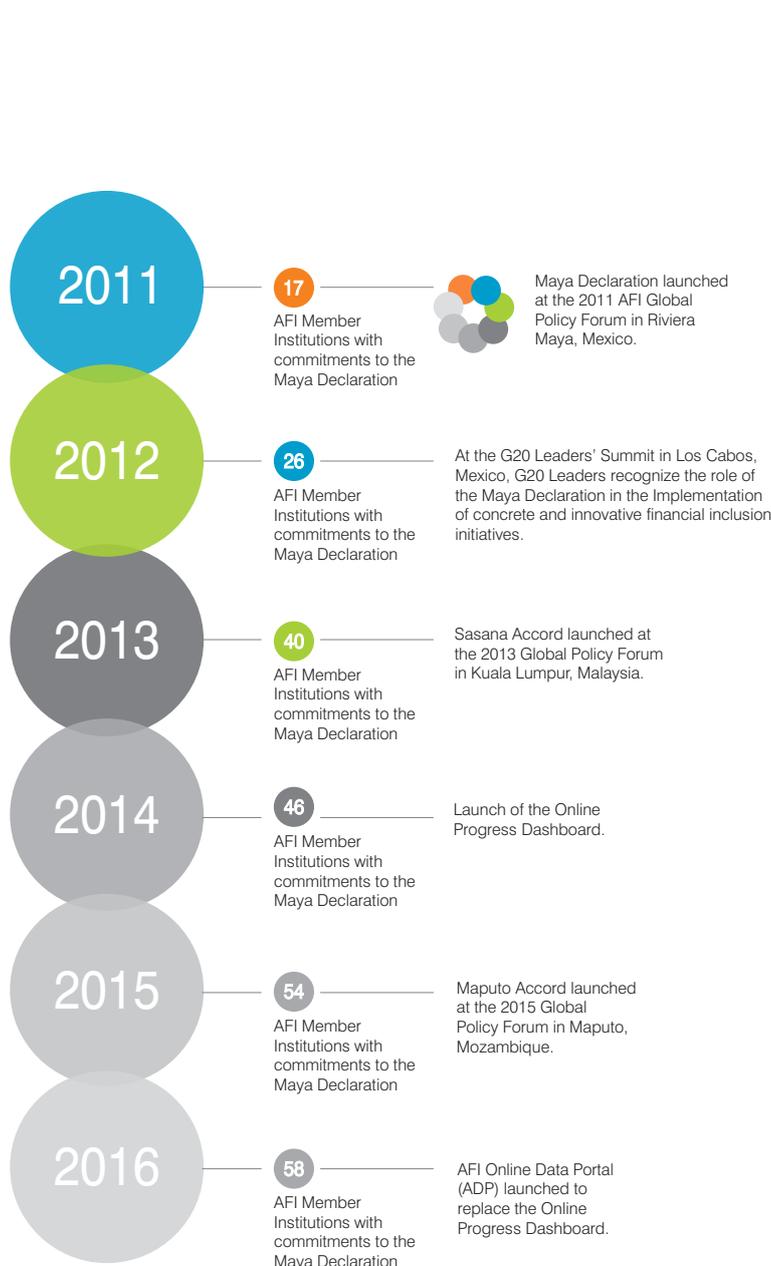
^{ad} As a proxy indicator, the percentage of the adult population having a mobile phone was used, because a telephone number, a passport photograph and personal details would be sufficient to open a KYC Tier 1 bank or mobile money account and the assumption was made that adults who have a mobile phone would also have a telephone number and would be able to obtain a passport photograph and provide an address.

^{ae} Another demand-side survey, InterMedia's Financial Inclusion Insights Tracker Survey, obtained a value of 85% of the adult population having a mobile phone as at 2015. Therefore, the value provided from EFINA (2016) is to be seen as a conservative estimate and the actual value could have been higher.

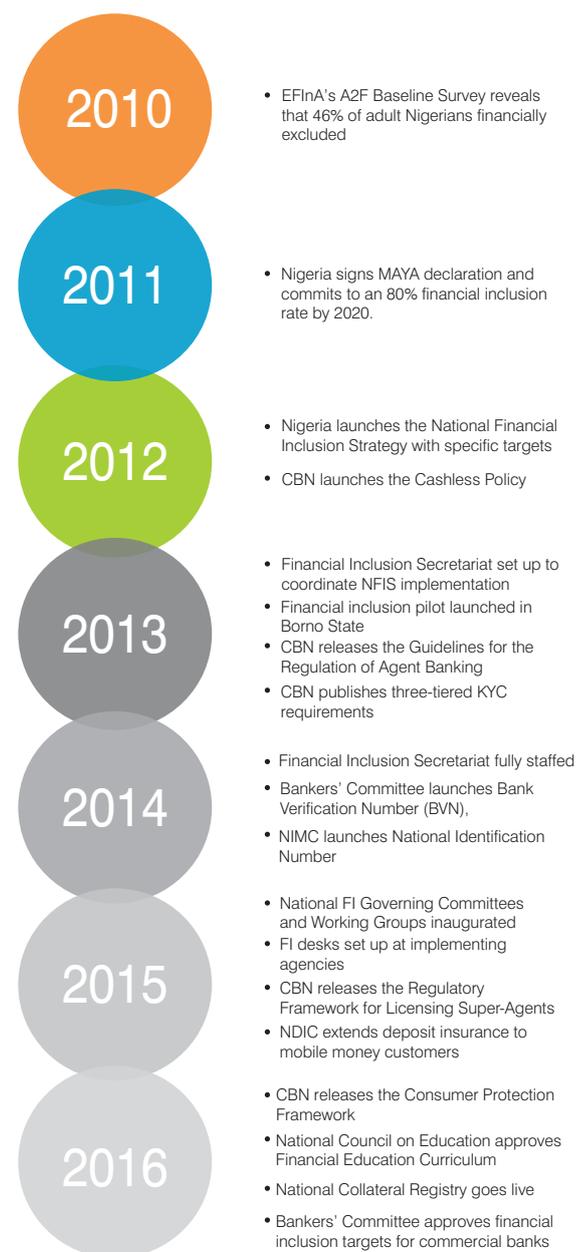
^{af} The trend is based on the period of 2014 to 2016. The corresponding value in 2014 was 62.8% of the adult population, based on EFINA (2014).

GLOBAL AND NIGERIAN FINANCIAL INCLUSION DEVELOPMENTS SINCE 2010

MAYA DECLARATION TIMELINE



NIGERIAN TIMELINE



THE POTENTIAL IMPACT OF DIGITAL FINANCIAL SERVICES BY 2025

On Emerging Countries



On Nigeria





Mrs. Elly Ohene-Adu, Head of Banking Department, Bank of Ghana, Mr Frank Aigbogun, Publisher BusinessDay Newspaper, and Mr. Godwin I. Emefele, Governor, Central Bank of Nigeria, at the Business Day Financial Inclusion Summit in Lagos



Alhaji Suleiman Barau, Deputy Governor, Corporate Services Directorate, Central Bank of Nigeria, and Prof. Umar G. Danbatta, Executive Vice Chairman, Nigerian Communications Commission, during a courtesy visit on deepening mobile financial services in Nigeria

1. INTRODUCTION

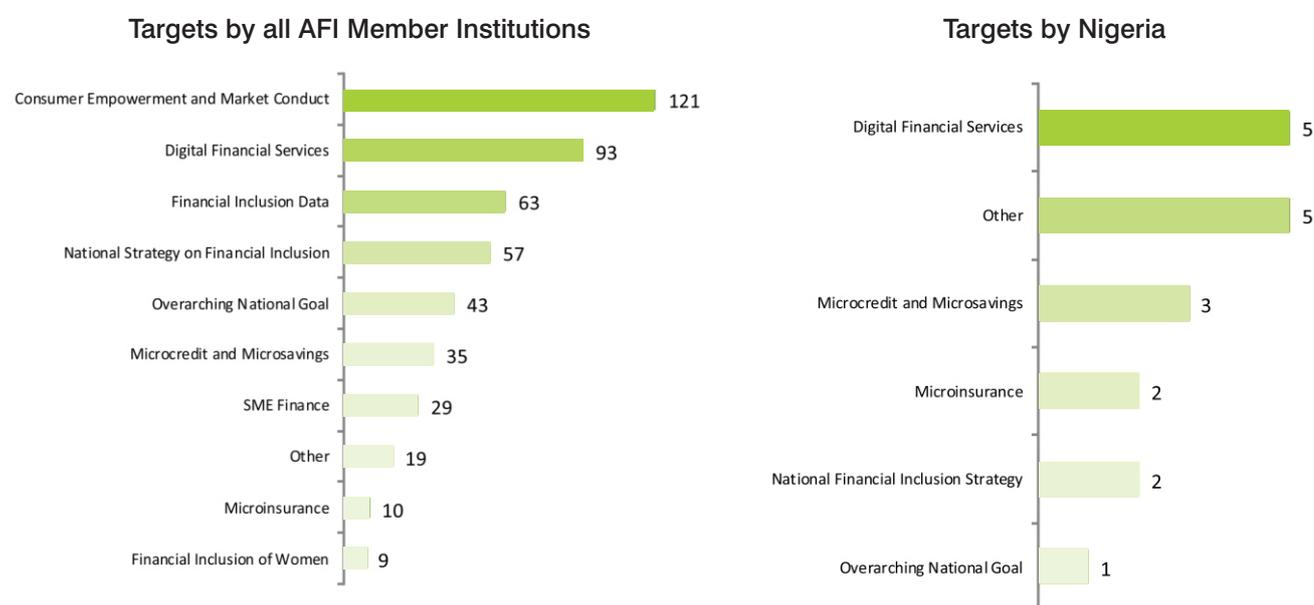
Financial inclusion can improve living standards of individuals by giving them opportunities to save in a safe place for future consumption, emergencies or productive investments (Brune et al., 2015, Prina, 2015), by allowing them to make payments and money transfers at a lower cost and time (Jack and Suri, 2014), and by enabling them to insure themselves against unforeseen events which could otherwise exacerbate their economic situation (Janzen & Carter, 2013). Financial inclusion can also increase economic growth at the macroeconomic level (Sahay et al., 2015).

**Globally,
2 billion
adults did not
have a bank
account as at
2014.**

According to a World Bank study, about two billion adults globally did not have a bank account in 2014, more than half of them were women (Demirguc-Kunt et al., 2015). As a major effort to address financial exclusion, many countries have developed specific roadmaps to improve access to financial services in their geographical boundaries.

The Maya Declaration was the first global commitment by policymakers from developing and emerging countries to unlock the economic and social potential of the poor through greater financial inclusion (Alliance for Financial Inclusion, 2016a, p.1). As at the end of 2016, a total of 58 member institutions of the Alliance for Financial Inclusion (AFI) had made commitments to 432 financial inclusion-related targets.

Figure 1.1.: Targets of AFI Member Institutions, by Thematic Area, 2016¹



Source: Alliance for Financial Inclusion (2016b)

As shown in Figure 1.1., most targets are related to Consumer Empowerment and Market Conduct, while Digital Financial Services was the thematic area which received the second highest number of targets. Other relevant topics which member institutions committed to included Financial Inclusion Data, National Strategies on Financial Inclusion as well as commitments to an Overarching National Goal, such as Green Finance or Microfinance Information Systems. Digital Financial Services, which refer to financial services, such as

¹Note that one target can refer to one or more thematic areas.

payments, savings, loan or insurance products, which are provided through an electronic platform, such as mobile phones, the internet, or electronic cards, remained the most important thematic area in Sub-Saharan Africa for the third year in a row (Alliance for Financial Inclusion, 2016b). It also represented the area with the highest number of targets which Nigeria committed to (see Figure 1.1.).

The relevance of digital financial services to financial inclusion and overall economic growth was emphasised in a report published by the McKinsey Global Institute in September 2016. In the report, the Institute analysed the economic and social impact of digital financial services on emerging economies, including Nigeria. The study finds that the cost of providing financial services through digital technology could be 80 to 90 per cent lower than the cost of providing financial services through a traditional bank branch (Manyika et al., 2016). It further estimates that digital financial services can lead to the following benefits for emerging countries by 2025:

- Addition of US\$3.7 trillion, or 6 per cent, to the Gross Domestic Product (GDP),
- Formal financial inclusion of 1.6 billion adults,
- Creation of 95 million new jobs,
- New deposits in the formal financial system worth US\$4.2 trillion,
- New credit to MSMEs and individuals worth US\$2.1 trillion,
- Reduction in government leakages worth US\$110 billion annually.

Specifically for Nigeria, the report estimates the following impact of digital financial services by 2025:

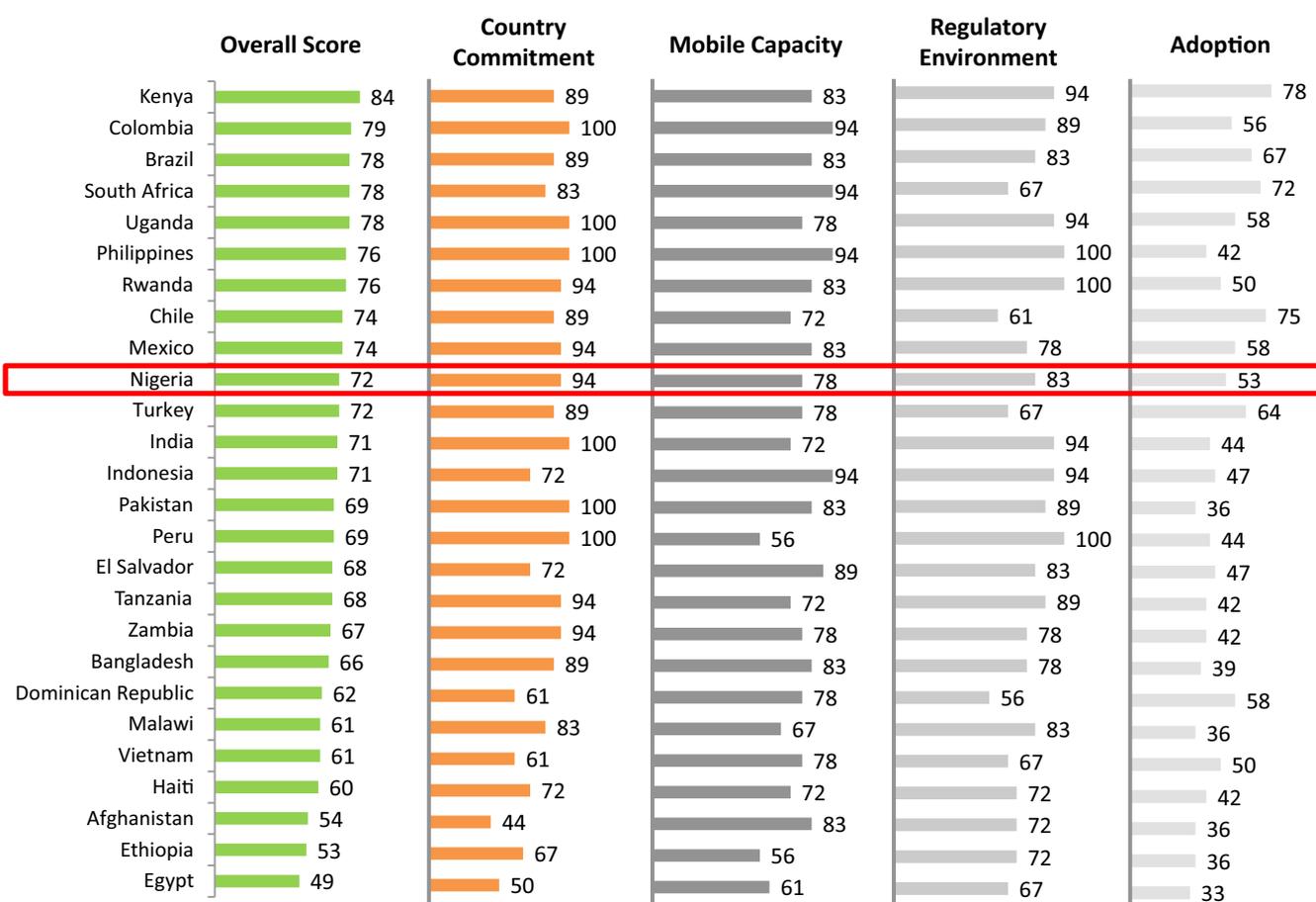
- Addition of US\$88 billion, or 12 per cent, to Nigeria's forecasted GDP,
- Formal financial inclusion of 46 million adults,
- Creation of 3 million new jobs,
- New deposits in the formal financial system worth US\$36 billion,
- New credit to MSMEs and individuals worth US\$57 billion,
- Reduction in government leakages worth US\$2 billion annually.

In terms of the extent that emerging countries have reaped the benefits of financial inclusion and digital financial services so far, the Brookings Institution published the 2016 Brookings Financial and Digital Inclusion Project Report in order to assess the financial ecosystem of 26 countries. Basing its assessment on the four dimensions Country Commitment, Mobile Capacity, Regulatory Environment, and Adoption of Selected Traditional and Digital Financial Services, the Report ranked Kenya as the top-performing country with an overall score of 84 per cent (see Figure 1.2.). Colombia came second, with a margin of five percentage points to Kenya. Brazil, South Africa, and Uganda completed the top five with a score of 78 per cent.

Nigeria scored 72 per cent, making it 10th out of the 26 countries studied. While Nigeria scored higher than the average of the 26 countries in Country Commitment (94 vs. 84 average score), Regulatory Environment (83 vs. 81), and Adoption (53 vs. 50), it was rated below-average on Mobile Capacity (78 vs. 79) due to low smartphone adoption, 3G mobile coverage and mobile market penetration. Also, although Nigeria was rated slightly above-average on Adoption relative to its peer countries, its score was low in comparison to the other dimensions.

“Digital financial services can add up to US\$ 88Bn to Nigeria's GDP, create 3M new jobs and lead to the formal financial inclusion of 46M adults by 2025.”

Figure 1.2.: Assessment of the Financial Inclusion Ecosystem according to four Dimensions, 2016, Values in %



Source: Villasenor et al. (2016)

This Annual Report provides an overview of financial inclusion activities and the progress made on the implementation of the National Financial Inclusion Strategy in Nigeria in 2016. While Chapter 2 outlines the implementation environment, Chapter 3 measures achievements made relative to the defined targets in the National Financial Inclusion Strategy. Chapter 4 describes stakeholder activities on financial inclusion during the year under review, while Chapter 5 concludes with recommendations to different stakeholder groups.

IMPLEMENTATION ENVIRONMENT IN 2016

Macroeconomic Environment

GDP
Growth
Rate



2015 **2.8%**
2016 **-1.5%**

Average
Inflation
Rate



2015 **9.6%**
2016 **15.6%**

Average Price
of one Barrel
Bonny Light Oil



2015 **US\$53.1**
2016 **US\$44.5**

Average
Inter-Bank
Exchange Rate



2015 **N195.5/US\$**
2016 **N253.5/US\$**

Banking Sector

Loans and Advances



2015 **N12.3tn**
2016 **N15.1tn**

Total Assets



2015 **N28.4tn**
2016 **N32.1tn**

Total Deposit Liabilities



2015 **N17.3tn**
2016 **N18.5tn**

Microfinance Bank Sector

Loans and Advances



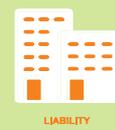
n167.9bn 2015
2016 **n178.0bn**

Total Assets



n343.9bn 2015
2016 **n326.2bn**

Total Deposit Liabilities



n159.5bn 2015
2016 **n149.8bn**

IMPLEMENTATION ENVIRONMENT IN 2016

E-Payments Sector

Total Volume of Electronic Transactions

2015
654.6m

2016
949.9m



Total Value of Electronic Transactions

2015
₦56.3tn

2016
₦74.9tn

Insurance Sector

Non-Life Gross Premium

2015 **₦198.4bn**

2016 **₦204.3bn**

Life Gross Premium

2015 **₦91.0bn**

2016 **₦95.5bn**

Industry Gross Premium

2015 **₦289.3bn**

2016 **₦299.8bn**

Pension Sector

Public Sector Contributions

₦200.1bn 2015

2016 **₦225.9bn**

Private Sector Contributions

₦358.9bn 2015

2016 **₦262.3bn**

Total Contributions

₦559.0bn 2015

2016 **₦448.2bn**

Capital Market Sector

NSE Value Index

2015 **28,642.3**

2016 **26,874.6**



Total Market Capitalisation

2015 **₦17.0tn**

2016 **₦16.2tn**



Value of Stocks Traded/GDP in %

2015 **1.0%**

2016 **0.6%**



Sample State Level Engagement on Financial Inclusion (Kano State Government)



Nigeria hosts delegates from Uganda and Senegal on Knowledge Exchange Visit to understudy the National Financial Inclusion Strategy

2. IMPLEMENTATION ENVIRONMENT

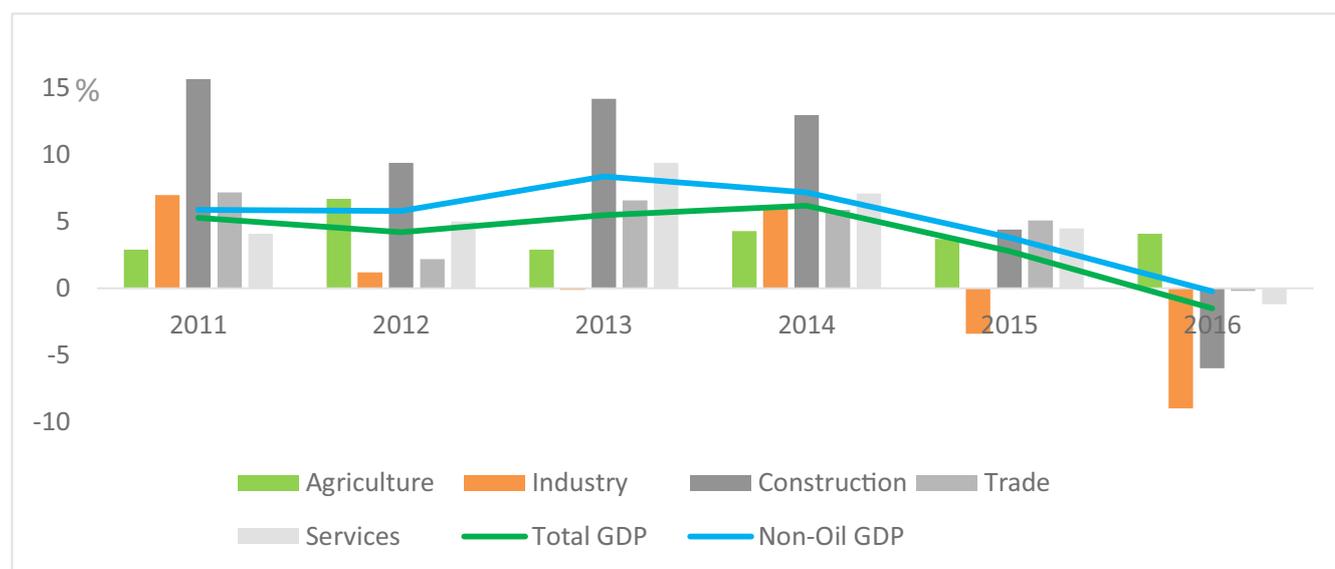
This chapter describes the implementation environment of the National Financial Inclusion Strategy in 2016. It examines the macroeconomic environment as well as analyses relevant sub-sectors of the Nigerian financial industry.

“GDP declined by **1.5%** in 2016, while the average inflation stood at **15.6 per cent** in 2016.”

2.1. Macroeconomic Environment

The Nigerian economy faced significant shocks from both the global and domestic fronts in 2016. Economic activities were largely constrained by low crude oil production and prices, which engendered foreign exchange shortages and sustained inflationary pressure. Furthermore, security crises across the nation, particularly in North East, weighed down on the agricultural sector and other sectors, which heightened the recession in 2016. Data from the National Bureau of Statistics (NBS) showed that the Gross Domestic Product (GDP), measured at 2010 constant basic prices, declined by 1.51 per cent to ₦68.0 trillion in 2016 over 2015 (see Figure 2.1.1.).

Figure 2.1.1.: Sectoral Growth Rates of GDP at 2010 Constant Basic Prices, 2011 to 2016

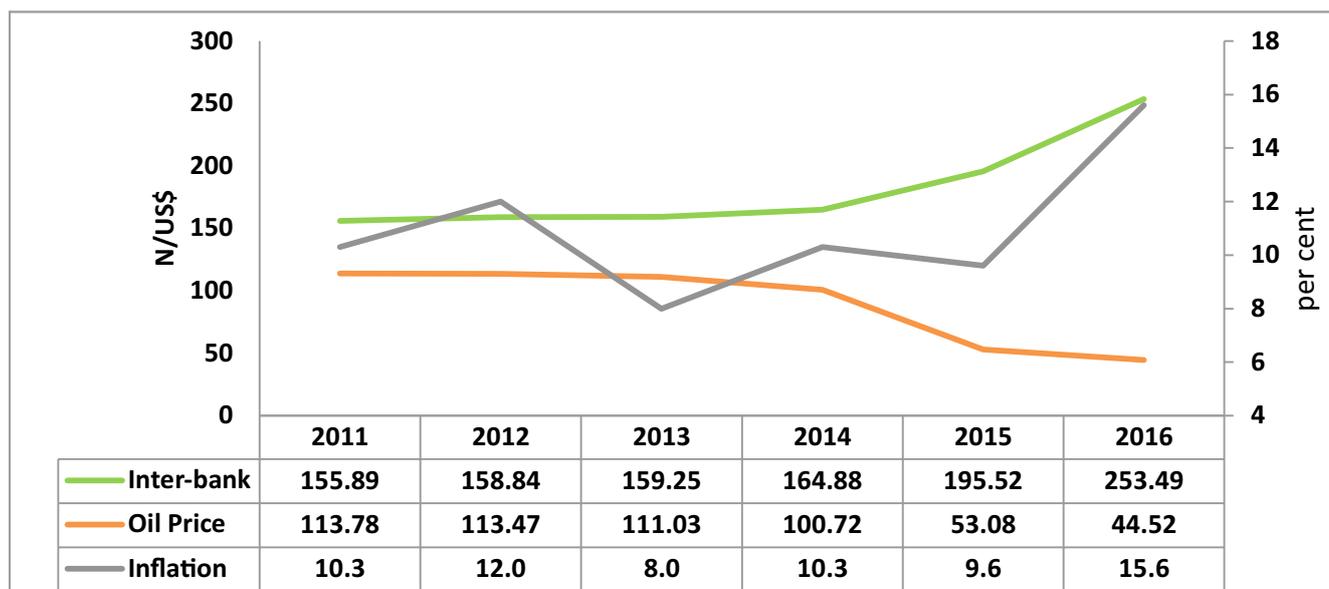


Source: National Bureau of Statistics (NBS)

Comparatively, the oil and non-oil sector output declined by 13.3 and 0.2 per cent in 2016. In terms of sectoral performance, the agricultural sector grew by 4.1 per cent, while the industry, construction, trade and services sectors fell by 8.5, 6.0, 0.2 and 1.2 per cent, respectively.

As Figure 2.1.2. shows, the average inflation for 2016 stood at 15.6 per cent, above the single digit threshold due to the high pass-through of the Naira depreciation to domestic prices associated with structural rigidities in the economy. The inflation rate reached 18.6 per cent at end-December 2016, due to a number of monetary and structural factors, including pressure on the food component of the Consumer Price Index (CPI) basket, re-pricing of Premium Motor Spirit (PMS) and exchange rate pressures.

Figure 2.1.2.: Trend of Key Prices in the Economy, Yearly Average, 2011 to 2016



Source: Central Bank of Nigeria Statistical Database

“Key macroeconomic indicators performed less favourably in 2016 than in 2015, which exerted substantial pressure on financial inclusion developments.”

In the foreign exchange market, the Naira also witnessed modest adjustment due to developments in the external sectors. The average exchange rate of the Naira (NGN) to the US Dollar (US\$) at the inter-bank segment increased from ₦195.52/US\$ in 2015 to ₦253.49/US\$ in 2016. Following the introduction of a more flexible rate mechanism, the Naira had depreciated to ₦305.00/US\$ at the inter-bank market as at end-December 2016, while at the Bureaux de Change (BDC) segment, the Naira had weakened to ₦372.91/US\$ by end-December 2016. This was propelled by the shortage of foreign exchange in the market and adjustments triggered by the flexible exchange rate system.

The average oil price further declined from its already low value in 2015. While the average price of one barrel of Bonny Light Oil had amounted to US\$53.08 in 2015, it declined to US\$44.52 in 2016 (see Figure 2.1.2.).

Overall, key macroeconomic indicators performed less favourably in 2016 than in 2015, which exerted substantial pressure on financial inclusion developments.

2.2. Banking Sector

The structure of the Nigerian financial system remained unchanged in 2016. The players included the Central Bank of Nigeria, the Federal Mortgage Bank of Nigeria (FMBN), and twenty-six (26) banks, comprising twenty-one (21) commercial banks, four (4) merchant banks and one (1) non-interest bank.

Others were one (1) discount house, nine hundred and eighty-seven (987) microfinance banks, sixty-six (66) finance companies, thirty-five (35) primary mortgage banks, one (1) mortgage refinance company, and six (6) development finance institutions. Specifically, there were three major developments in the financial system during the period. First, one new commercial bank, Providus Bank, was licensed. Second, the regional authorization licence of Jaiz Bank was upgraded to a national licence. Third, I-Care Microfinance Bank was licensed as a unit non-interest microfinance bank, while eleven (11) unit microfinance banks merged to acquire State MFB authorization.

Available data indicates that total assets of the banking sector increased by 13.3 per cent to reach ₦32.1 trillion at end-December 2016 from ₦28.4 trillion at end-December 2015. Total deposit liabilities grew by 6.8 per cent from ₦17.3 trillion at end-December 2015 to ₦18.5 trillion by end-December 2016. On the other hand, loans and advances increased strongly by 22.9 per cent from ₦12.3 trillion at end-December 2015 to ₦15.1 trillion at end-December 2016, compared with a growth of 0.7 per cent from 2014 to 2015. Credit from the Central Bank increased by 35.5 per cent from ₦732.2 billion by end-December 2015 to ₦992.3 billion at end-December 2016, while foreign assets also grew substantially from ₦108.0 billion to ₦359.0 billion, due to the huge inflow occasioned by the adoption of a more flexible exchange rate regime (see Table 2.2.1.).

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

| Indicator | 2012 | 2013 | 2014 | 2015 ² | 2016 ³ |
|---|---------------|---------------|---------------|-------------------|-------------------|
| Reserves ⁴ | 3,481,412.44 | 3,794,118.56 | 5,522,612.24 | 5,097,605.47 | 4,997,153.93 |
| Aggregate Credit (Net) | 13,424,886.00 | 12,207,717.51 | 16,437,093.55 | 18,091,452.53 | 21,296,805.72 |
| Loans and Advances | 6,833,636.59 | 6,677,225.03 | 12,175,750.47 | 12,262,502.40 | 15,075,607.96 |
| Total Assets | 21,303,951.77 | 24,468,368.48 | 27,581,647.55 | 28,369,031.69 | 32,130,449.38 |
| Total Deposit Liabilities | 13,135,887.35 | 13,825,188.77 | 15,234,775.34 | 17,343,986.35 | 18,521,914.63 |
| Demand Deposits | 5,072,986.00 | 5,169,063.97 | 4,668,215.23 | 5,885,856.53 | 6,201,688.88 |
| Time, Savings & Foreign Currencies Deposits | 8,062,901.35 | 8,656,124.80 | 10,566,560.11 | 11,458,129.82 | 12,320,225.75 |
| Foreign Assets (Net) | 1,650,121.00 | 1,614,722.37 | 969,549.18 | 107,999.86 | 359,006.47 |
| Credit from Central Bank | 228,036.25 | 262,170.55 | 224,581.43 | 732,244.52 | 992,267.90 |
| Capital Accounts | 3,640,682.01 | 3,915,405.55 | 4,269,522.17 | 5,051,419.96 | 5,684,981.50 |
| Capital & Reserves | 2,408,141.11 | 2,649,166.02 | 2,963,361.18 | 3,470,957.43 | 3,745,131.39 |
| Other Provisions | 1,232,540.90 | 1,266,239.52 | 1,306,160.99 | 1,580,462.52 | 1,939,850.12 |

Source: Central Bank of Nigeria

2.3. Microfinance Bank Sector

The number of microfinance banks (MFBs) rose to 987 as at end-December 2016, compared with 958 in 2015, while the number of reporting MFBs declined from 684 as at end-2015 to 622 in 2016.

Table 2.3.1. shows that total assets and total deposit liabilities of MFBs declined by 5.1 per cent and 6.1 per cent from ₦343.9 billion and ₦159.5 billion in 2015 to ₦326.2 billion and ₦149.8 billion in 2016, respectively. However, net loans and advances rose by 6.0 per cent to ₦178.0 billion in 2016 from ₦167.9 billion recorded in December 2015. Also, investments rose by 13.5 per cent from ₦17.7 billion in 2015 to ₦20.1 billion in 2016.

² Revised

³ Provisional

⁴ Includes CBN bills held by Deposit Money Banks

Table 2.3.1.: Statistics of the Microfinance Bank Sector

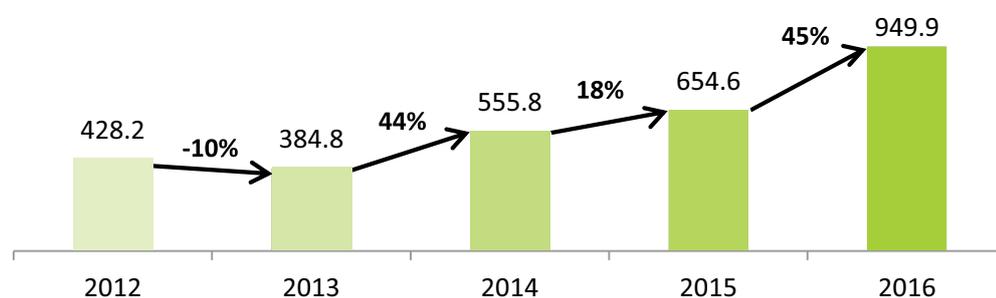
| Indicator | 2012 | 2013 | 2014 | 2015 | 2016 ⁵ |
|--|-----------|------------|-----------|-----------|-------------------|
| Number of Licensed MFBs | 879 | 820 | 913 | 958 | 987 |
| Number of Reporting MFBs | 474 | 820 | 679 | 684 | 622 |
| Capital and Reserves (Million Naira) | 29,094.8 | 72,963.7 | 91,008.8 | 91,376.5 | 77,868.7 |
| Total Assets (Million Naira) | 117,872.1 | 270,896.1 | 300,731.1 | 343,883.1 | 326,223.1 |
| Deposit Liabilities (Million Naira) | 59,375.9 | 135,918.7 | 145,830.0 | 159,453.5 | 149,798.4 |
| Loans & Advances (Net) (Million Naira) | 50,928.3 | 129,026.97 | 162,905.0 | 167,900.0 | 178,011.6 |
| Investments (Million Naira) | 8,959.8 | 14,703.0 | 15,785.6 | 17,737.9 | 20,127.2 |

Source: Central Bank of Nigeria

2.4. E-Payments Sector

Key electronic transaction channels in Nigeria comprise Automated Teller Machines (ATMs), the Nigeria Inter-Bank Settlement System Instant Payment (NIP), the Nigeria Inter-Bank Settlement System Electronic Fund Transfer (NEFT), mobile payments, Point-of-Sale devices, cheques, internet banking, E-Bills Pay, Remita, Central Pay and NIBSS Automated Payment Services (NAPS).

Figure 2.4.1.: Volume (Number) of Electronic Transactions (in Million) and Annual Growth Rate (in %), 2012 to 2016



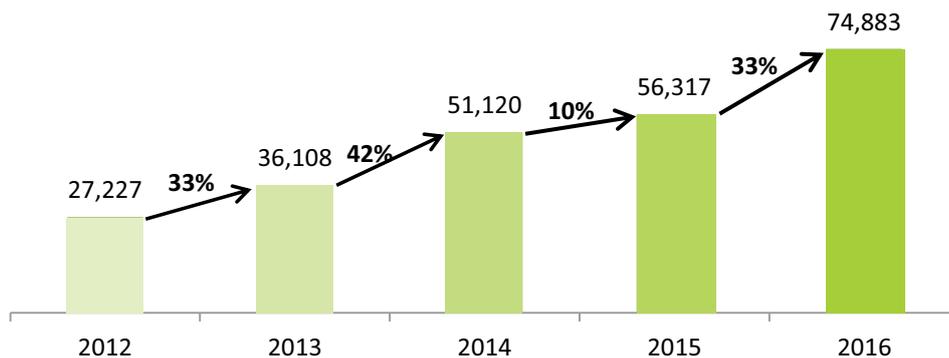
Source: Central Bank of Nigeria, Nigeria Inter-Bank Settlement System

“The volume and value of electronic transactions rose by **45%** and **33%** respectively, in 2016.”

The volume and value of electronic transactions through the mentioned channels rose by 45.1 per cent and 33.0 per cent to 949.9 million and ₦74.9 trillion, respectively, over the 654.6 million and ₦56.3 trillion recorded in 2015. This was a significantly stronger growth than the one in the previous year, when annual growth rates of 17.8 and 10.2 per cent in the volume and value of electronic transactions, respectively, were recorded. This trend underscores the increasing importance of electronic transaction channels in Nigeria (see Figures 2.4.1. and 2.4.2.).

⁵Provisional

Figure 2.4.2.: Value of Electronic Transactions (in Billion Naira) and Annual Growth Rate (in %), 2012 to 2016



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

“ATMs remained the most frequently used electronic channel with **590M** transactions in 2016.”

Tables 2.4.1. and 2.4.2. provide further insights into the trend of the volume and value of the specific electronic transaction channels from 2012 to 2016.

In terms of volume of electronic transactions, ATMs remained the most frequently used electronic channel with 590.2 million transactions in 2016 (see Figure 2.4.3.). Even though this was an increase of 36.1 per cent relative to the 433.7 million ATM transactions in 2015, the ATM share of the total volume of electronic transactions declined from 66.3 per cent in 2015 to 62.1 per cent in 2016, continuing the overall decreasing trend of the number of ATM transactions relative to the number of electronic transactions made through other channels since 2012 (see Table 2.4.1.).

The share of transactions made through NIP, in contrast, increased substantially from 10.9 per cent in 2015 to 16.3 per cent in 2016, while the absolute number of transactions through NIP grew from 71.2 to 154.5 million between 2015 and 2016. Other channels which experienced high growth rates in the number of transactions between 2015 and 2016 included PoS (88.9 per cent), Remita (97.0 per cent), and internet banking (76.5 per cent), which resulted in an increase of their respective shares of the total number of electronic transactions to 6.7, 4.0, and 1.5 per cent in 2016.

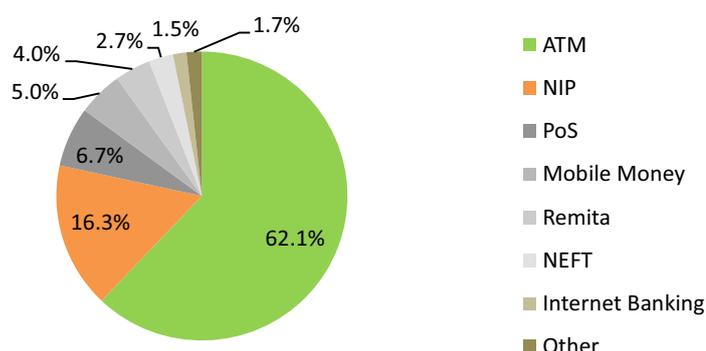
The number of mobile money transactions only grew marginally by 7.1 per cent, similar to the 6.4 per cent-growth rate of the number of transactions made through Central Pay. NEFT, cheques and E-Bills Pay recorded a negative growth of 12.6, 13.0, and 15.0 per cent, respectively, in the number of transactions in 2016, while NAPS, which was only introduced in 2015, experienced a growth of 323.3 per cent. However, its share of the total volume of electronic transactions remained small at 0.4 per cent in 2016.

Table 2.4.1.: Volume (Number) of Electronic Transactions, 2012 to 2016, by Electronic Transaction Channel

| Transaction Channel ⁶ | 2012 | 2013 | 2014 | 2015 | 2016 | Growth Rate 2015-2016 |
|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------|
| ATM | 375,513,154 (87.7%) ⁷ | 295,416,724 (76.8%) | 400,269,140 (72.0%) | 433,695,748 (66.3%) | 590,238,934 (62.1%) | 36.1% |
| NIP | 4,449,654 (1.0%) | 17,112,158 (4.4%) | 40,829,854 (7.3%) | 71,223,545 (10.9%) | 154,504,034 (16.3%) | 116.9% |
| PoS | 2,587,595 (0.6%) | 9,418,427 (2.4%) | 20,817,423 (3.7%) | 33,720,933 (5.2%) | 63,715,203 (6.7%) | 88.9% |
| Mobile Money | 2,297,688 (0.5%) | 15,930,181 (4.1%) | 27,744,797 (5.0%) | 43,933,362 (6.7%) | 47,053,252 (5.0%) | 7.1% |
| Remita | - | - | 15,029,627 (2.7%) | 19,417,371 (3.0%) | 38,249,886 (4.0%) | 97.0% |
| NEFT | 28,941,559 (6.8%) | 29,834,317 (7.8%) | 29,690,765 (5.3%) | 28,935,605 (4.4%) | 25,292,938 (2.7%) | -12.6% |
| Internet Banking | 2,276,464 (0.5%) | 2,900,473 (0.8%) | 5,567,436 (1.0%) | 7,981,361 (1.2%) | 14,088,247 (1.5%) | 76.5% |
| Cheques | 12,161,694 (2.8%) | 14,211,078 (3.7%) | 15,283,933 (2.7%) | 13,466,461 (2.1%) | 11,719,847 (1.2%) | -13.0% |
| NAPS | - | - | - | 936,667 (0.1%) | 3,965,212 (0.4%) | 323.3% |
| E-Bills Pay | - | 557 (0.0%) | 593,579 (0.1%) | 1,208,556 (0.2%) | 1,026,886 (0.1%) | -15.0% |
| Central Pay | - | - | 1,384 (0.0%) | 66,031 (0.0%) | 70,239 (0.0%) | 6.4% |
| Total | 428,227,808 (100.0%) | 384,823,915 (100.0%) | 555,827,938 (100.0%) | 654,585,640 (100.0%) | 949,924,678 (100.0%) | 45.1% |

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

Figure 2.4.3.: Distribution of Total Volume of Electronic Transactions, by Channel, 2016 (in %)



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

⁶ Please note that cheques only include clearing cheques and only inter-bank transactions are being considered. Similarly, figures provided for NEFT, ATM, Internet Banking, and NIP are based on inter-bank transactions only. Mobile Money, E-Bills Pay, PoS, Remita, Central Pay and NAPS, in contrast, include both inter- and intra-bank transactions. For more information on the different channels, please visit the website of the Nigeria Inter-Bank Settlement System at: <http://www.nibss-plc.com.ng/>. Accessed in June 2017.

⁷ Percentages in parentheses refer to the share of the number of transactions made through the particular channel out of the total number of electronic transactions made in the respective year.

In terms of nominal *value* of electronic transactions, NIP remained the channel through which transactions with the highest value in Naira were made in 2016. The value of NIP transactions increased by 49.6 per cent from ₦25.5 trillion in 2015 to ₦38.2 trillion in 2016, which resulted in a share of NIP in the total value of electronic transactions of 51.0 per cent in 2016 (see Table 2.4.2. and Figure 2.4.4.). NEFT was the channel with the second highest value in 2016, even though the value declined by 4.8 per cent between 2015 and 2016. The value share of NEFT stood at 16.6 per cent in 2016, down from 50.5 per cent in 2012. Remita, on the contrary, recorded a significant increase of 71.2 per cent in the value of transactions between 2015 and 2016 and made up 14.2 per cent of the total value in 2016.

Table 2.4.2.: Nominal Value of Electronic Transactions, 2012 to 2016, by Electronic Transaction Channel, in Billion Naira

| Transaction Channel ⁸ | 2012 | 2013 | 2014 | 2015 | 2016 | Growth Rate 2015-2016 |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|
| NIP | 3,890 (14.3%) ⁹ | 10,849 (30.0%) | 19,921 (39.0%) | 25,541 (45.4%) | 38,215 (51.0%) | 49.6% |
| NEFT | 13,753 (50.5%) | 14,368 (39.8%) | 14,564 (28.5%) | 13,087 (23.2%) | 12,455 (16.6%) | -4.8% |
| Remita | - | - | 4,914 (9.6%) | 6,223 (11.1%) | 10,652 (14.2%) | 71.2% |
| Cheques | 7,487 (27.5%) | 7,709 (21.3%) | 7,269 (14.2%) | 6,195 (11.0%) | 5,830 (7.8%) | -5.9% |
| ATM | 1,985 (7.3%) | 2,831 (7.8%) | 3,682 (7.2%) | 3,972 (7.1%) | 4,988 (6.7%) | 25.6% |
| PoS | 48 (0.2%) | 161 (0.4%) | 312 (0.6%) | 449 (0.8%) | 759 (1.0%) | 69.0% |
| Mobile Money | 32 (0.1%) | 143 (0.4%) | 339 (0.7%) | 442 (0.8%) | 757 (1.0%) | 71.3% |
| NAPS | - | - | - | 99 (0.2%) | 754 (1.0%) | 661.6% |
| E-Bills Pay | - | 0 (0.0%) | 44 (0.1%) | 217 (0.4%) | 339 (0.5%) | 56.2% |
| Internet Banking | 32 (0.1%) | 47 (0.1%) | 74 (0.1%) | 92 (0.2%) | 132 (0.2%) | 43.5% |
| Central Pay | - | - | 0 (0.0%) | 0 (0.0%) | 1 (0.0%) | 362.9% |
| Total | 27,227 (100.0%) | 36,108 (100.0%) | 51,120 (100.0%) | 56,317 (100.0%) | 74,883 (100.0%) | 33.0% |

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

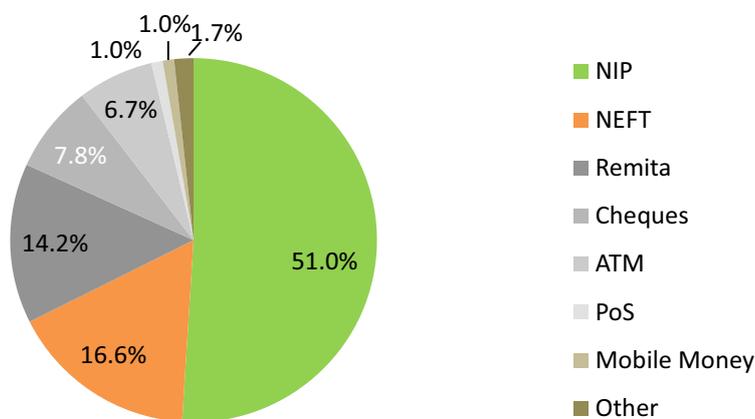
⁸ Please note that cheques only include clearing cheques and only inter-bank transactions are being considered. Similarly, figures provided for NEFT, ATM, Internet Banking, and NIP are based on inter-bank transactions only. Mobile Money, E-Bills Pay, PoS, Remita, Central Pay and NAPS, in contrast, include both inter- and intra-bank transactions. For more information on the different channels, please visit the website of the Nigeria Inter-Bank Settlement System at: <http://www.nibss-plc.com.ng/>. Accessed in June 2017.

⁹ Percentages in parentheses refer to the share of the nominal value of transactions made through the particular channel out of the total nominal value of electronic transactions made in the respective year.

The relevance of cheques in terms of value relative to other electronic channels further diminished in 2016, as its share of the total value of electronic transactions decreased to 7.8 per cent in 2016, down from 27.5 per cent in 2012. The value of ATM transactions increased by 25.6 per cent from 2015 to 2016, which was below the overall growth rate, implying a decrease in ATM's value share from 7.1 per cent in 2015 to 6.7 per cent in 2016.

The value of transactions made through PoS, mobile money, E-Bills Pay and internet banking increased by 69.0, 71.3, 56.2, and 43.5 per cent, respectively from 2015 to 2016, while their respective shares remained at 1.0 per cent or lower. NAPS and Central Pay, which were both recently introduced, recorded substantial increases in the value of transactions above 660 and 360 per cent, respectively, but remained insignificant relative to the value made through other electronic channels.

Figure 2.4.4.: Distribution of Total Nominal Value of Electronic Transactions, by Channel, 2016 (in %)



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

“While the gross premium of the insurance industry stood at **₦300Bn** in 2016, claims worth **₦131Bn** were settled.”

2.5. Insurance Sector

The Nigerian insurance industry comprises life and non-life (general) insurance businesses. The gross premium of the industry stood at ₦299.8 billion in 2016, compared to ₦289.3 billion in 2015. This represents a 3.6 per cent growth in 2016, which was a higher growth than in 2015, when the growth rate had amounted to 2.7 per cent. In terms of growth of the insurance sub-sectors, the non-life and the life insurance gross premium grew at a rate of 3.0 and 5.0 per cent, respectively, in 2016. The respective shares of the non-life and life gross premium of the total industry gross premium amounted to 68.1 and 31.9 per cent, respectively, in 2016 (see Table 2.5.1.).

Insurance companies paid out claims worth ₦130.6 billion in 2016, which represented a growth of 17.4 per cent compared to 2015. This large increase was mainly due to the increase in paid insurance claims in the life insurance sub-sector, as the claims paid increased from ₦45.2 billion in 2015 to ₦63.3 billion in 2016. The claims ratio of the life insurance sub-sector increased from 49.7 per cent in 2015 to 66.3 per cent in 2016. In contrast, the claims ratio of the non-life insurance sub-sector remained fairly constant around 33 per cent between 2015 and 2016. Since 2009, an increase in the claims ratio of the entire industry can be observed, which again was driven by the substantial increase in the claims ratio of the life insurance sub-sector, as the non-life insurance claims ratio only increased marginally between 2009 and 2016 (see Table 2.5.2.).

Table 2.5.1.: Industry Gross Premium by Insurance Type and Growth Rate, 2009 to 2016¹⁰

| Year | Non-Life Gross Premium (₦ Million) | Life Gross Premium (₦ Million) | Industry Gross Premium (₦ Million) | Growth Rate of Industry Gross Premium (Year on Year) |
|------|------------------------------------|--------------------------------|------------------------------------|--|
| 2009 | 153,127.12 | 36,833.33 | 189,960.45 | - |
| 2010 | 157,336.81 | 43,039.17 | 200,375.98 | 5.5% |
| 2011 | 175,756.76 | 57,996.13 | 233,752.89 | 16.7% |
| 2012 | 193,493.25 | 64,909.06 | 258,402.30 | 10.5% |
| 2013 | 196,008.76 | 80,520.24 | 276,529.00 | 7.0% |
| 2014 | 195,887.85 | 85,952.58 | 281,840.43 | 1.9% |
| 2015 | 198,389.16 | 90,952.32 | 289,341.48 | 2.7% |
| 2016 | 204,340.83 | 95,499.94 | 299,840.77 | 3.6% |

Source: National Insurance Commission

Table 2.5.2.: Industry Gross Claims Paid, by Insurance Type, and Growth Rate, 2009 to 2016¹¹

| Year | Non-Life Gross Claims (₦ Million) (Claims Ratio) ¹² | Life Gross Claims (₦ Million) (Claims Ratio) | Industry Gross Premium (₦ Million) (Claims Ratio) | Growth Rate of Industry Claims Paid (Year on Year) |
|------|---|---|--|--|
| 2009 | 49,498.93 (32.3%) | 12,470.22 (33.9%) | 61,969.15 (32.6%) | - |
| 2010 | 37,589.56 (23.9%) | 16,225.79 (37.7%) | 53,815.35 (26.9%) | -13.2% |
| 2011 | 26,792.14 (15.2%) | 20,815.60 (35.9%) | 47,607.74 (20.4%) | -11.5% |
| 2012 | 55,717.15 (28.8%) | 23,405.43 (36.1%) | 79,122.58 (30.6%) | 66.2% |
| 2013 | 71,602.78 (36.5%) | 35,701.76 (44.3%) | 107,304.54 (38.8%) | 35.6% |
| 2014 | 64,968.34 (33.2%) | 31,795.47 (37.0%) | 96,763.81 (34.3%) | -9.8% |
| 2015 | 65,971.92 (33.3%) | 45,197.37 (49.7%) | 111,169.29 (38.4%) | 14.9% |
| 2016 | 67,291.36 (32.9%) | 63,276.32 (66.3%) | 130,567.68 (43.5%) | 17.4% |

Source: National Insurance Commission

¹⁰Please note that 2016 data is provisional; 2014 and 2015 data has been updated from the 2015 Annual Report.

¹¹Please note that 2016 data is provisional.

¹²The claims ratio is defined as the share of gross claims paid of gross premium income.

2.6. Pension Sector

The total annual contributions made into the Contributory Pension Scheme (CPS) by employees and employers from both, the public and private sectors, amounted to ₦488.2 billion in 2016. This represents a decline of 12.7 per cent compared to the contributions made during 2015. The decline was due to the sharp decrease in private sector contributions, which fell by 26.9 per cent from ₦358.9 billion in 2015 to ₦262.3 billion in 2016. Public sector contributions, on the contrary, increased by 12.9 per cent from ₦200.1 billion in 2015 to ₦225.9 billion in 2016. As a result, the share of private sector contributions out of total contributions fell from 64.2 per cent in 2015 to 53.7 per cent in 2016. Total contributions made by both, the public and private sectors, since 2004 stood at ₦3.9 trillion as at end-December 2016 (see Table 2.6.1.).

Table 2.6.1.: Annual Pension Contributions from 2004 to 2016, by Sector, in Billion Naira

| Year | Public Sector Contributions | Private Sector Contributions | Total Contributions | Growth Rate of Contributions (Year on Year) |
|--------------|-----------------------------|------------------------------|---------------------|---|
| 2004 | 15.60 | - | 15.60 | - |
| 2005 | 34.68 | - | 34.68 | 122.3% |
| 2006 | 37.38 | 23.03 | 60.41 | 74.2% |
| 2007 | 80.63 | 68.34 | 148.97 | 146.6% |
| 2008 | 99.28 | 80.81 | 180.09 | 20.9% |
| 2009 | 137.10 | 91.21 | 228.31 | 26.8% |
| 2010 | 162.46 | 103.03 | 265.49 | 16.3% |
| 2011 | 228.92 | 119.53 | 348.45 | 31.2% |
| 2012 | 331.14 | 174.43 | 505.57 | 45.1% |
| 2013 | 278.50 | 225.42 | 503.92 | -0.3% |
| 2014 | 237.76 | 343.97 | 581.73 | 15.4% |
| 2015 | 200.05 | 358.91 | 558.96 | -3.9% |
| 2016 | 225.86 | 262.33 | 488.20 | -12.7% |
| Total | 2,069.36 | 1,851.01 | 3,920.38 | - |

Source: National Pension Commission

“The poor macroeconomic performance negatively affected the activities at the Nigeria Stock Exchange in 2016.”

2.7. Capital Market Sector

The number of listed securities declined from 257 in 2015 to 247 in 2016, while the number of listed companies decreased from 184 in 2015 to 170 in 2016. Furthermore, the number of listed equities decreased from 190 in 2015 to 174 in 2016, while the number of listed bonds and Exchange Traded Funds (ETFs) rose to 64 and 8 in 2016, compared with 60 and 7 recorded in 2015.

The poor macroeconomic performance in 2016 negatively affected the activities at the Nigerian Stock Exchange (NSE), as the NSE Value index declined by 6.2 per cent from 2015 to 2016. Also, total market capitalisation decreased by 4.8 per cent to ₦16.2 trillion, compared with ₦17.0 trillion attained in 2015. While the volume of stocks traded increased by 3.1 per cent from 2015 to 2016, the nominal value of stocks traded fell sharply by 39.4 per cent (see Table 2.7.1.).

Table 2.7.1.: Indicators of Capital Market Developments in the Nigerian Stock Exchange, 2012 to 2016¹³

| Indicator | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------|----------|----------|----------|----------|
| Number of Listed Securities | 256 | 254 | 253 | 257 | 247 |
| Volume of Stocks Traded (Turnover Volume) (Billion) | 104.2 | 267.3 | 108.5 | 92.9 | 95.8 |
| Value of Stocks Traded (Turnover Value) (Billion Naira) | 809.0 | 2,350.9 | 1,338.6 | 950.4 | 575.7 |
| Value of Stocks Traded/GDP (%) | 1.1 | 2.9 | 1.5 | 1.0 | 0.6 |
| Total Market Capitalisation (Billion Naira) | 14,800.9 | 19,077.4 | 16,875.1 | 17,003.4 | 16,185.7 |
| Of which: Banking Sector (Billion Naira) | 2,251.3 | 2,939.9 | 2,367.0 | 1,447.6 | 1,905.4 |
| Total Market Capitalisation/GDP (%) | 20.4 | 23.5 | 19.0 | 18.0 | 16.0 |
| Of which: Banking Sector/GDP (%) | 3.1 | 3.6 | 2.7 | 1.5 | 1.9 |
| Banking Sector Capitalisation/ Market Capitalisation (%) | 15.2 | 15.4 | 14.0 | 8.5 | 11.8 |
| Annual Turnover Volume/Value of Stock (%) | 12.9 | 11.4 | 8.1 | 9.8 | 16.6 |
| Annual Turnover Value/Total Market Capitalisation (%) | 5.5 | 12.3 | 7.9 | 5.6 | 3.5 |
| NSE Value Index (1984=100) | 28,078.8 | 41,329.2 | 34,657.2 | 28,642.3 | 26,874.6 |

Source: Securities & Exchange Commission

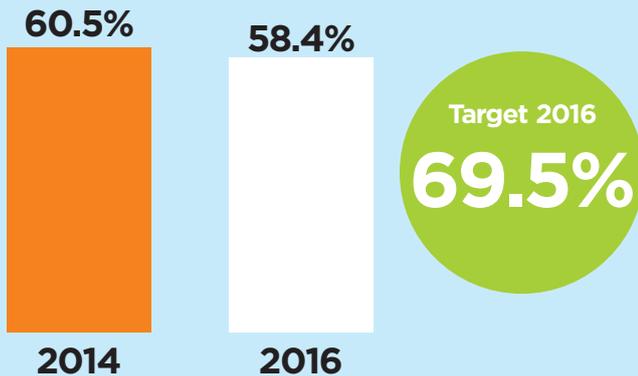
¹³Please note that 2016 data is provisional.

STRATEGY IMPLEMENTATION PROGRESS UPDATE AS AT 2016

Financial Inclusion Rate

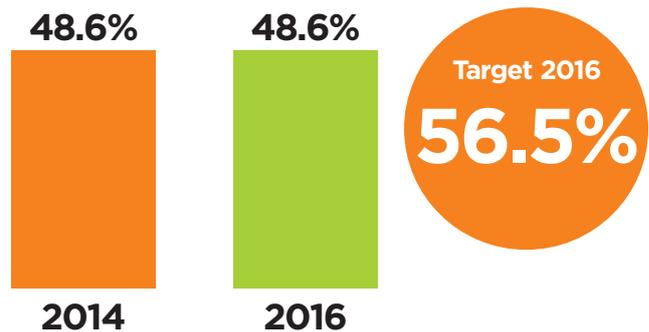
Financial Inclusion Rate

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



Formal Financial Inclusion Rate

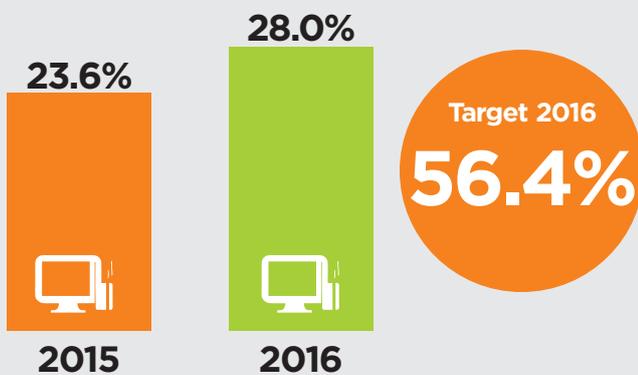
% of adult population that has or uses financial products from formal financial institutions



Product Indicators

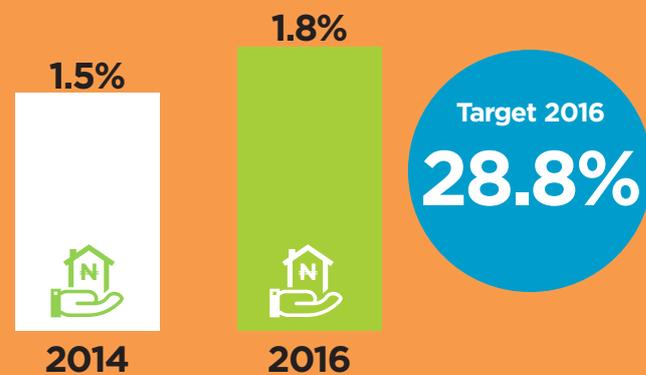
Electronic Payments & Savings

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



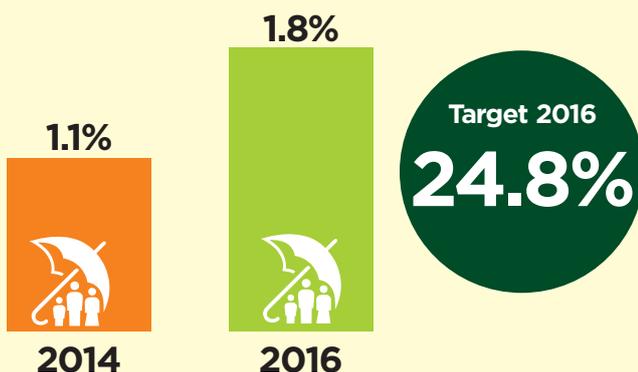
Credit

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



Insurance

% of adult population covered by a regulated insurance policy



Pensions

% of adult population registered with a regulated pension scheme



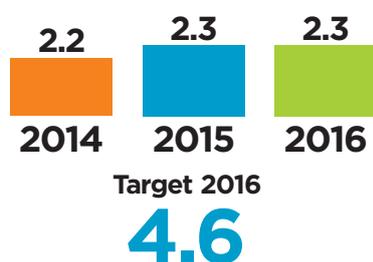
STRATEGY IMPLEMENTATION PROGRESS UPDATE AS AT 2016

Channels Indicators

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



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



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



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



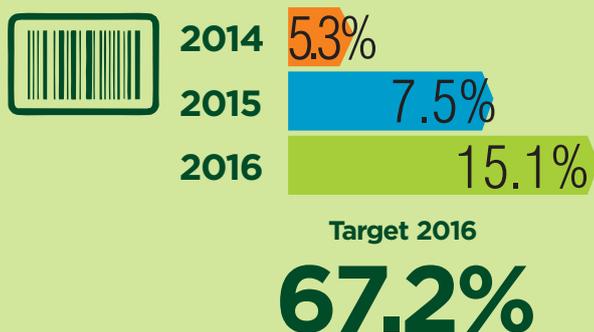
No. of **Agents** per 100,000 Adults



Enabler Indicators

National Identification Number (NIN)

% of adult population having a NIN



Know Your Customer (KYC) Tier 1 ID

% of adult population having a mobile phone



Sample National Financial Inclusion Roadshows (Cross River State)

Event Pictures



3. STRATEGY IMPLEMENTATION PROGRESS

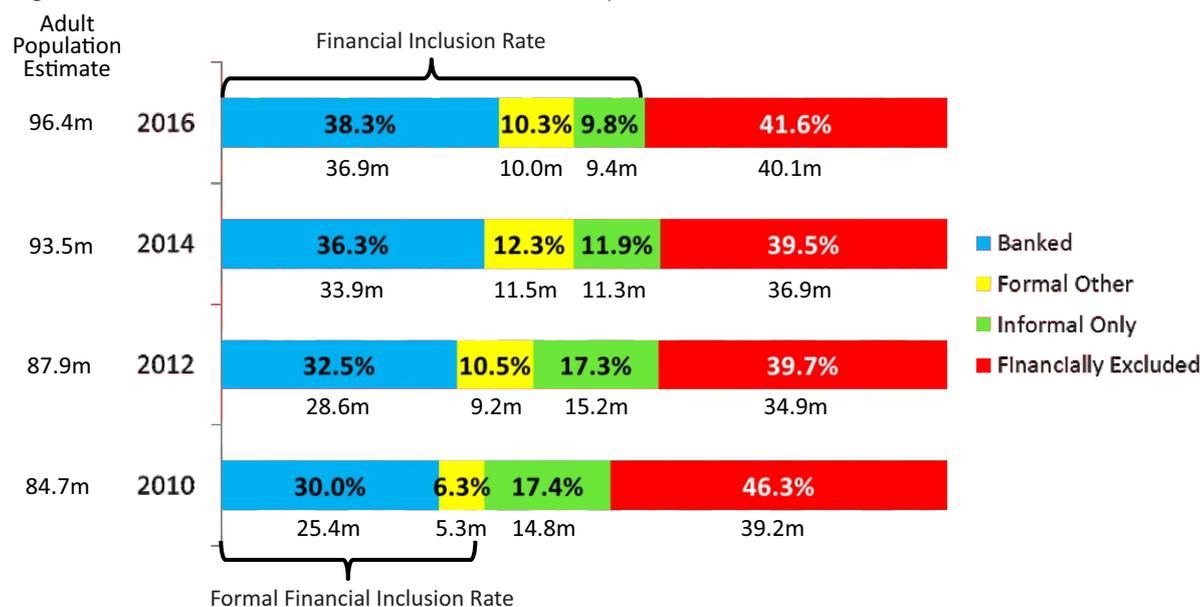
“The financial inclusion rate decreased by 2.1% - points from 60.5% in 2014 to 58.4% in 2016.”

2016 marked the mid-point of the eight-year implementation period of the National Financial Inclusion Strategy. This chapter provides a progress update on the achievement of the defined targets of the overall financial inclusion rate as well as product, channel, and enabler indicators. A detailed overview of the status of key initiatives driving the achievement of the defined product, channel, and enabler targets is provided in Appendix 1.

3.1. Financial Inclusion Rate

According to results of the Access to Financial Services in Nigeria 2016 Survey of Enhancing Financial Innovation and Access (EFInA), the formal adult financial inclusion rate remained constant at 48.6 per cent between 2014 and 2016, while the overall adult financial inclusion rate, which includes both adults who use formal financial services as well as adults who use informal financial services only, decreased by 2.1 percentage points from 60.5 to 58.4 per cent during the same period (see Figure 3.1.1.). As key reasons, EFInA highlighted the negative economic growth, a higher unemployment rate and increasing inflation in 2016, which had negative effects on the low-income population and hindered their capacity to save with formal or informal financial institutions.

Figure 3.1.1.: Financial Access Strands and Adult Population Estimates, 2010 to 2016¹⁴



Source: EFInA (2010, 2016)

Analysing the individual financial access strands from 2010 to 2016, one can observe that the percentage of adult Nigerians making use of financial services at commercial banks (“Banked”) increased consistently, even though the increase was smaller between 2014 and 2016 than between 2012 and 2014. The percentage of adult Nigerians using only formal financial services

¹⁴ The definitions of the financial access strands are as follows: **Banked**: Adults who have access to or use a deposit money bank in addition to having/using a traditional banking product, including ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, or no-interest banking product; including indirect access; **Formal Other**: Adults who have access to or use other formal institutions and financial products not supplied by deposit money banks, including insurance companies, microfinance banks, pension schemes, mobile money operators or shares. It also includes remittances (through formal channels); including indirect access; **Informal Only**: Adults who do not have any banked or formal other products, but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo, or moneylenders; as well as remittances (through informal channels such as via a transport service or recharge card); **Financially Excluded**: Adults not in the “banked”, “formal other” or “informal only” categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers, as well as remittances via a friend/family member.

other than commercial banks, such as microfinance banks, mobile money operators and insurance companies, had increased between 2010 and 2014, however, declined over the last two years. The adult population segment which makes use of informal financial services only decreased gradually from 17.4 per cent in 2010 to 9.8 per cent in 2016.

Table 3.1.1.: Status of the Overall and Formal Adult Financial Inclusion Rate as at 2016¹⁵

| Definition of Indicator | Baseline 2010 | Actual 2012 | Actual 2014 | Actual 2016 | Target 2016 ¹⁶ | % Achieved 2016 | Trend 2014-16 | Status | Target 2020 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|-----------------|---------------|--------|--------------------|
| Adult Financial Inclusion Rate | 53.7% (45.5m adults) | 60.3% (53.0m adults) | 60.5% (56.6m adults) | 58.4% (56.3m adults) | 69.5% (67.5m adults) | 84% | ↔ | ● | 80% (84.7m adults) |
| Formal Adult Financial Inclusion Rate | 36.3% (30.7m adults) | 43.0% (37.8m adults) | 48.6% (45.5m adults) | 48.6% (46.9m adults) | 56.5% (54.8m adults) | 86% | ↔ | ● | 70% (74.1m adults) |

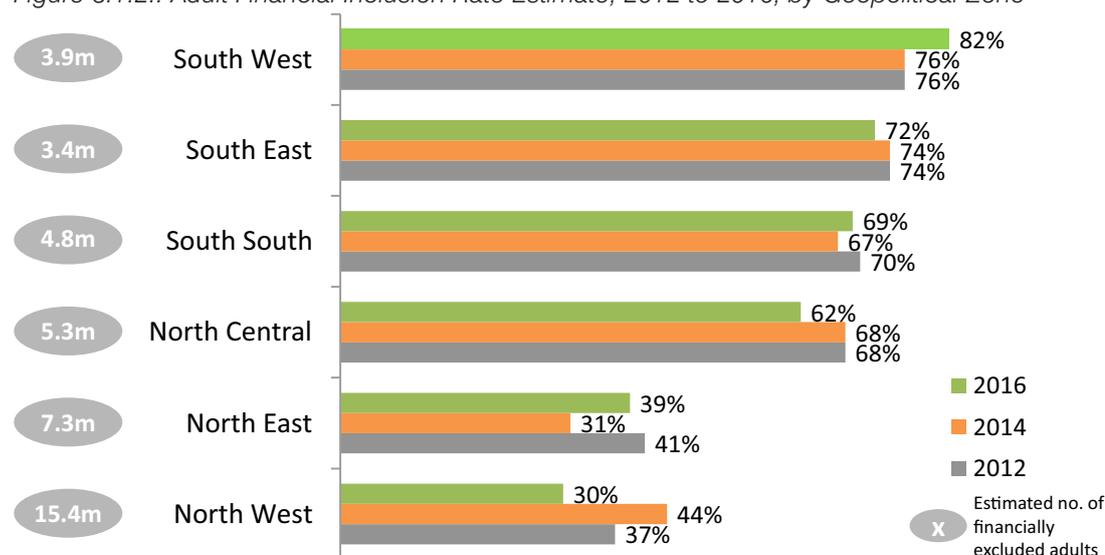
Source for Actuals: EFINA (2016)

Of the financially excluded adults, **57%** resided in North West and North East, **87%** lived in rural areas, **55%** were women and **61%** were 35 years old or younger,

Comparing the actual achievement with the 2016 overall and formal financial inclusion rate targets, it can be observed that both targets were not achieved. While the overall financial inclusion rate stood at 84 per cent of the 2016 target of 69.5 per cent, the formal financial inclusion rate amounted to 86 per cent of the 2016 target of 56.5 per cent (Table 3.1.1.).

In terms of the geographical distribution, a clear gap between the Southern geopolitical zones and North Central with a higher financial inclusion rate and North East and North West with a by far lower financial inclusion rate remained as at 2016 (Figure 3.1.2.). According to EFINA, both North East and North West had a financial inclusion rate of less than half of the rate of South West. As far as the trend between 2012 and 2016 is concerned, an increase in the financial inclusion rate was recorded only in South West, while North West and North Central experienced a strong decline. In South East, South South and North East, the financial inclusion rate decreased marginally over the last four years.

Figure 3.1.2.: Adult Financial Inclusion Rate Estimate, 2012 to 2016, by Geopolitical Zone



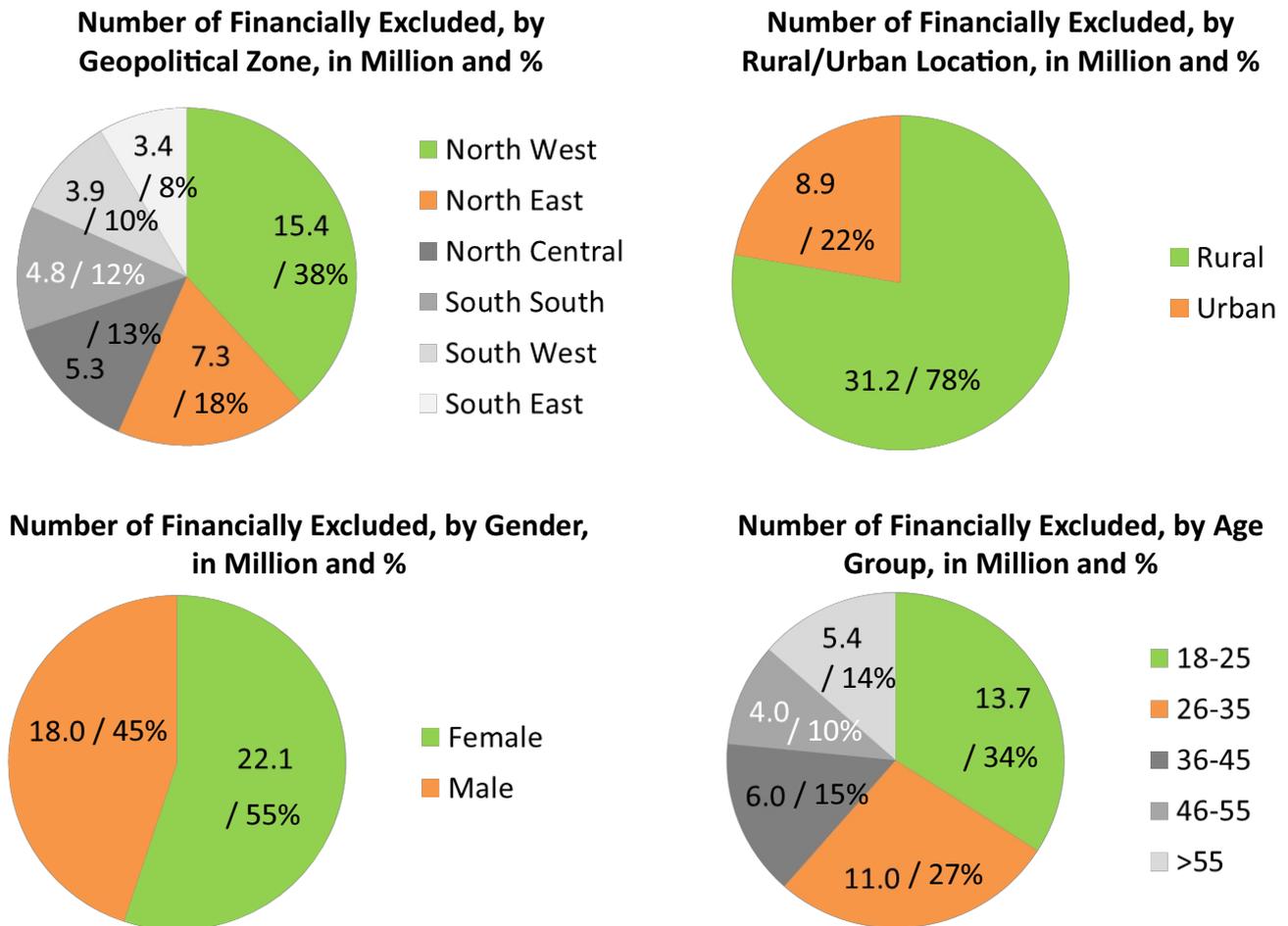
Source: EFINA (2016)

¹⁵ For detailed notes on the table, please refer to Table B in the Executive Summary.

¹⁶ Note that the target adult population is estimated for December, while the actuals were estimated based on EFINA's Access to Financial Services in Nigeria Survey which was conducted between June and November of the respective year.

Based on EFINA estimates, as at 2016, roughly 57 per cent of the financially excluded adults (about 22.7 million) resided in North West and North East, about 78 per cent lived in rural areas, 55 per cent were women and 61 per cent were younger than 35 years old (Figure 3.1.3.). In order to reduce the national adult financial exclusion rate in the most effective way, financial inclusion interventions need to specifically target these population segments.

Figure 3.1.3.: Profile of the Financially Excluded Adults as at 2016



Source: EFINA (2016)

“The Central Bank of Nigeria reviewed upward the existing transaction limits on KYC Tier 1 and 2 accounts.”

3.2. Products

The National Financial Inclusion Strategy defined key performance indicators for five formal financial products, electronic payments, savings, credit, insurance, and pensions. Product key performance indicators aim at tracking the percentage of adult Nigerians who own and use defined financial products. Table 3.2.1. shows progress made on the indicators as at 2016.

3.2.1. Electronic Payments and Savings

Key Activities in 2016

In 2016, several initiatives were carried out which targeted increased uptake of bank and mobile money accounts as well as higher usage of them to make electronic payments and save. For instance, the Central Bank of Nigeria reviewed upward the existing transaction limits on Know Your Customer (KYC) Tier 1 and 2 accounts as a response to requests made by financial services providers and in order to deepen financial inclusion. Customers of KYC Tier 1 accounts would now be allowed to make single deposits of up to ₦50,000 and have a cumulative balance of up to ₦300,000, while customers of KYC Tier 2 accounts could make

single deposits of up to ₦100,000 and have a cumulative balance of ₦500,000 at any point in time.

Additionally, the Central Bank of Nigeria, in collaboration with the Bill & Melinda Gates Foundation (BMGF), conducted a proof-of-concept study on the digitisation of harvest payments to smallholder farmers in Soba LGA in Kaduna State. Key findings included the importance of educating users about formal financial services, the popularity of commitment savings accounts among the studied group of farmers which allowed users to save towards a specific goal, such as the payment of the child's school fees, and the need to deploy multiple Bank Verification Number (BVN) capturing devices to overcome network and IT challenges. CBN and BMGF also conducted a study on how mobile money penetration could be accelerated in Nigeria. Among other things, the study recommended that agent profitability would need to be improved, that Unstructured Supplementary Service Data (USSD) costs would need to be reduced, that inter-operability between different mobile money operators would need to be enhanced and that the role of mobile network operators (MNOs) would need to be increased for mobile money to have a larger impact on financial inclusion in Nigeria (BMGF & McKinsey, 2016).

Table 3.2.1.: Status of the Product Key Performance Indicators as at 2016¹⁷

| Definition of Indicator | Definition of Proxy Indicator | Base line 2010 | Actual 2014 ¹⁸ | Actual 2015 ¹⁹ | Actual 2016 | Target 2016 | % Achieved 2016 | Trend 2015-16 | Status | Target 2020 |
|--|---|----------------|---------------------------|------------------------------------|----------------------|----------------------|-----------------|---|---|--------------------|
| Payments: % of adult population having a payment product with a formal financial institution | % of adult population having a Bank Verification Number | 22% | N/A | 23.6% (22.6m adults) ²⁰ | 28.0% (27.2m adults) | 56.4% (54.7m adults) | 50% |  |  | 70% (74.1m adults) |
| Savings: % of adult population having a savings product with a formal financial institution | | 24% | | | | 45.6% (44.3m adults) | 61% |  |  | 60% (63.5m adults) |
| Credit: % of adult population having borrowed or paid back a loan through a regulated financial institution over the last 12 months | | 2% | 1.5% (1.4m adults) | N/A | 1.8% (1.7m adults) | 28.8% (28.0m adults) | 6% |  |  | 40% (42.3m adults) |
| Insurance: % of adult population covered by a regulated insurance policy | | 1% | 1.1% (1.0m adults) | N/A | 1.8% (1.7m adults) | 24.8% (24.1m adults) | 7% |  |  | 40% (42.3m adults) |
| Pensions: % of adult population registered with a regulated pension scheme | | 5% | 7.0% (6.6m adults) | 7.5% (7.2m adults) | 7.9% (7.6m adults) | 25.6% (24.8m adults) | 31% |  |  | 40% (42.3m adults) |

Source for Actuals: NIBSS for BVN data, EFINA (2014, 2016) for credit and insurance data and PenCom for pension data

¹⁷ For detailed notes on the table, please refer to Table C in the Executive Summary.

¹⁸ Indicator values may marginally differ from the values stated in the 2015 Annual Report, as adult population estimates have been updated, based on new data from EFINA's Access to Financial Services in Nigeria 2016 Survey.

¹⁹ Indicator values may marginally differ from the values stated in the 2015 Annual Report, as adult population estimates have been updated, based on new data from EFINA's Access to Financial Services in Nigeria 2016 Survey.

²⁰ The process of enrolling existing commercial bank customers was still on-going as at December 2015, which is why the actual % of the adult population having a commercial bank account could have been higher than the value stated for 2015. This is also why the increase in the indicator between 2015 and 2016 to some extent could have been due to the enrolment of existing commercial bank customers and not only due to new adults registering for an account at a commercial bank for the first time.

Moreover, the Federal Government initiated its Special Intervention Project, comprising the National Cash Transfer Programme and the Government Enterprise & Empowerment Programme (GEEP), among other programmes. Under the National Cash Transfer Programme, as at the end of the year, beneficiaries had been enrolled in a Social Register, registered for a BVN and opened an account in nine pilot States. Disbursement of a monthly cash transfer of ₦5,000 had also commenced for the first batch of targeted one million poor Nigerian households. Similarly, the GEEP, under which 1.6 million beneficiaries are targeted to register for BVN and open accounts in order to access loans between ₦10,000 and ₦100,000, had kicked-off in 2016.²¹

In terms of facilitating the measurement of unique commercial bank customers, BVN enrolment progressed during 2016.

“**27.5m**
people had
been
registered with
a BVN as at
December
2016.”

Status and Trend Analysis as at 2016

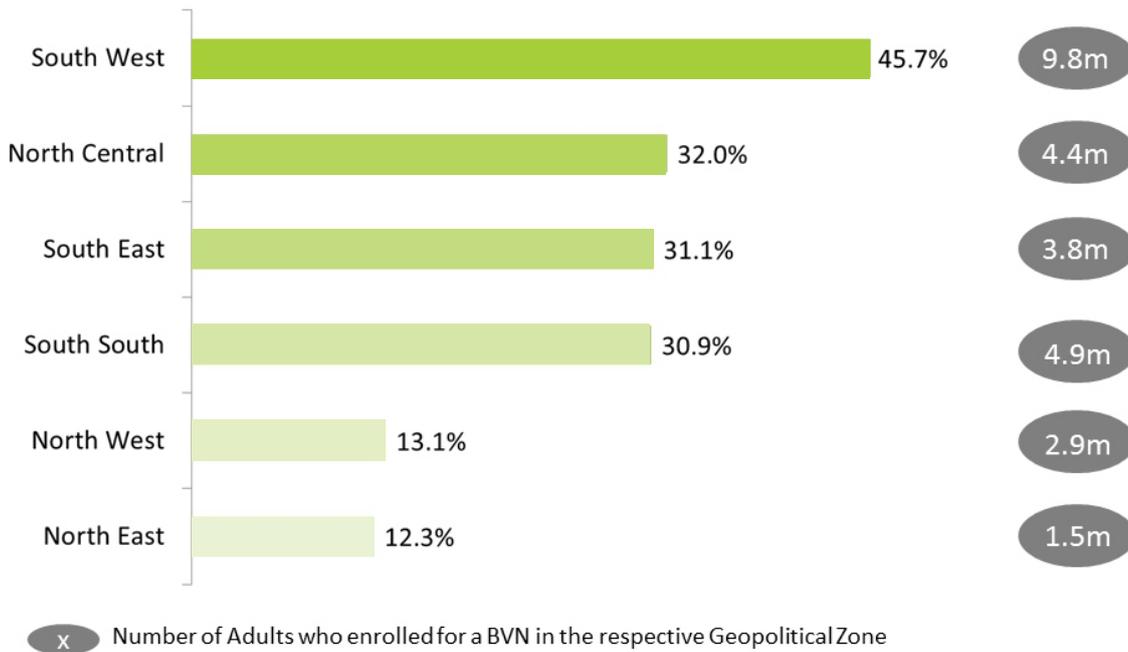
As at December 2016, there were 27.5 million people who had been registered with a BVN. 27.2 million of them were adults aged 18 or older.²² The segment represented 28.0 per cent of the adult population, which was an increase of 4.4 percentage points over 2015, when 23.6 per cent of the adult population had been registered for a BVN. In comparison with the 2016 payments and savings targets of 56.4 and 45.6 per cent having a formal payments and savings product, respectively, the performance remained behind the targets. While customers who had an account with other financial institutions or mobile money operators only were not considered, as the BVN had been mandatory only for commercial bank customers as at December 2016, this additional segment only represented about 0.6 per cent of the adult population (0.6m adults), according to estimates from EFINA's Access to Financial Services in Nigeria 2016 Survey. Based on these estimates, taking into consideration customers who have an account at other financial institutions or mobile money operators only would raise the actual value for 2016 to approximately 28.6 per cent of the adult population, which would still be a lower value than the 2016 targets.

Figure 3.2.1. provides an overview of the estimated percentage of the adult population that has a commercial bank account (proxied by having a BVN) by geopolitical zone as at December 2016. South West had the by far highest penetration with about 46 per cent of its adult population having a BVN. While North Central, South East and South South all had a very similar penetration of around 30 to 32 per cent, North West and North East lagged behind with rates of 13.1 and 12.3 per cent, respectively.

²¹ See <http://www.vanguardngr.com/2017/01/presidency-begins-payment-n5000-monthly-stipend-poor-nigerians-9-states/> for more information. Accessed in June 2017.

²² Since commercial banks need to capture the BVN of customers during the account opening process, the % of the adult population having a BVN is expected to be a close representation of the % of the adult population having a commercial bank account. Having an account at a commercial bank is regarded as a proxy for having a formal payments as well as savings product, since a commercial bank account can be used to make transactions and save money. See Appendix 2 for the count of registered Bank Verification Numbers as at December 2016, disaggregated by State, age and gender.

Figure 3.2.1.: Estimated Percentage of Adult Population with a BVN and Number of Adults enrolled with a BVN, by Geopolitical Zone, 2016²³

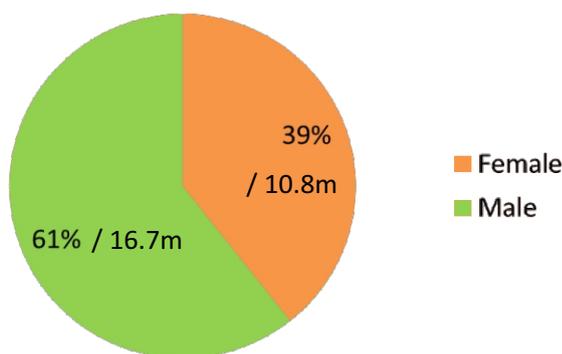


Source: Nigeria Inter-Bank Settlement System, Enhancing Financial Innovation and Access (2010, 2016)

“61% of the BVN holders were men, while 39% were women.”

Examining the distribution of BVN holders by gender, it can be seen that 61 per cent of the 27.5 million BVN holders were men, while 39 per cent were women (see Figure 3.2.2.). This was the same distribution as at 2015.

Figure 3.2.2.: BVN holders by gender, 2016

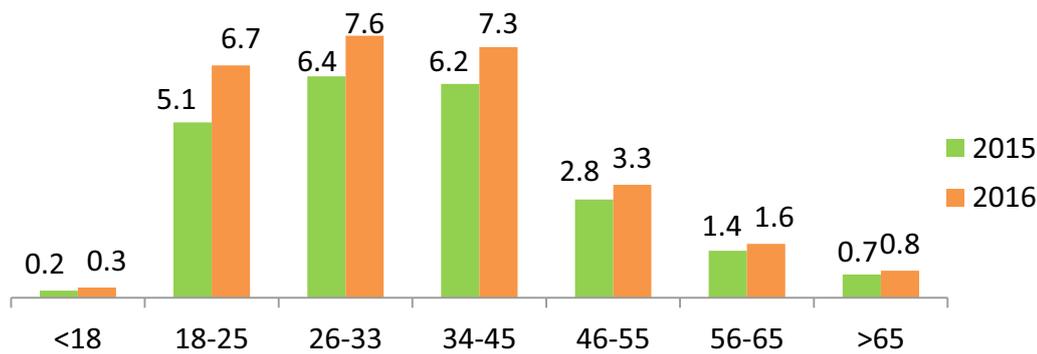


Source: Nigeria Inter-Bank Settlement System

As far as the age distribution of BVN holders is concerned, the distribution stayed fairly similar between 2015 and 2016. The large majority of BVN holders was between 18 and 45 years old. With 1.6 million, the largest increase in BVN holders in absolute terms occurred in the age bracket of 18-25 year-olds between 2015 and 2016 (see Figure 3.2.3.).

²³ Note that the geopolitical zone here refers to the location where a customer registered for his/her BVN, not where he/she lives. There could be a deviation between the two as it is possible that someone captured his/her BVN in another geopolitical zone than where he/she lives. The adult population by geopolitical zone is estimated based on EFINA (2010, 2016), while the number of adults with a BVN by geopolitical zone is based on the national age distribution of BVN holders (where 99 per cent of BVN holders were adults).

Figure 3.2.3.: BVN Holders by Age, 2015 and 2016, in Million



Source: Nigeria Inter-Bank Settlement System

“There were **108.9** personal deposit accounts registered with adults per **100** adults as at December 2016.”

In terms of the number of deposit accounts, there were 114.6 million financial inclusion-related deposit accounts as at December 2016 (see Table 3.2.2.). Out of these 114.6 million accounts, 109.5 million accounts were personal (non-corporate) accounts, while out of the personal 109.5 million accounts, an estimated 97 per cent, 105.7 million accounts, were held with adults. Relative to the adult population, this amounted to 108.9 deposit accounts per 100 adults as at December 2016.²⁴ This was a sharp increase relative to the previous two years, which was largely due to the fact that mobile money accounts had only been captured in 2016 (see Figure 3.2.4.). However, even when ignoring this statistical artefact and examining deposit accounts at commercial and microfinance banks only, there was an increase in deposit accounts per 100 adults of more than 10 per cent from 79.6 in 2015 to 88.0 in 2016.²⁵

²⁴ Note that for the calculation of this indicator, only personal (non-corporate) accounts held with adults aged 18 and above were considered.

²⁵ Note that in addition to the fact that the 2015 value did not include mobile money accounts, there were computational differences between 2015 and 2016 due to additional data collections in 2016. For instance, the 2015 value included both corporate and personal accounts as well as accounts registered with both, adults and minors, while the 2016 data, on the contrary, refers to estimates of registered deposit accounts held with adults aged 18 and above only. The 2016 value which would be directly comparable to the 2015 value of deposit accounts per 100 adults would be 96.0.

Table 3.2.2.: Number of Financial Inclusion-related Deposit Accounts as at December 2016, by Institution Type, in Million

| 2016 | No. of Registered Financial Inclusion-related Deposit Accounts ²⁶ | | |
|----------------------------------|--|--|---|
| | No. of Corporate and Personal (Non-corporate) Accounts | No. of Personal (Non-corporate) Accounts | No. of Personal (Non-corporate) Accounts registered with Adults ²⁷ |
| Commercial Banks ²⁸ | 84.38 | 79.52 | 76.34 |
| Microfinance Banks ²⁹ | 9.61 | 9.39 ³⁰ | 9.07 |
| Mobile Money Operators | 20.63 | 20.56 | 20.31 |
| Total | 114.61 | 109.47 | 105.71 |

Source: Central Bank of Nigeria

Figure 3.2.4. indicates that the increase in the indicator between 2015 and 2016 was due to the increase in the number of deposit accounts at commercial banks, which rose from 64.7 million in 2015 to 76.3 million in 2016, while the number of deposit accounts at microfinance banks, on the contrary, declined from 11.3 million in 2015 to 9.1 million in 2016. The estimated number of registered mobile money accounts with adults as at December 2016 amounted to 20.3 million.

²⁶ Financial inclusion-related deposit accounts include mobile money accounts, current and savings deposit accounts at commercial banks and current, voluntary savings, mandatory deposit and other deposit accounts at microfinance banks. Fixed deposit and domiciliary accounts were not included as anyone who has any of these two types of accounts was assumed to have one of the other deposit accounts already. Indeed, out of the 23,072 adult Nigerians who were interviewed in EFINA (2016), no respondent indicated that he had a fixed deposit account, but no current or savings account.

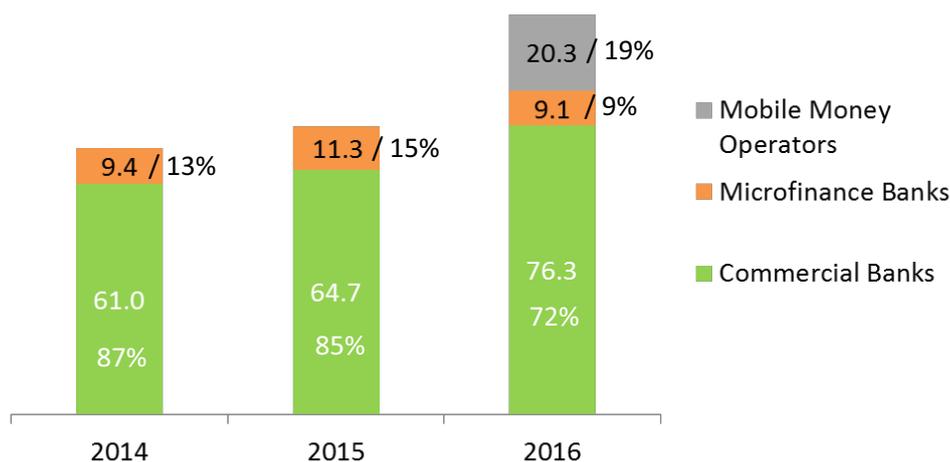
²⁷ Note that data on the age distribution was provided for 99% of all personal commercial bank accounts and for 63% of all personal mobile money accounts. The values shown on the number of accounts registered with adults were estimated based on this information.

²⁸ Note that joint/group accounts at commercial banks were captured as account registrations. This means that, for instance, a joint account which was registered with two people was captured as two accounts.

²⁹ Data on accounts at microfinance banks is based on returns from 61 per cent of all MFBs and represents therefore a conservative estimate.

³⁰ Estimated based on a sample representing 55% of all reported deposit accounts at MFBs.

Figure 3.2.4.: Number of Deposit Accounts by Type of Institution, 2014 to 2016, in Million³¹



Source: Central Bank of Nigeria

“Out of those who had an account, **60%** made an electronic transaction and **82%** saved through a formal financial institution.”

While the increase in the number of deposit accounts was very positive, the level of activity of accounts needs to be considered too, as what financial inclusion really is targeting is not how many people have financial services, but how many people actually use financial services in order to improve their living standards. According to EFINA's Access to Financial Services in Nigeria 2016 Survey, 60 per cent of adult Nigerians who had a bank or mobile money account also made an electronic payment over the last 12 months³², while 82 per cent of those who had a bank or mobile money account also saved through a formal financial institution over the last 12 months.

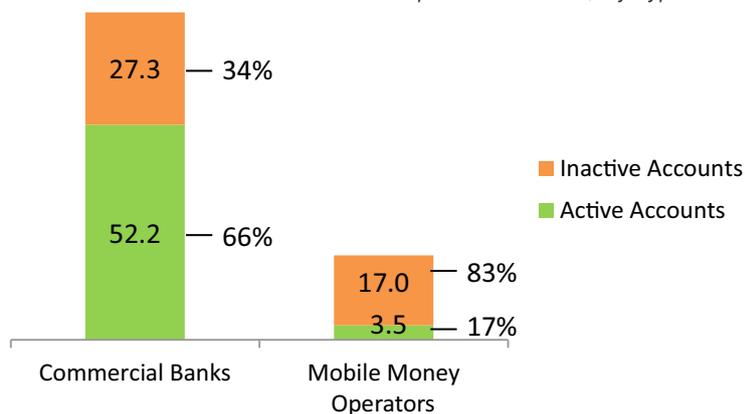
Figure 3.2.5. shows the number and percentage of active personal deposit accounts at commercial banks and mobile money operators as at December 2016, where an active account is defined as “an account which has been used at least once over the last twelve months for a customer-initiated transaction”. Based on this definition, 66 per cent or 50.1 million of current and savings accounts at commercial banks were active, while only 3.5 million or 17 per cent of mobile money accounts were active. The data highlights the importance of measuring the activity of accounts, in particular for mobile money accounts.

“Of **20.5M** registered mobile money accounts, only **17%** were active.”

³¹ Note that mobile money accounts also existed in 2014 and 2015, but are only shown for 2016, because data for 2014 and 2015 was not available. Data on accounts at microfinance banks is based on returns from 81, 67 and 61 per cent of all MFBs for 2014, 2015 and 2016 data, respectively. Note that in addition to the fact that the 2014 and 2015 values did not include mobile money accounts, there were computational differences between 2016 and previous years due to additional data collections in 2016. For instance, the 2014 and 2015 values included both corporate and personal accounts as well as accounts registered with both, adults and minors, while the 2016 data, on the contrary, refers to estimates of registered deposit accounts held with adults aged 18 and above only. The 2016 value which would be directly comparable to the 2014 and 2015 values would be 93.1m accounts (at commercial and microfinance banks only).

³² The exact definition is “having paid electronically for goods, services or bills over the last 12 months or having sent money electronically to friends or family members over the last 6 months”.

Figure 3.2.5.: Number of Active Personal Deposit Accounts, by Type of Institution, 2016, in Million³³

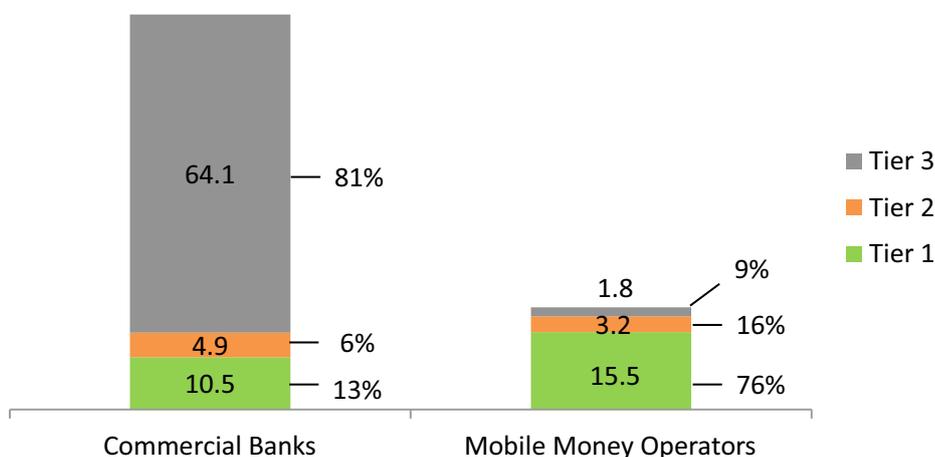


Source: Central Bank of Nigeria

One of the key reasons for the high inactivity of mobile money accounts could have been that KYC Tier 1 mobile money accounts can be opened directly through the mobile phone without any need for providing identification, apart from the mobile phone number and personal details, such as name and gender. As the barrier to open a tier 1 account is relatively low, many people might open an account without the intention of actively using it.

As Figure 3.2.6. shows, as at December 2016, indeed the large majority (76 per cent) of personal mobile money accounts were of KYC Tier 1, while only about 9 per cent were KYC Tier 3 accounts, which have the strictest identification requirements. In contrast, personal deposit accounts at commercial banks were mainly of KYC Tier 3, accounting for 81 per cent of all deposit accounts, while only 13 per cent were of KYC Tier 1.

Figure 3.2.6.: Number of Personal Deposit Accounts, by KYC Tier, 2016, in Million³⁴



Source: Central Bank of Nigeria

Key Issues and Recommendations

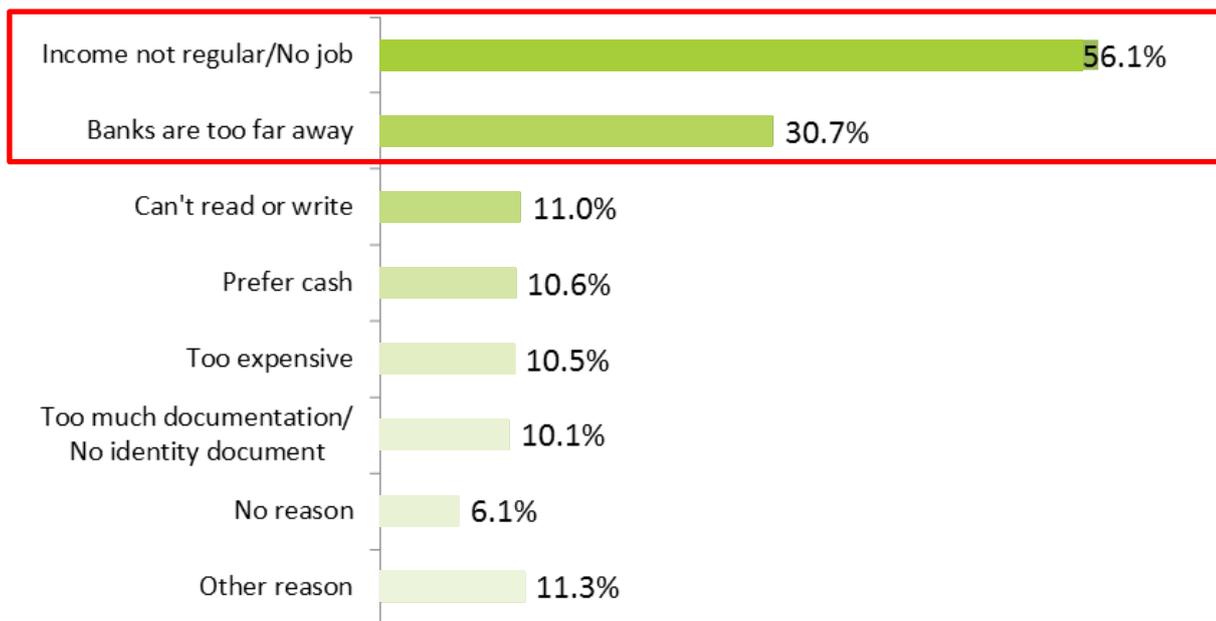
According to EFINA's Access to Financial Services in Nigeria 2016 Survey, the formally financially excluded adult population did not use banks mainly for two reasons (Figure 3.2.7.).

³³ Data is provisional. Activity of accounts was provided for 98% and 99% of all personal accounts at commercial banks and mobile money operators, respectively. The total values shown were estimated based on the activity level of 98% and 99% of all personal accounts at commercial banks and mobile money operators, respectively.

³⁴ Data is provisional. Information on KYC level was provided for 95% and 98% of all personal accounts at commercial banks and mobile money operators, respectively. The total values shown were estimated based on the information on KYC level of 95% and 98% of all personal accounts at commercial banks and mobile money operators, respectively.

56.1 per cent of the formally financially excluded adult population in the sample stated that they did not use banks because they did not have a regular income or did not have a job. 30.7 per cent listed the long distance to banks as a reason for not using them. Other relevant reasons included illiteracy, a preference for cash, high cost of banking services and too stringent documentation or identification requirements. All of these reasons were mentioned by approximately 10 to 11 per cent of the formally financially excluded adult population.

Figure 3.2.7.: Reasons for not using banks by the formally financially excluded adult population, 2016, % of the formally financially excluded who listed a particular reason



Source: EFINA (2016)

“ **No regular income or no job was mentioned as a reason for not using banks by 56% of the formally financially excluded.** ”

In order to increase the percentage of adult population that has and uses formal payments and savings products, the existing issues need to be targeted specifically:

Irregular income or no job

The most important barrier restricting the formally financially excluded from using banks was irregular income or no job. This makes the Federal Government's Special Intervention Project very relevant. Paying monthly ₦5,000 into bank accounts of one million poor households will directly include many of the financially excluded adults into the formal financial sector and raise their income, making it more likely for them to use their bank accounts to make electronic transactions and save themselves. Financial services providers need to look for business models which allow them to reach the low-income population at an affordable cost.

Low availability of financial access points

The second most relevant barrier was long distance to banks. While the dispersion of financial access points generally needs to be improved in Nigeria (see Section 3.3.), mobile money and digital financial services can substantially reduce the distance and cost to access financial services as a phone and network is enough to open a mobile money account. Data from EFINA (2016) shows that as at 2016, only very few adults (an estimated 6 per cent) who had a mobile money account did not have a commercial bank account at the same time. This means that mobile money has not yet reached its potential of lowering the barrier of long distance to financial access points and reaching the formally financially excluded. Therefore, regulators and financial services providers need to work together to urgently increase uptake and usage of mobile money accounts.

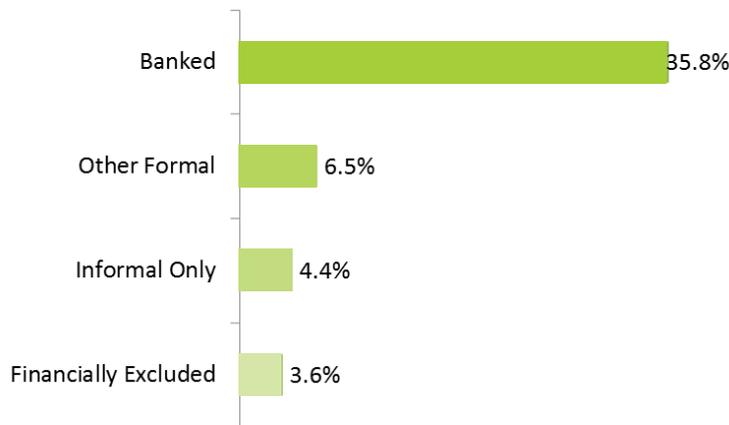
“**Mobile money awareness increased marginally from 12.7% of the adult population in 2014 to 16.3% in 2016.**”

Low awareness of mobile money

One measure that has large potential to drive uptake and usage of mobile money is increasing awareness of mobile money. While among the entire adult population, mobile money awareness increased marginally from 12.7 per cent of the adult population in 2014 (EFInA, 2014) to 16.3 per cent in 2016 (EFInA, 2016), it still remained low. Also, it was mainly the already banked adult population that was aware of mobile money.

While 35.8 per cent of the banked adult population segment, i.e. of those that were already using commercial banking services, were aware of mobile money, only 4.4 per cent of those who only used informal financial services and only 3.6 per cent of the financially excluded had heard about mobile money (see Figure 3.2.8.).

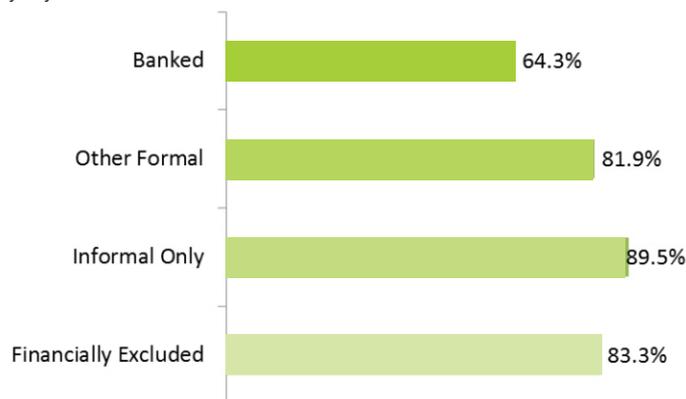
Figure 3.2.8.: Percentage of Adult Population that is aware of Mobile Money, by Financial Access Strand, 2016



Source: EFInA (2016)

Raising mobile money awareness could have a significant impact on financial inclusion for two reasons. Firstly, lack of understanding of mobile money was mentioned as the main reason for not using mobile money by the large majority of the formally financially excluded. While 64.3 per cent of the already banked adult population who did not use mobile money indicated that lack of understanding of mobile money was the main reason why they did not use mobile money, the value was 89.5 and 83.3 per cent for those who only used informal financial services and the financially excluded, respectively (see Figure 3.2.9.).

Figure 3.2.9.: Percentage of Adult Population that listed “Don't know what mobile money is” as the Main Reason for not using Mobile Money, by Financial Access Strand, 2016³⁵



Source: EFInA (2016)

³⁵Note that only those adults who said that they did not use mobile money were considered.

Secondly, a substantial proportion of the formally financially excluded already had a mobile phone, which would make it easy for them to open a mobile money account. 52.5 and 35.2 per cent of those who used informal financial services only and of the financially excluded, respectively, already had a mobile phone. In absolute terms, this amounted to 4.9 million and 14.1 million adults (EFInA, 2016).

3.2.2. Credit

Key Activities in 2016

In order to support the achievement of the credit target of the National Financial Inclusion Strategy, the Central Bank of Nigeria rolled out the Anchor Borrowers' Programme to 17 States in 2016. Under the Programme, which was launched in Kebbi State in November 2015 by President Muhammadu Buhari, smallholder farmers register for a BVN and open a bank account in order to obtain a loan at a maximum interest rate of 9 per cent p.a. to grow produce, which is then sold to anchor firms at predetermined prices. In 2016, a total of ₦24.5 billion was disbursed through 10 participating financial institutions to 125,963 farmers covering 160,083 hectares.

In addition to the funds disbursed to the Anchor Borrowers' Programme, the Central Bank of Nigeria disbursed ₦23.6 billion through 145 participating financial institutions to 134,799 beneficiaries and 160 small and medium enterprises through the Micro, Small, and Medium Enterprises Development Fund (MSMEDF).

Moreover, the National Collateral Registry went live in May 2016. The Registry was developed in order to facilitate access to finance for micro, small and medium enterprises through the registration of movable assets, which could be used as collateral to obtain loans from financial institutions, on the publicly available database.³⁶ In 2016, 69 financial institutions registered on the Registry, while five financial institutions registered their priority interest in movable assets valued at ₦24.1 billion.

As another key measure to promote the credit penetration, the Entrepreneurship Development Centres (EDCs) trained 14,104 participants in 2016. This figure exceeded the 2016 target of 13,400 participants by 5 per cent.

Status and Trend Analysis as at 2016

According to the 2016 target for the credit key performance indicator, 28.8 per cent of the Nigerian adult population should have borrowed from a formal financial institution. Based on data from EFInA's Access to Financial Services in Nigeria 2016 Survey, approximately 1.8 per cent of the adult population had borrowed from a formal financial institution over the last 12 months in 2016. While this was a marginal increase from 1.5 per cent of the adult population in 2014 (EFInA, 2014), it was far below the 2016 target of 28.8 per cent (see Table 3.2.1.).

“**₦24.5Bn**
was disbursed
to 125,963
farmers
covering
160,083
hectares
through the
Anchor
Borrowers'
Programme.”

“**1.8%**
of the adult
population had
borrowed from
a formal
financial
institution over
the last 12
months in
2016.”

³⁶The Registry can be accessed at www.ncr.gov.ng. Accessed in June 2017.

Table 3.2.3.: Number of Credit Accounts as at December 2016, by Institution Type, in Million

| 2016 | No. of Registered Credit Accounts | | |
|----------------------------------|--|--|---|
| | No. of Corporate and Personal (Non-corporate) Accounts | No. of Personal (Non-corporate) Accounts | No. of Personal (Non-corporate) Accounts registered with Adults ³⁷ |
| Commercial Banks ³⁸ | 2.46 | 2.01 | 1.93 |
| Microfinance Banks ³⁹ | 3.80 | 3.77 ⁴⁰ | 3.62 |
| Total | 6.26 | 5.78 | 5.54 |

Source: Central Bank of Nigeria

In terms of credit accounts, there were 6.26 million accounts registered at commercial and microfinance banks as at December 2016. Out of the 6.26 million accounts, an estimated 5.78 million accounts were personal (non-corporate) accounts, while an estimated 5.54 million personal credit accounts were registered with adults (see Table 3.2.3.). Relative to the adult population, there were 5.7 credit accounts registered with adults per 100 adults as at December 2016. The value was lower than the 2015 value which had amounted to 7.6 credit accounts per 100 adults.⁴¹

From Figure 3.2.10., it can be observed that the overall decline in credit accounts between 2015 and 2016 was mainly due to a decline in credit accounts held at commercial banks even though the number of credit accounts held at microfinance banks also decreased during the same period. As a result, the share of credit accounts held by microfinance banks increased from 58 per cent in 2015 to 65 per cent in 2016.

³⁷ Note that data on the age distribution was provided for 96% of all personal commercial bank accounts. The values shown on the number of accounts registered with adults were estimated based on this information.

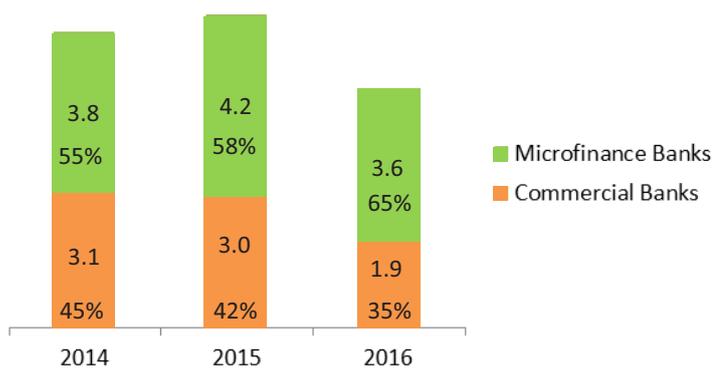
³⁸ Note that joint/group accounts at commercial banks were captured as account registrations. This means that, for instance, a joint account which was registered with two people was captured as two accounts.

³⁹ Data on accounts at microfinance banks is based on returns from 61 per cent of all MFBs and represents therefore a conservative estimate.

⁴⁰ Estimated based on a sample representing 29% of all reported credit accounts at MFBs.

⁴¹ Note that there were computational differences between the 2015 and 2016 values due to additional data collections in 2016. For instance, the 2015 value included both corporate and personal accounts as well as accounts registered with both, adults and minors, while the 2016 data, on the contrary, refers to estimates of registered credit accounts held with adults aged 18 and above only. The 2016 value which would be directly comparable to the 2015 value would be 6.3 credit accounts per 100 adults.

Figure 3.2.10.: Number of Credit Accounts by Type of Financial Institution, 2014 to 2016, in Million⁴²



Source: Central Bank of Nigeria

Key Issues and Recommendations

In order to promote the credit penetration in Nigeria, it is necessary that access to credit is enhanced in a responsible manner such that the credit penetration increases while the incidence of non-performing loans stays constant or declines.

This needs to be achieved on the one hand through the on-going roll-out of the Anchor Borrowers' Programme, the implementation of the Micro, Small and Medium Enterprises Development Fund, the Government Enterprise & Empowerment Programme (GEEP) and other Government interventions targeted at specific industries which support the country's drive towards diversification away from the oil sector. On the other hand, financial services providers need to analyse their potential customers thoroughly and derive customised credit products as well as make use of existing credit interventions of CBN and the Federal or State Governments.

3.2.3. Insurance

Key Activities in 2016

In 2016, the National Insurance Commission (NAICOM) signed a Memorandum of Understanding (MoU) with several State Governments in order to eradicate fake insurance policies and enforce compliance with regulations that mandate compulsory insurance policies.

NAICOM also drafted Guidelines on New Insurance Agencies (Referral), which enable organisations, such as NGOs and trade associations, to act as intermediaries of insurance companies and sell insurance policies to the lower-income population.

In order to promote the insurance penetration in particular among Muslim adults, NAICOM licensed two Takaful insurance companies, Noor Takaful Plc and Jaiz Takaful Plc, which offer a non-interest based alternative to conventional insurance products.

The Nigerian Insurers Association (NIA), in collaboration with the Association of Registered Insurance Agents of Nigeria (ARIAN) and the Nigerian Council of Registered Insurance Brokers (NCRIB), embarked on a road show to galvanise public interest in insurance in the first quarter of 2016.

⁴² Data on microfinance banks is based on the returns of 81%, 67%, and 61% of all registered microfinance banks for the data as at 2014, 2015, and 2016, respectively. Note that there were computational differences between the 2016 values and values of previous years due to additional data collections in 2016. For instance, the 2014 and 2015 values included both corporate and personal accounts as well as accounts registered with both, adults and minors. 2016 data, on the contrary, refers to estimates of registered credit accounts held with adults aged 18 and above only. The 2016 value which would be directly comparable to the 2014 and 2015 values would be 6.2m accounts.

“The National Insurance Commission licensed 2 Takaful insurance companies.”

**“1.8%
of the Nigerian
adult
population
stated that
they were
covered by
insurance in
2016.”**

Status and Trend Analysis as at 2016

As at 2016, approximately 1.8 per cent of the Nigerian adult population (1.7 million adults) stated that they were covered by insurance, according to estimates from EFINA (2016), which was an increase relative to approximately 1.1 per cent of the Nigerian adult population as at 2014 (EFINA, 2014). InterMedia reported an insurance penetration among the adult population of about 6 per cent as at 2015, estimated from its 2015 Financial Inclusion Insights Tracker Survey.⁴³ This indicates that the 1.8 per cent penetration based on EFINA (2016) is to be considered as a conservative estimate. However, it is still unlikely that the actual insurance penetration was close to the 2016 target of 24.8 per cent (see Table 3.2.1.).

Due to lack of unique identification of customers across insurance companies and Government programmes, including the Nigeria Social Insurance Trust Fund (NSITF) and the National Health Insurance Scheme (NHIS), no consolidated supply-side estimate was available as at December 2016. However, data from the National Insurance Commission showed that 23 out of 58 insurance companies reported 1.1 million personal insurance policies as at December 2016. Similarly, data from the Nigeria Social Insurance Trust Fund (NSITF) showed that out of 6.5 million Nigerians who were registered with NSITF as at December 2016, 1.4 million were covered by the scheme.⁴⁴ These 1.4 million represented 22.0 per cent of those registered in NSITF and about 1.5 per cent of the Nigerian adult population. No data was reported on the number of Nigerians covered by the National Health Insurance Scheme.

Key Issues and Recommendations

It is essential that compliance with data returns by insurance companies is improved such that the data can be used for analysis of insurance penetration in addition to data from NSITF and demand-side data in future.

Other important measures include the expansion of Microinsurance and Takaful Insurance in Nigeria, which need to be monitored by NAICOM continuously in order to measure progress. Also, the revised Bancassurance Guidelines need to be implemented as soon as possible such that insurance companies can use banks' branch networks for the sales of insurance companies. The potential of weather-indexed agricultural insurance in Nigeria should also be examined, because this type of insurance has been successful in other peer countries, such as Kenya (Janzen and Carter, 2013) and Ghana (Karlán et al., 2014), because agricultural insurance was reported as one of the most attractive types of microinsurance, and because, with an estimated 19 per cent, a substantial proportion of Nigeria's adult population mainly relied on farming (EFINA, 2016). Last but not least, awareness of consumers about microinsurance was found to be low (ibid.). Awareness about microinsurance needs to be further enhanced such that consumers understand the function and benefits of insurance products.

⁴³ The different values obtained from the two surveys could be due to a difference in questionnaire design. EFINA (2016) calculated insurance penetration based on the question whether or not an individual had insurance or was covered by insurance without listing specific types of insurance. InterMedia, in contrast, asked individuals in nine separate questions whether or not they had any of nine different types of insurance to obtain a value for insurance penetration. Listing different types of insurance may have increased respondents' awareness. Another general potential issue with regards to demand-side measurement of insurance penetration could be that people do not relate to schemes to which they contribute through their employer, such as NHIS and NSITF, when being asked about insurance.

⁴⁴ A Nigerian was considered as covered by NSITF if his or her employer had paid at least once a premium for him or her over the last 12 months.

3.2.4. Pensions

Key Activities in 2016

In 2016, the National Pension Commission (PenCom) consulted various stakeholders, including regulators and financial services providers, on the Micro Pension Guidelines. PenCom participated in the 2016 Social Media Week in Lagos to discuss and promote the Micro Pension Guidelines.

The Commission also introduced pension literacy programmes in tertiary education institutions and sensitised the public, in particular young entrepreneurs and informal sector workers, through television, radio and print media.

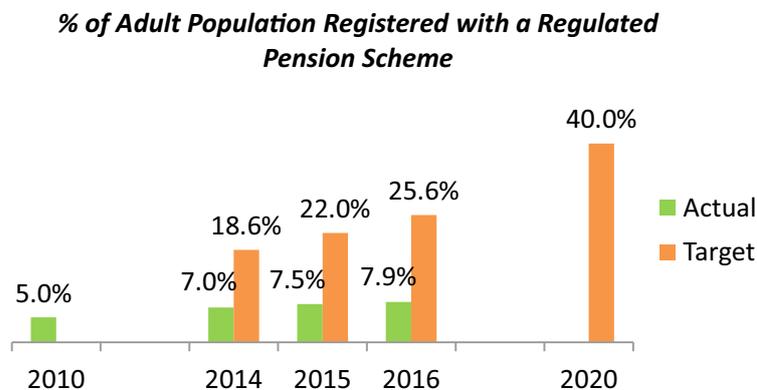
In terms of compliance of participation of State Governments in the Contributory Pension Scheme (CPS), 26 State Governments had enacted their Pension Reform Laws as at the end of the third quarter of 2016, while 11 State Governments were at the Bill stage.

Status and Trend Analysis as at 2016

From 2015 to 2016, the percentage of adult Nigerians registered with a regulated pension scheme increased from 7.5 to 7.9 per cent. In absolute terms, 7.6 million adult Nigerians were registered with a regulated pension scheme at the end of 2016, compared to 7.2 million adult Nigerians as at the end of 2015. While the trend had been positive since 2010, the achieved value remained far below the 2016 target of a 25.6 per cent pension penetration among the Nigerian adult population (see Table 3.2.1. and Figure 3.2.11.).

“26 State Governments had enacted their Pension Reform Laws as at the end of the third quarter of 2016.”

Figure 3.2.11.: Status of the Pension Key Performance Indicator as at 2014, 2015 and 2016



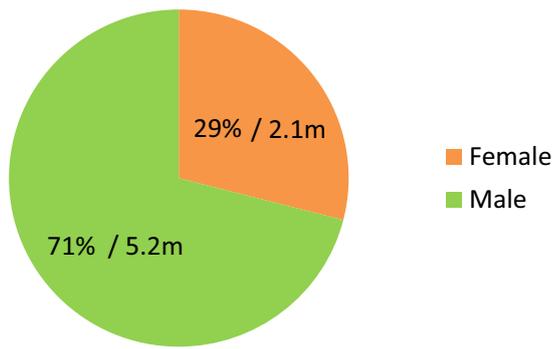
Source for Actuals: National Pension Commission

“From 2015 to 2016, the percentage of adult Nigerians registered with a regulated pension scheme increased from 7.5% to 7.9%.”

Out of the total 7.6 million adults who were registered with a regulated pension scheme as at December 2016, 7.2 million adults contributed to a pension scheme, while 0.4 million adults received their pension from a regulated pension scheme. Also, 7.3 million out of the 7.6 million adults were registered with a Retirement Savings Account (RSA).

In terms of gender distribution, 71 per cent of all adults registered with a RSA were men, while 29 per cent were women in 2016 (see Figure 3.2.12.). This was the same distribution as at 2015. The gender distribution was even more unequal distribution than the gender distribution of the overall financial inclusion rate (Figure 3.1.3.) as well as the distribution of BVN holders (Figure 3.2.2.).

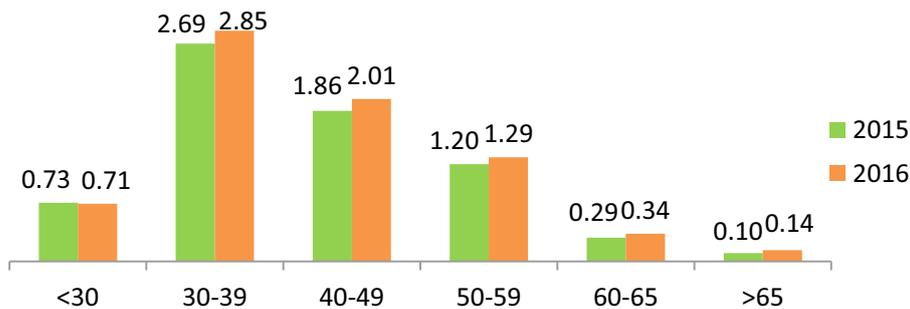
Figure 3.2.12.: Breakdown of Nigerians registered with a RSA, by Gender, 2016



Source: National Pension Commission

Similarly, the distribution of Nigerians with a RSA by age remained almost identical between 2015 and 2016, with the majority of contributors being between 30 and 49 years of age (Figure 3.2.13.).

Figure 3.2.13.: Breakdown of Nigerians with a RSA, by Age, 2015 and 2016



Source: National Pension Commission

“ Out of those with a Retirement Savings Account, **71%** were men, while only **29%** were women. ”

Key Issues and Recommendations

The existing key issue is the absence of a Board to approve the draft Micro Pension Guidelines. In order to close the gap between the actual and the targeted pension penetration, it is therefore essential that a Board is convened to approve the Micro Pension Guidelines so that they can be implemented as soon as possible. Additionally, it is important that compliance of all State Governments with the Pension Reform Act is ensured.

3.3. Channels

In order to remove one of the key barriers to financial inclusion, long distance to access formal financial services, it is necessary that financial access points are widely available across the country. Therefore, the National Financial Inclusion Strategy defined five channel key performance indicators.

Key Activities in 2016

In 2016, key initiatives targeting an increased number and improved dispersion of financial access points in Nigeria included the implementation of the Regulatory Framework for Licensing Super-Agents in Nigeria, the deployment of an agent banking database and a target-setting exercise for the banking sector.

“The Central Bank of Nigeria granted Approval-in-Principle to 2 super-agents.”

The Central Bank of Nigeria granted Approval-in-Principle to two super-agents in 2016. Super-agents will use their network of agents for the provision of financial services on behalf of financial institutions. Additionally, the Nigerian Communications Commission approved that mobile network operators could apply for a super-agent license at CBN. However, they would need to do so through a subsidiary. The Nigerian Postal Service also piloted agent banking in three States and enrolled 42,120 customers on their agent banking platform.

In order to improve the measurement of the number and dispersion of unique agents in Nigeria, the Central Bank of Nigeria deployed an Agent Banking Database, through which registered agents would be assigned a unique agent ID. As at December 2016, the majority of licensed mobile money operators had registered their agents on the platform.

The Financial Inclusion Secretariat of the Central Bank of Nigeria coordinated a financial inclusion target-setting exercise with all 21 commercial banks. Targets were defined for new savings customers, new credit customers and new bank agents in all States of the Federation for the years 2016 to 2020. Additionally, commercial banks were advised to perform a feasibility analysis on opening branches in 239 Local Government Areas, which did not have any commercial bank branches as at 2015. Commercial banks defined implementation plans in order to reach their targets, while the Financial Inclusion Secretariat initiated monitoring and evaluation activities to measure progress made on the targets.

Status and Trend Analysis as at 2016

Table 3.3.1. and Figure 3.3.1. show the trend of the channel key performance indicators from 2010 to 2016 as well as the status of the indicators relative to the targets as at December 2016. It can be observed that none of the five channel targets had been achieved as at 2016.⁴⁵

Table 3.3.1.: Status of the Channel Key Performance Indicators as at December 2016⁴⁶

| Definition of Indicator | Base line 2010 | Actual 2014 ⁴⁷ | Actual 2015 | Actual 2016 | Target 2016 | % Achieved 2016 | Trend 2015-16 | Status | Target 2020 |
|---|----------------|---------------------------|----------------------|----------------------|----------------------|-----------------|---------------|--------|----------------------|
| Commercial Bank Branches per 100,000 adults | 6.8 | 5.9 (5,508 branches) | 5.7 (5,462 branches) | 5.6 (5,446 branches) | 7.5 (7,300 branches) | 75% | ↔ | ● | 7.6 (8,000 branches) |
| Microfinance Bank Branches per 100,000 adults | 2.9 | 2.2 (2,107 branches) | 2.3 (2,227 branches) | 2.3 (2,197 branches) | 4.6 (4,500 branches) | 50% | ↔ | ● | 5.0 (5,300 branches) |
| ATMs per 100,000 adults | 11.8 | 17.0 (15,935 ATMs) | 17.2 (16,452 ATMs) | 18.0 (17,440 ATMs) | 46.2 (44,800 ATMs) | 39% | ↔ | ● | 59.6 (63,000 ATMs) |
| PoS Devices per 100,000 adults | 13.3 | 87.9 (82,549 PoS) | 122.4 (116,868 PoS) | 116.3 (112,847 PoS) | 524.1 (509,000 PoS) | 22% | ↔ | ● | 850.0 (899,000 PoS) |
| Agents per 100,000 adults | 0.0 | N/A | N/A | 18.8 (18,228 agents) | 37.2 (36,100 agents) | 51% | N/A | ● | 62.0 (65,600 agents) |

Source for Actuals: CBN for commercial bank branches, microfinance bank branches and agents; CBN and Interswitch for ATMs; NIBSS for PoS Devices

“The number of commercial bank branches declined marginally from 5,462 to 5,446 between 2015 and 2016.”

The number of commercial bank branches per 100,000 adults decreased marginally from 5.7 in 2015 to 5.6 in 2016, while in absolute terms, the number of branches declined from 5,462 to 5,446 during the same period.⁴⁸ Relative to the 2016 target of 7.5 branches per 100,000 adults,

⁴⁵ However, note that for PoS Devices, only PoS terminals were considered, while other merchant access points, such as mobile phones or other USSD channels, were not considered. Also, for the agent KPI only those agents which had been registered on CBN's Agent Banking Database as at December 31, 2016 were considered. Therefore, the actuals of these two indicators could have been higher.

⁴⁶ For detailed notes on the table, please refer to Table D in the Executive Summary.

⁴⁷ Note that indicators may marginally differ from the values stated in the 2015 Annual Report, as adult population estimates have been updated, based on new data from EFlA's Access to Financial Services in Nigeria 2016 Survey.

⁴⁸ See Appendix 2 for the breakdown of commercial bank branches by State as at December 2016.

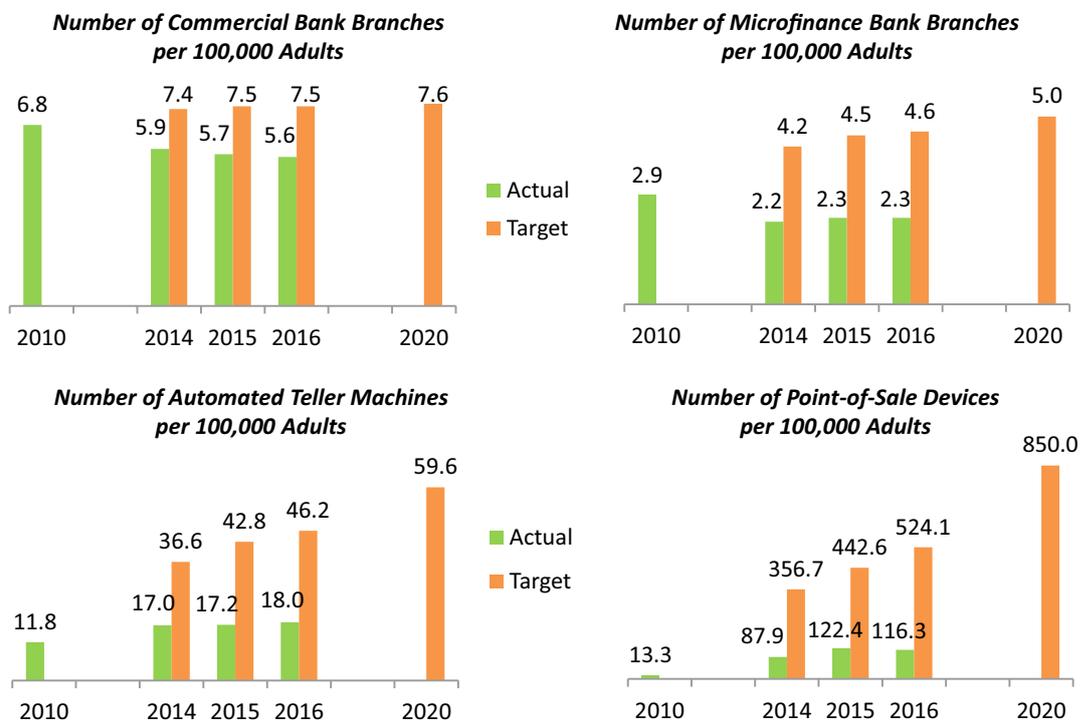
this amounted to an achievement rate of 75 per cent. As at 2010, the indicator had accounted for 6.8 commercial bank branches per 100,000 adults, highlighting a continuous negative trend.

The number of microfinance bank branches per 100,000 adults remained constant at 2.3 between 2015 and 2016, whereas the number of reported microfinance bank branches dropped marginally from 2,227 in 2015 to 2,197 in 2016. The actual stood at half of the 2016 target of 4.6 microfinance bank branches per 100,000 adults. Since 2010, the indicator had decreased by 21 per cent from 2.9 microfinance bank branches per 100,000 adults.

In terms of Automated Teller Machines (ATMs), the number per 100,000 adults increased marginally from 17.2 in 2015 to 18.0 in 2016, continuing an upward trend since 2010 when the value had amounted to 11.8. However, the 2016 actual remained far below the 2016 target of 46.2 ATMs per 100,000 adults. In absolute numbers, there were 17,440 ATMs in 2016 compared to 16,452 ATMs in 2015.

“There were **17,440 ATMs in 2016, compared to 16,452 ATMs in 2015.**”

Figure 3.3.1.: Status of the Channel Key Performance Indicators as at 2014, 2015 and 2016



Source for Actuals: CBN for commercial bank branches and microfinance bank branches; CBN and Interswitch for ATMs; NIBSS for PoS Devices

“With close to **113,000 PoS Devices as at 2016, only 22%** of the target of approximately **509,000 PoS Devices was achieved.**”

Contrary to the increasing trend from 2010 to 2015, the number of Point-of-Sale (PoS) Devices per 100,000 adults went down from 122.4 in 2015 to 116.3 in 2016. With close to 113,000 PoS Devices as at 2016, only 22 per cent of the target of 524.1 PoS Devices per 100,000 adults (approximately 509,000 PoS Devices) was achieved.⁴⁹ Additionally, NIBSS reported that only about 65 per cent of the deployed and connected PoS terminals had been used for at least one transaction over the last month, indicating that the number of active devices was even lower.

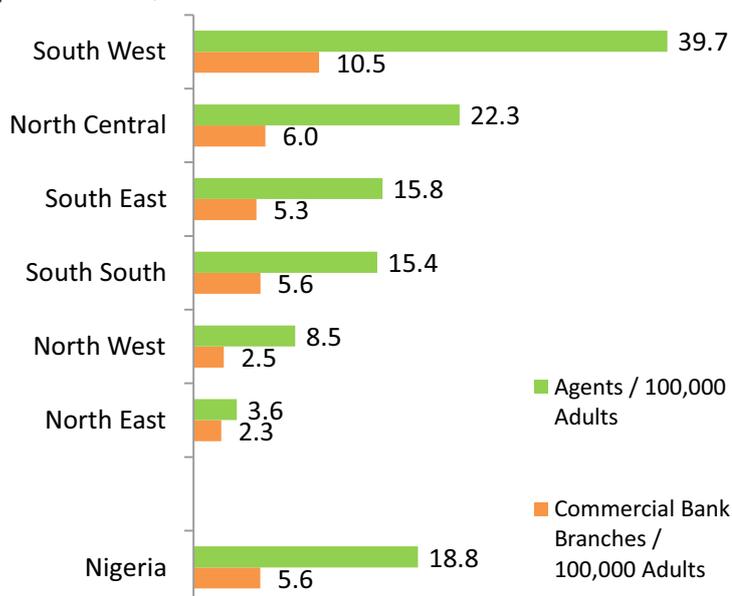
⁴⁹ However, financial institutions and mobile money operators had reported that they would provide additional PoS Devices other than the usual PoS terminals to merchants, such as mobile phones and other USSD channels, which had not been included in the data provided. This means that the actual could have been higher than the value provided in Table 3.3.1. and Figure 3.3.1.. The status was still defined as red, because preliminary data collection on additional PoS devices from commercial banks and microfinance banks indicated that accounting for other PoS devices would not raise the actual 2016 value sufficiently close to the 2016 target.

“There were 18,228 registered mobile money agents as at December 2016.”

The number of unique agents registered with CBN's Agent Banking Database was 18,228 as at December 2016, accounting for 18.8 agents per 100,000 adults. This represented 51 per cent of the 2016 target of 37.2 agents per 100,000 adults and approximately 36,100 agents in absolute terms.⁵⁰ In addition, mobile money operators reported that only 22 per cent of the agents which they had registered on CBN's Agent Banking Database had made at least one transaction over the last one month for their organisation, suggesting a high level of inactive agents.⁵¹

As far as the geographical distribution of financial access points is concerned, commercial bank branches as well as registered mobile money agents were unequally spread across the country. With about 39.7 registered mobile money agents and 10.5 commercial bank branches per 100,000 adults, South West was the region with the highest financial access point penetration. 50 per cent of all registered mobile money agents and 42 per cent of all commercial bank branches in the country were in Lagos State, Rivers State and FCT alone. On the contrary, the two regions with the lowest financial inclusion rate, North East and North West, also scored the lowest in terms of registered mobile money agents as well as commercial bank branches per 100,000 adults (see Figure 3.3.2.).

Figure 3.3.2.: Number of Registered Mobile Money Agents and Deployed Commercial Bank Branches per 100,000 Adults, by Geopolitical Zone, 2016⁵²



Source: Central Bank of Nigeria, Enhancing Financial Innovation and Access (2010, 2016)

Given that the achieved values of the channel key performance indicators were far behind the targets as at 2016, measures need to be derived which target the existing issues with respect to the overall low penetration and sub-optimal geographical spread of financial access points. Present issues and suggested measures to address the issues are as follows:

⁵⁰ However, not all mobile money agents and financial institutions had uploaded their data on CBN's Agent Banking Database as at the end of 2016, implying that the actual value could have been higher than the actual provided in Table 3.3.1. as well as the 2016 target.

⁵¹ It shall be noted that the level of activity of agents was only reported by the MMO which had registered the respective agent on CBN's database. The activity level of agents in terms of having made a transaction for any MMO (not necessarily the one which had uploaded them on CBN's database) within the last month is therefore likely to be higher.

⁵² See Appendix 2 for the breakdown of commercial bank branches by State as at December 2016.

Key Issues and Recommendations

Low incentives for financial institutions to deploy access points in rural areas

The reason for the highly unequal geographical distribution of financial access points could be a lack of awareness or interest by financial services providers as well as a lack of business viability of deploying financial access points in currently under- or unserved areas. In order to reduce the former potential reason, financial services providers need to be informed about currently under- or un-served areas and need to perform feasibility studies on the deployment of branches or other access points in those areas. If the second factor is the key reason, it is necessary for regulators and the Government to examine how financial services providers could be incentivized to significantly strengthen their rural outreach.

Low incentives for agents and merchants to provide financial services

A high proportion of registered mobile money agents and deployed PoS terminals were reported as inactive. Financial services providers need to develop adequate commission models for their agents such that they are active on a regular basis. The Central Bank of Nigeria needs to further examine how it can promote the level of activity of agents. One option may be the relaxation of existing agent commission restrictions in order to give financial services providers more flexibility. Another important factor which can enhance agent activity levels is lowering existing USSD costs to mobile money operators. USSD costs have been reported to be about three times higher in Nigeria than in peer countries (BMGF and McKinsey, 2016). It is essential that the Nigerian Communications Commission conducts its on-going review of USSD pricing successfully and implements resulting recommendations as soon as possible. State Governments should consider reducing or removing signage fees for agent outlets, as the fees would negatively affect profitability of the agent business and restrict awareness creation about mobile money and financial services in general if agents or their principals decide not to deploy signage because of the fees.

In order to raise incentives for merchants to deploy and use PoS terminals, the Central Bank of Nigeria's Cashless Policy and Electronic Payment Incentive Scheme need to be further promoted.

Limited role of mobile network operators in agent banking

Mobile network operators (MNOs) have a wide and well-dispersed network of existing outlets across Nigeria. During the second round of the Geospatial Mapping Survey of access points in 2015, 8,533 operational outlets were captured. The decision of NCC to allow mobile network operators to apply for a super-agent license at CBN is expected to enhance the role which MNOs have played in the provision of financial services, especially mobile money, in Nigeria so far. To achieve the desired effects on financial inclusion, mobile network operators are encouraged to take advantage of this opportunity as soon as possible. CBN and NCC need to facilitate the process, monitor performance of participating MNOs and intervene with enabling policies, if required.

Security issues in remote areas

Several agents and financial services providers raised the issue of lack of security in remote areas. Security issues lower incentives for business owners to engage in agent banking and increase the cost for financial services providers of serving its financial access points. Financial services providers are encouraged to collaborate with Local Governments on reducing security issues. At the same time, CBN shall investigate if it can collaborate with the Inspector General of the Police at a national level to mitigate security concerns related to financial access points in rural areas.

“The role which mobile network operators have played in mobile money has been limited as at 2016.”

Poor mobile network connectivity

Network failure was cited as a key reason for the low adoption of mobile money by 30 per cent of agents in a survey to understand reasons for low mobile money adoption (BMGF & McKinsey, 2016). In order to increase the penetration of PoS devices and mobile money agents, it is necessary that the mobile network infrastructure is improved throughout the country.

3.4. Enablers

Financial inclusion enablers aim at reducing or removing existing barriers to financial inclusion. The National Financial Inclusion Strategy defined five enablers to drive the implementation process, namely Know Your Customer (KYC) ID, financial literacy, consumer protection, women initiatives, and children & youth initiatives.

3.4.1. Know Your Customer Identification (KYC ID)

Key Activities in 2016

In 2016, the National Identity Management Commission (NIMC) continued the enrolment process of the unique National Identification Number (NIN). It also sustained the harmonisation process of different IDs, including the BVN and the voter's card, with the NIN.

Table 3.4.1.: Status of the Enabler Key Performance Indicators as at 2016⁵³

| Definition of Indicator | Definition of Proxy Indicator | Base line 2010 | Actual 2014 | Actual 2015 | Actual 2016 | Target 2016 ⁵⁴ | % Achieved 2016 | Trend 2015-16 ⁵⁵ | Status | Target 2020 |
|---|---|----------------|----------------------|--------------------|----------------------|---------------------------|-----------------|---|---|----------------------|
| National Identification Number (NIN): % of adult population having a National Identification Number (NIN) | | 0% | 5.3% (5.0m adults) | 7.5% (7.2m adults) | 15.1% (14.6m adults) | 67.2% (65.2m adults) | 22% |  |  | 100% (105.8m adults) |
| Know Your Customer (KYC) Tier 1 ID: % of adult population having a KYC Tier 1 ID | % of adult population having a mobile phone | 58% | 62.8% (58.7m adults) | N/A | 60.4% (58.3m adults) | 67.2% (65.2m adults) | 90% |  |  | 100% (105.8m adults) |

Source for Actuals: NIMC for NIN, EFINA (2014, 2016) for KYC Tier 1 ID

“ The number of Nigerians registered for the NIN more than doubled from **7.2M** in 2015 to **14.6M** in 2016 ”

Status and Trend Analysis as at 2016

As at December 2016, 14.7 million Nigerians had registered for the NIN, out of whom 14.6 million were adults.⁵⁶ This segment accounted for approximately 15.1 per cent of the estimated total adult population, which was a significant 101 per cent-increase relative to December 2015, when 7.5 per cent of adult Nigerians had enrolled for the NIN. However, comparing the actual 2016 value to the 2016 target of an enrolment rate of 67.2 per cent of the total adult population, achievement remained behind the target (Table 3.4.1. and Figure 3.4.1.).

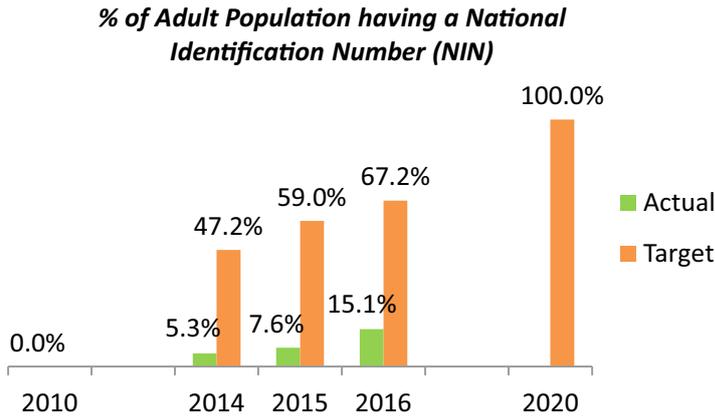
⁵³ For detailed notes on the table, please refer to Table E in the Executive Summary.

⁵⁴ Note that the target adult population is estimated for December, while the actuals for KYC Tier 1 ID are based on EFINA's Access to Financial Services in Nigeria Survey which was conducted between June and November of the respective year.

⁵⁵ Note that for the KYC Tier 1 ID indicator the trend shown refers to the period from 2014 to 2016.

⁵⁶ See Appendix 2 for the count of registered National Identification Numbers as at December 2016, disaggregated by State, age and gender.

Figure 3.4.1.: Status of the NIN Key Performance Indicator as at 2014, 2015 and 2016

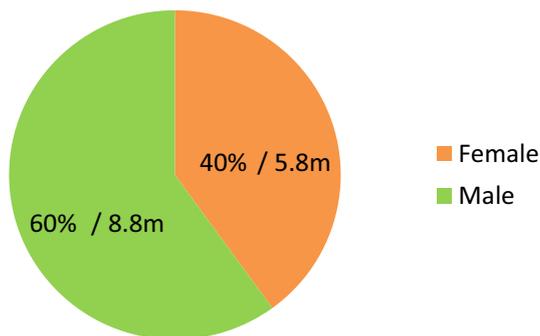


Source for Actuals: National Identity Management Commission

The second indicator in Table 3.4.1. refers to the percentage of the adult population that had a KYC Tier 1 ID and therefore would be able to open a KYC Tier 1 bank or mobile money account. As a proxy indicator, the percentage of the adult population having a mobile phone was used, as a telephone number, a passport photograph and personal details would be sufficient to open a KYC Tier 1 bank or mobile money account and the assumption was made that adults who have a mobile phone would also have a telephone number. Based on estimates from EFINA (2014, 2016), the percentage of the adult population having a mobile phone declined marginally from 62.8 per cent in 2014 to 60.4 per cent in 2016. The realised 2016 value was about 90 per cent of the 2016 target of 67.2 per cent of the adult population having a KYC Tier 1 ID.⁵⁷

In terms of gender distribution, 60 per cent (8.8 million) of all NIN holders were men, while 40 per cent (5.8 million) were women (Figure 3.4.2.).

Figure 3.4.2.: Distribution of Nigerians with a National Identification Number (NIN) by Gender, 2016

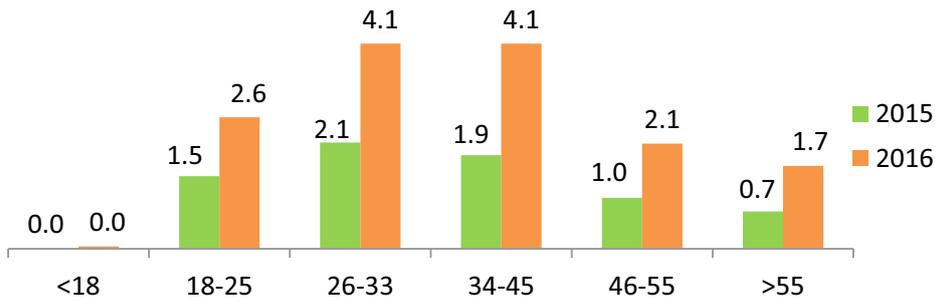


Source: National Identity Management Commission

Figure 3.4.3. shows the distribution of NIN holders by age for 2015 and 2016. Large increases were recorded across all age brackets, while the largest gains in absolute terms occurred for the age brackets of 26-33- and 34-45-year olds. Hardly any minors had been enrolled with the NIN as at 2016.

⁵⁷ However, note that InterMedia estimates based on results of its 2015 Financial Inclusion Insights Tracker Survey that 85 per cent of Nigeria's adult population owned a mobile phone in 2015. Therefore, EFINA's values are to be seen as conservative estimates.

Figure 3.4.3.: Distribution of Nigerians with a National Identification Number (NIN) by Age, in Million, 2015 and 2016



Source: National Identity Management Commission

Key Issues and Recommendations

One key issue related to the NIN enrolment process was budgetary constraints for NIMC, which restricted the organisation from rolling out the enrolment process more quickly.

In order to achieve the 2020 target of enrolling every adult Nigerian with the National Identification Number, it is essential that the National Identity Management Commission maintains the momentum from 2016 and that relevant stakeholders support the Commission in its enrolment efforts across the country.

3.4.2. Financial Literacy

In 2016, the Central Bank of Nigeria, in collaboration with the Federal Ministry of Education and other stakeholders, finalised the first phase of the development of a Financial Education Curriculum for basic and senior secondary schools, which was approved by the National Council on Education during the period under review. The Financial Education Curriculum is a stand-alone curriculum, which means that its content would be infused into existing career subjects. The second phase of the curriculum development will include the development of a teacher's guide and is expected to conclude in 2017.

Additionally, sensitisation activities were conducted by multiple stakeholders. For instance, the Bankers' Committee engaged over 212 schools across the Federation, reaching more than 24,000 students, during a school mentoring exercise on the World Savings Day. The Securities & Exchange Commission conducted elaborate activities, including quiz competitions in secondary schools, and the Central Bank of Nigeria visited 14 rural secondary schools to sensitise students about the benefits of financial services.

The National Financial Inclusion Strategy defined targets on the percentage of primary and secondary schools as well as tertiary institutions which shall have implemented a financial literacy curriculum by 2020. In order to achieve the target, it is necessary that the second phase of the development of the Financial Education Curriculum is finalised in 2017 such that the Curriculum can be introduced in schools as soon as possible.

3.4.3. Consumer Protection

The Central Bank of Nigeria approved and released the Consumer Protection Framework for banks and other financial institutions regulated by the CBN in November 2016.⁵⁸ This was a major milestone as the development of the Consumer Protection Framework was the key consumer protection-related target defined in the National Financial Inclusion Strategy. The key objective of the Framework is to enhance consumer confidence in the financial services

⁵⁸ The Framework can be accessed at:

[https://www.cbn.gov.ng/out/2016/cfpd/consumer%20protection%20framework%20\(final\).pdf](https://www.cbn.gov.ng/out/2016/cfpd/consumer%20protection%20framework%20(final).pdf). Accessed in June 2017.

“The National Council on Education approved the Financial Education Curriculum for basic and senior secondary schools.”

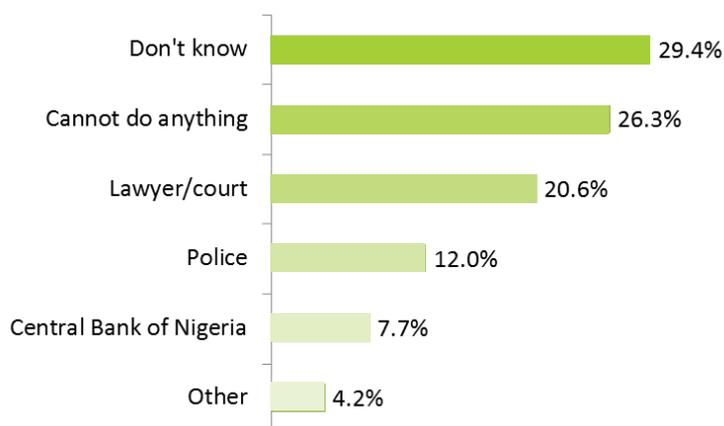
“The Central Bank of Nigeria approved and released the Consumer Protection Framework for banks and other financial institutions regulated by the CBN.”

industry and to promote financial stability, growth and innovation. It describes nine consumer protection principles as well as the rights and responsibilities of consumers and will be implemented between 2017 and 2021.

EfInA data indicates that as at 2016, the majority of respondents stated that they either did not know or could not do anything when asked who they would turn to if they had a problem with their bank that they could not resolve (see Figure 3.4.4.). Another 20.6 per cent indicated that they would turn to a lawyer or court and 12.0 per cent to the police. Only 7.7 per cent indicated that they would turn to the Central Bank of Nigeria, which makes it important for CBN to increase awareness among consumers about their consumer rights, as defined in the Consumer Protection Framework.

In addition, it is essential that the Central Bank of Nigeria ensures that all banks and other financial institutions in the country comply with the Framework from the beginning of its implementation.

Figure 3.4.4.: Percentage of adult population who use banks who gave the particular response to the question “If you have a problem with your bank that you cannot resolve, who do you turn to?”, 2016



Source: Enhancing Financial Innovation & Access (2016)

3.4.4. Women Initiatives

Key initiatives in 2016 to promote the financial inclusion of women included the kick-off of the National Women Empowerment Fund (NAWEF) of the Federal Ministry of Women Affairs and Social Development as well as the Federal Government's Enterprise & Empowerment Programme (GEEP). While NAWEF targets providing loans to 10,000 women in each of eight pilot States, GEEP aims at disbursing loans to 1.6 million beneficiaries, including women as one target segment.⁵⁹

Other initiatives included the disbursement of CBN's Micro, Small, and Medium Enterprises Development Fund to female entrepreneurs as well as entrepreneurship trainings targeted specifically at women. While 60 per cent of the Fund's share capital of ₦220 billion was earmarked for women, in 2016, 85,512 out of the 134,799 beneficiaries of the MSMEDF (excluding the Anchor Borrowers' Programme) were women, which amounted to 63 per cent of

“In 2016,
63%
of the 134,799
beneficiaries
of the
MSMEDF were
women.”

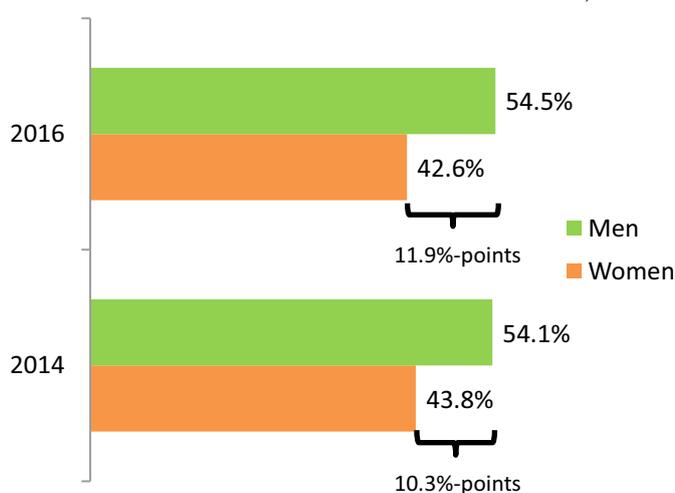
⁵⁹ See <http://www.vanguardngr.com/2016/09/fg-disburse-n200m-8-states-empower-women/> for more information. Accessed in June 2017.

“Adult men were **28%** more likely to be formally financially included than adult women.”

all beneficiaries. Similarly, the Entrepreneurship Development Centres (EDCs) are encouraged to ensure that at least 40 per cent of their participants are women. In 2016, EDCs trained 6,345 women, which amounted to 45 per cent of all participants during the year, implying that the target was reached.

In spite of the implementation of several financial inclusion initiatives targeting women, female financial exclusion remained a major concern as at 2016. As Figure 3.4.5. shows, the formal financial inclusion rate of women decreased from 43.8 per cent in 2014 to 42.6 per cent in 2016, while the male formal financial inclusion rate increased marginally from 54.1 per cent in 2014 to 54.5 per cent in 2016, based on EFINA data. The gap between the male and female formal financial inclusion rate, therefore, increased from 10.3 percentage-points in 2014 to 11.9 percentage-points in 2016. In relative terms, adult men were 28 per cent more likely to be formally financially included than adult women as at 2016.

Figure 3.4.5.: Formal Financial Inclusion Rate for Adult Men and Women, 2014 and 2016



Source: Enhancing Financial Innovation & Access (2014, 2016)

One key issue related to the high formal financial inclusion gender gap involves cultural factors, which make it difficult for women to access formal financial services. Having the decline in the formal financial inclusion rate of women in mind, regulators, financial services providers and supporting institutions particularly need to enhance financial inclusion efforts targeted at women.

“The Central Bank of Nigeria, in collaboration with the National Youth Service Corps and Heritage Bank, launched the Youth Entrepreneurship Development Programme.”

3.4.5. Children and Youth Initiatives

Several initiatives targeting children and the youth took place in 2016. For instance, as indicated in section 3.4.2., a Financial Education Curriculum for basic and senior secondary schools was developed in 2016. Additionally, sensitisation activities were conducted which specifically targeted children and the youth. The Federal Ministry of Youth and Sports Development (FMYSD), in collaboration with the National Youth Service Corps (NYSC), the Central Bank of Nigeria (CBN) and other stakeholders, conceptualised the “NYSC Peer Educator Programme for Financial Inclusion”. Under the Programme, NYSC members would sensitise their host communities about financial inclusion as part of their community development service.

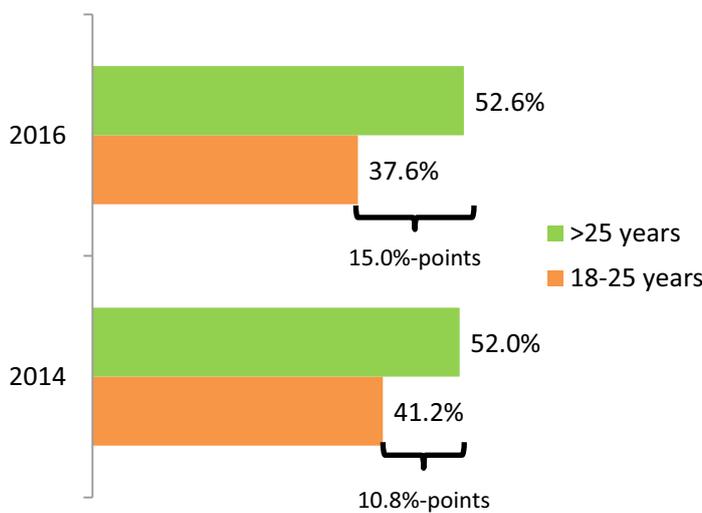
Also, the Central Bank of Nigeria, in collaboration with NYSC and Heritage Bank, launched the Youth Entrepreneurship Development Programme (YEDP), under which eligible youth could apply for a credit line of up to ₦3 million.

“Adults aged above 25 years were **40%** more likely to be formally financially included than adults between 18 and 25 years old.”

Figure 3.4.6. shows the trend of the estimated formal financial inclusion rate of 18 to 25-year olds between 2014 and 2016 as well as the gap relative to the adult population segment that is older than 25 years. The formal financial inclusion rate actually decreased for 18 to 25-year olds from 41.2 per cent in 2014 to 37.6 per cent in 2016, while it increased slightly for adults older than 25 years from 52.0 per cent in 2014 to 52.6 per cent in 2016. As a result, the absolute formal financial inclusion gap between the two adult population segments increased from 10.8 to 15.0 percentage-points over the last two years. In relative terms, in 2016, adults aged above 25 years were 40 per cent more likely to be formally financially included than adults between 18 and 25 years old.

In order to reverse the negative trend of the formal financial inclusion rate of the youngest adults, regulators, financial services providers and supporting institutions need to develop and implement strategies which specifically focus on this segment.

Figure 3.4.6.: Formal Financial Inclusion Rate for 18-25-year olds and adults aged above 25 years, 2014 and 2016



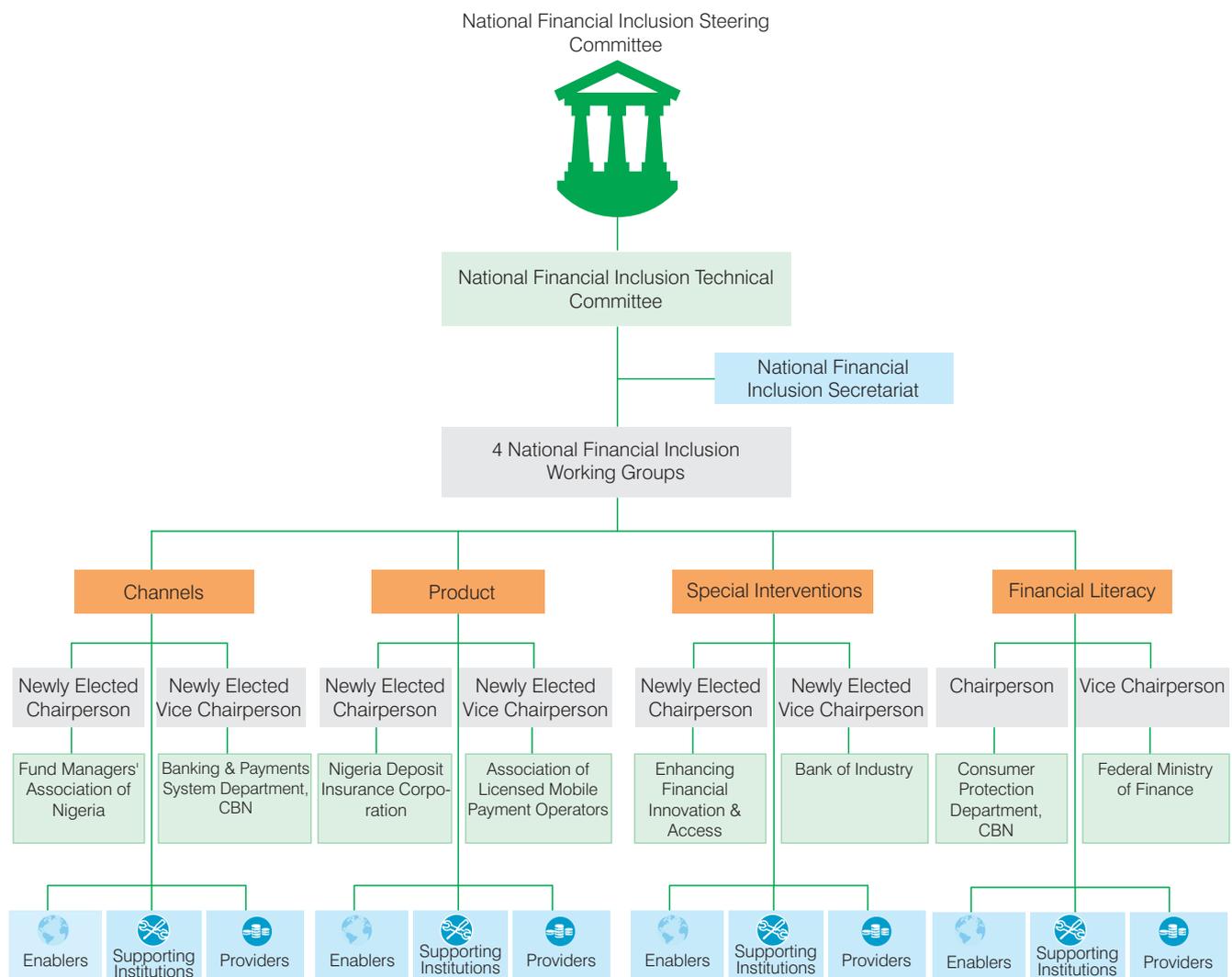
Source: EFinA (2014, 2016)

“The Central Bank of Nigeria earmarked **2%** of its **₦220Bn** Micro, Small and Medium Enterprises Development Fund for people with disabilities.”

3.4.6. People with Disabilities (PWD)

In addition to women and the youth, the National Financial Inclusion Special Interventions Working Group defined people with disabilities as a third target segment for financial inclusion. The Central Bank of Nigeria earmarked 2 per cent of its ₦220 billion Micro, Small and Medium Enterprises Development Fund (MSMEDF) for people with disabilities. As at 2016, the Bank, in collaboration with the Joint National Association of Persons with Disabilities (JONAPWD), had initiated a pilot for the disbursement of the MSMEDF to people with disabilities.

STAKEHOLDER ACTIVITIES IN 2016



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

- The Bankers' Committee approved financial inclusion targets for the period of 2016 to 2020 for all commercial banks.
- The National Association of Microfinance Banks and the Association of Non-Bank Microfinance Institutions of Nigeria trained many microfinance banks and institutions on the development of Rural Business Plans.
- The Nigerian Insurers Association, in collaboration with other stakeholders, implemented a verification device to identify genuine motor vehicle insurance policies.
- The Bank of Industry initiated disbursement of microloans to market women, farmers, artisans and the youth through the Government Enterprise & Empowerment Programme.

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

- The Central Bank of Nigeria approved and released the Consumer Protection Framework.
- The National Collateral Registry went live.
- The National Insurance Commission, in collaboration with GIZ and other stakeholders, conducted a diagnostic study on the potential of micro insurance in Nigeria.
- The Nigerian Communications Commission decided that mobile network operators could apply for a super-agent license through a subsidiary.
- The Federal Ministry of Women Affairs and Social Development developed the National Women Empowerment Fund (NAWEF) exclusively for women.
- The Federal Government initiated disbursement of its Special Intervention Project.

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

- The Alliance for Financial Inclusion held its annual Global Policy Forum at which an Action Plan, the Denarau Action Plan, was adopted to promote the financial inclusion of women.
- The Bill & Melinda Gates Foundation sponsored a study on ways to accelerate the adoption of mobile money payments.
- Enhancing Financial Innovation & Access conducted a Super-Agents Scoping Study as well as the biennial Access to Financial Services in Nigeria Survey.
- GIZ developed financial literacy material for the low-income economically active population.
- Mercy Corps initiated targeted financial inclusion interventions for marginalised adolescent girls.



Dr. Ankele Samuel, Senior Special Assistant to the President on Disability Matters, addressing participants during the Workshop on Scaling Up the Disbursement of the Micro, Small and Medium Enterprises Development Fund (MSMEDF) to People with Disabilities



Participants at the Lagos Business School (LBS) Stakeholder Session on Digital Financial Services



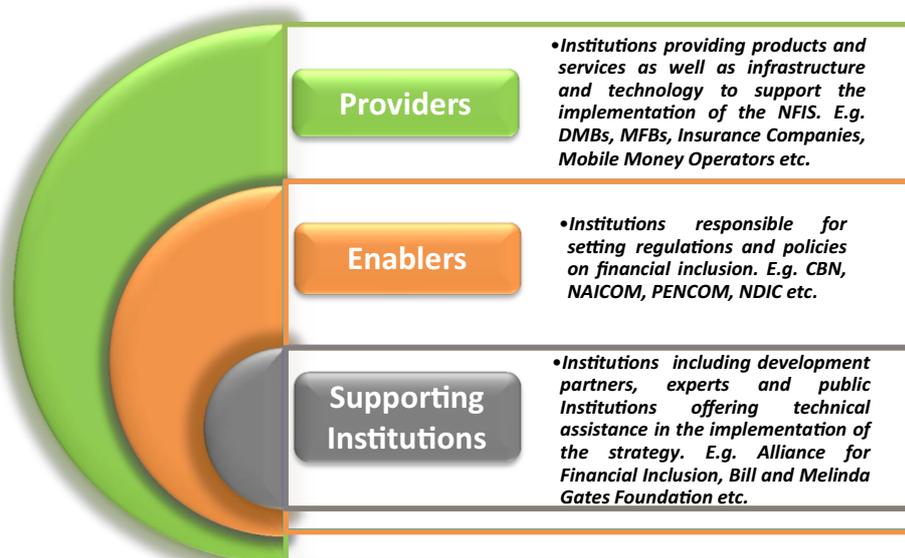
Participants at Financial Inclusion Working Group meeting (Financial Literacy)

4. STAKEHOLDER ACTIVITIES

The National Financial Inclusion Strategy (NFIS) identified three key stakeholder groups as critical to the successful achievement of the target of an 80 per cent adult financial inclusion rate by 2020. These identified groups are as follows: **Providers**, **Enablers** and **Supporting Institutions**.

Through the lifespan of the NFIS, Providers are expected to offer products and services as well as infrastructure and technology required for the implementation of the NFIS, Enablers are responsible for setting favourable regulations and policies on financial inclusion, while Supporting Institutions, including development partners, experts and public Institutions, offer technical assistance in the implementation of the NFIS (CBN, 2012).

Figure 4.1.: Stakeholder Structure for NFIS Implementation



A governance structure has been put in place in order to ensure effective monitoring and evaluation of financial inclusion initiatives across the three stakeholder groups towards the achievement of the defined 2020 financial inclusion targets.

This chapter provides an overview of updates to the National Financial Inclusion Governing Committees as well as strategic activities carried out by the three identified stakeholder groups in the period under review.

4.1. National Financial Inclusion Governing Structure

In order to oversee and ensure the successful implementation of the planned strategies, two Governing Committees and four Financial Inclusion Working Groups were established in 2015. **The National Financial Inclusion Steering Committee** is chaired by the CBN Governor and comprises the Heads of relevant Ministries, Departments and Agencies (MDAs) and Industry Associations. It meets biannually and provides high level policy and strategic direction for the implementation process.

“The National Financial Inclusion Steering Committee approved the review of the National Financial Inclusion Strategy.”

Some of the key decisions taken in the 2016 Steering Committee meetings which are related to the Governing structure included:

- a) Approval to review the National Financial Inclusion Strategy to evaluate the progress of implementation, assess challenges and reflect on lessons learnt from the existing implementation process. It also aims at identifying new initiatives in order to significantly increase financial inclusion moving forward.
- b) Decision to review the N50 stamp duties on electronic transactions in order to minimise negative effects on financial inclusion.
- c) Decision to develop a plan for financial inclusion mass sensitisation initiatives, leveraging on publicly owned media channels.
- d) Approval to on-board eight new member Institutions of the National Financial Inclusion Working Groups owing to their relevance in the implementation of the National Financial Inclusion Strategy.
- e) Approval to elect new Working Group Executives for the period of 2017 and 2018 for three of the four National Financial Inclusion Working Groups.

The **National Financial Inclusion Technical Committee** is chaired by the CBN Deputy Governor, Financial System Stability, and comprises CBN Directors as well as equivalents within relevant Ministries, Departments and Agencies, and Industry Associations. The Committee meets quarterly and provides technical support and validates data supplied on financial inclusion.

Four National Financial Inclusion Working Groups define and implement annual work plans related to four key areas:

- Financial Inclusion Channels Working Group (FICWG): To address implementation issues on financial access points (e.g. branches, ATMs, agents) and their dispersion across the country.
- Financial Literacy Working Group (FLWG): To address the financial capability of consumers in order to improve their understanding of concepts, benefits and risks associated with financial products and services.
- Financial Inclusion Products Working Group (FIPWG): To address implementation issues on financial products and services, such as scaling up the adoption of savings, electronic payments, credit, insurance, and pension schemes.
- Financial Inclusion Special Interventions Working Group (FISIWG): To address implementation issues related to women, the youth and people with disabilities (PWD) in order to enhance their access to financial products and services.

The **National Financial Inclusion Secretariat** was established in 2013 to run the day-to-day coordination, data management activities, monitoring & evaluation and reporting on the National Financial Inclusion Strategy implementation process. It serves as the Secretary to the National Financial Steering and Technical Committees. The Secretariat also coordinates the activities of the four National Financial Inclusion Working Groups and implements the Digital Financial Inclusion Project, a joint initiative of the Federal Ministry of Finance, the Bill & Melinda Gates Foundation and the Central Bank of Nigeria.

During the year, the Secretariat carried out the following activities:

- **Target-Setting Exercise with Commercial Banks**

The Secretariat coordinated a financial inclusion target-setting exercise, which the Bankers' Committee in its 325th meeting on February 11, 2016 directed to conduct. Financial inclusion targets were defined for the period of 2016 to 2020 for new savings customers, new credit

“The Bankers' Committee approved financial inclusion targets for the period of 2016 to 2020 for all commercial banks.”

customers, new agents as well as new branches and ATMs in currently un-served Local Government Areas. The targets were approved by the Bankers' Committee in its 327th meeting on June 9, 2016, following which commercial banks submitted implementation plans to the Secretariat, which will monitor and evaluate progress made by the banks.

- **Branch Controllers' and Development Finance Officers' Workshop**

In order to scale up the implementation plan of the financial inclusion strategy in all the States, the Secretariat in collaboration with the Branch Operations Department of the Central Bank of Nigeria organised a workshop on February 17, 2016 in Lokoja for the Branch Controllers and the Development Finance Officers nationwide. The purpose of the workshop was to carry the branches along in achieving the financial inclusion target of an adult financial inclusion rate of 80 per cent by the year 2020.

The workshop kicked off the development of financial inclusion action plans for 2016 with stakeholders providing concrete activities, which each branch would be measured against in a bid to improve access to financial services for the financially excluded Nigerians.

- **Financial Inclusion Data Workshop**

The Secretariat held a Financial Inclusion Data Workshop with commercial banks, microfinance banks and insurance companies, in collaboration with the Banking Supervision and the Other Financial Institutions Supervision Departments of the Bank as well as the National Insurance Commission. The workshop took place on August 22 to 24, 2016 in Lagos. The purpose of the workshop was to create a mutual understanding with the financial services providers on the importance of their data in measuring progress made on the National Financial Inclusion Strategy, to discuss a financial inclusion data collection template, and to enhance the financial inclusion database in future.

- **On-boarding of new Agencies into Working Groups**

During the year under review, the National Financial Inclusion Technical Committee approved the on-boarding of the following agencies into the four National Financial Inclusion Working Groups, having recognised the potential therein in driving access to finance in the country:

- Nigeria Social Insurance Trust Fund (NSITF)
- National Health Insurance Scheme (NHIS)
- Nigeria Inter-Bank Settlement System (NIBSS)
- Interswitch Financial Inclusion Services (IFIS)
- Innovectives Nigeria Limited
- Committee of e-Banking Industry Heads (CeBIH)
- Small & Medium Enterprise Development Agency of Nigeria (SMEDAN)
- National Co-operative Financing Agency of Nigeria (CFAN).

- **Election of Working Group Executives for the period of 2017 & 2018:**

During the year under review, the Secretariat coordinated the election of new Working Group Executives for three out of four Working Groups for the period of 2017 and 2018, as the two-year term of previous Executives came to an end in December 2016. There was no election of Executives of the National Financial Literacy Working Group in 2016, as their term had commenced at a different point in time from the other three Working Groups. The election results were as follows:

“8 new institutions were on-boarded as members of the National Financial Inclusion Working Groups.”

“New Chairpersons were elected for 3 of the 4 National Financial Inclusion Working Groups.”

Table 4.1.: Chairpersons and Vice Chairpersons of the four National Financial Inclusion Working Groups

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

4.2. Providers

In 2016, concerted efforts of providers contributed to the effective implementation of the National Financial Inclusion Strategy. There were several licenced institutions providing financial products and services as at year end, 2016. These include: 26 Deposit Money Banks (21 commercial banks, 4 merchant banks, 1 non-interest bank), 987 Microfinance Banks, 23 Mobile Money Operators, 58 Insurance Companies and 21 Pension Fund Administrators (PFAs).

In tracking the progress of various providers, Apex Associations remained the focal points for coordination and reporting of activities by member institutions in a bid to improve financial inclusion in Nigeria.

4.2.1. Bankers' Committee

The Bankers' Committee, which is chaired by the Governor, Central Bank of Nigeria with Chief Executive Officers (CEOs) of the deposit money banks as members, focused on key strategies to increase access to savings, credit and payments services in the period under review. Some of the key activities which the Committee carried out include:

- **Target Setting Exercise**

The Bankers' Committee at its 325th meeting of February 11, 2016, approved for a Committee of select deposit money banks to work with the Financial Inclusion Secretariat to develop a 5-year

(2016 - 2020) target breakdown for all commercial banks. The targets developed were presented to all commercial banks during review sessions and subsequently presented to the Bankers' Committee which approved the targets in its 327th meeting on June 9, 2016.

- **Financial Literacy and Education**

In 2016, deposit money banks participated in the Annual Global Money Week and World Savings Day activities. The objective of financial sector participation at these events was to educate school children on financial matters, especially the need to build a healthy savings habit. The activities provided a platform for the adoption of schools across the six geopolitical zones with at least 1,000 students per institution trained on the benefits of developing a good savings habit.

- **Credit Enhancement Schemes**

In order to extend credit facilities to different segments of the country, members of the Bankers' Committee committed to collaborate with the Central Bank of Nigeria in the implementation of credit enhancement programmes. For instance, the Youth Entrepreneurship Development Programme (YEDP) aimed at reducing the rate of unemployment affecting youths in Nigeria and the Anchor Borrowers' Programme aimed at supporting farmers by providing a linkage between smallholder farmers and identified, trustworthy processors.

Other credit enhancement programmes of the Bankers' Committee over the course of the year included focused lending by Banks to women groups, farmers, and small- and medium-sized enterprises.

4.2.2. National Association of Microfinance Banks (NAMB)

The microfinance subsector remained critical to improving access to finance for the low-income population due to the proliferation of its branch network in Nigeria.

In 2016, the National Association of Microfinance Banks in Nigeria embarked on a project to actively empower women and the rural poor by teaching them to develop a savings culture and supporting the formation of financial groups to improve their opportunities to access financial services.

Over 500 microfinance banks participated in the project, known as the Rural Business Plan (RBP) training. The RBP training was carried out in the six geopolitical zones of the country with a total of 452 viable plans developed by women-headed groups, youth and the physically challenged.

4.2.3. Association of Non-Bank Microfinance Institutions (ANMFIN)

The Association of Non-Bank Microfinance Institutions of Nigeria plays an important role in ensuring that member microfinance institutions (MFIs) possess the necessary capacity to serve the rural poor and unbanked population by providing appropriate products and services to meet their needs.

In 2016, the Association embarked on a training programme for its members on the development of Rural Business Plans as well as group formation. The aim of the programme was to develop the capacity of microfinance institutions through training delivery to expand their outreach into rural areas utilising the rural business plan model designed by the Central Bank of Nigeria and the Rural Finance Institution Building Programme (RUFIN) of the International Fund for Agricultural Development (IFAD). A total of 388 MFIs were trained and formed 19,400 groups.

The deployment of micro insurance products by MFIs was another key milestone achieved by the Association in the period under review. MFIs were sensitised on the need to adopt micro insurance products and collaborations were on-going with insurance companies to increase

“Over **500** microfinance banks participated in Rural Business Plan trainings in order to actively empower women and the rural poor.”

“A total of **388** microfinance institutions were trained on the Rural Business Plan and **19,400** savings groups formed.”

“The Nigerian Insurers Association, in collaboration with other stakeholders, implemented a verification device to identify genuine motor vehicle insurance policies.”

rural uptake of micro insurance products as at the end of the year under review.

4.2.4. Nigerian Insurers Association (NIA)

As the Apex Association of the insurance sector, the Nigerian Insurers Association consolidated the efforts of its members towards improved awareness creation in 2016. With the low penetration of insurance in the country (see Section 3.2.3.), NIA, in collaboration with the Association of Registered Insurance Agents of Nigeria (ARIAN) and the Nigerian Council of Registered Insurance Brokers (NCRIB), embarked on a road show to galvanise public interest in insurance in the first quarter of 2016.

The campaign was targeted at people in the informal sectors, specifically at artisans and market men and women, facilitating increased outreach to the unreached with the value proposition of insurance.

Another major achievement recorded by the Association was the implementation of a verification device to identify genuine motor vehicle insurance policies. In collaboration with the Nigerian Union of Road Transport Workers (NURTW), the States Board of Internal Revenue, the Federal Road Safety Commission (FRSC) and the Vehicle Inspection Office (VIO), NIA used the device to ensure that insurance policies issued were genuine.

4.2.5. Bank of Industry (BOI)

In 2016, the Bank of Industry performed several credit enhancement functions, supporting its primary function to provide long-term financing to several sectors of the Nigerian economy. Some of the schemes included:

- **Youth Enterprise Support Programme (YES-Programme)**

The Programme of the Bank of Industry was established in March 2016 with the aim of providing capacity building to eligible entrepreneurial youths on business development and management. Following the capacity building, successful businesses would subsequently be funded by the Bank under its SME cluster initiative, using a seed capital of N10 billion at a 9 per cent interest rate per annum with a maximum tenor of 5 years.⁶⁰

- **Government Enterprise & Empowerment Programme (GEEP)**

As part of the Federal Government Enterprise & Empowerment Programme (GEEP) which is aimed at improving access to credit for market women, farmers, artisans and the youth, the Bank of Industry partnered with Sterling Bank to commence the pilot disbursement of N140 million to eligible beneficiaries.

4.3. Enabling Institutions

Enabling institutions are organisations which need to ensure an enabling environment and groundwork for the implementation of the Strategy. They include regulators and public institutions, which are responsible for setting financial inclusion-related regulations and policies, which should lower existing barriers to access to financial services, such as long distance to access points, eligibility criteria, financial literacy and consumer protection.

4.3.1. Regulators

4.3.1.1. Central Bank of Nigeria (CBN)

The CBN continued to implement various developmental initiatives which have direct impact on accelerating financial inclusion.

This includes: The Micro, Small, and Medium Enterprises Development Fund (MSMEDF), the Anchor Borrowers Programme (ABP), Youth Entrepreneurship Development Programme (YEDP) and the National Collateral Registry (NCR).

“The Bank of Industry partnered with Sterling Bank to commence the pilot disbursement of N140M to eligible beneficiaries of the Government Enterprise & Empowerment Programme.”

⁶⁰ See <http://www.boi.ng/yes/> for more information. Accessed in July 2017.

“The Micro, Small, and Medium Enterprises Development Fund disbursed a total of **₦48.1B** out of which **₦24.5B** was disbursed as part of the Anchor Borrowers' Programme.”

Micro, Small, and Medium Enterprises Development Fund (MSMEDF)

The Micro, Small, and Medium Enterprises Development Fund was set up by the Bank in August 2013 to provide wholesale funds to participating financial institutions for on-lending at concessional interest rates to micro, small, and medium enterprises. In 2016, a total of ₦48.1 billion was disbursed, out of which ₦24.5 billion was disbursed as part of the Anchor Borrowers' Programme (see further below). The remaining ₦23.6 billion was disbursed through 145 participating financial institutions to 134,799 beneficiaries, out of which 63 per cent were women, and 160 small and medium enterprises.

Two per cent of the ₦220 billion share capital of the Fund was earmarked for People with Disabilities (PWDs) to support their economic citizenship and sense of belonging, and enable them to participate in building a sustained economy. To enhance inclusiveness in the financial space, the CBN, the Joint National Association of Persons with Disabilities (JONAPWD) and the Office of the Vice President developed a road map for accelerated disbursement of the two per cent allocation to PWDs under the MSMEDF in 2016. Consequently, the Committee of Governors (CoG) of the Bank approved the selection of 150 PWDs in each of the 36 States and FCT.

Anchor Borrowers' Programme (ABP)

In order to complement the financial inclusion drive, the Anchor Borrowers' Office of the Bank intensified its efforts in supporting farmers nationwide. During the period under review, a total of ₦24.5 billion was disbursed to 125,963 farmers covering 160,083 hectares. The amount was released through ten participating financial institutions in 17 States.

Youth Entrepreneurship Development Programme (YEDP)

The Central Bank of Nigeria, as part of efforts to improve access to finance for the youths, launched the Youth Entrepreneurship Development Programme for members of the National Youth Service Corps in 2016. The objectives of the Programme are to develop the entrepreneurial spirits of youths, using a well-structured business model, to deepen credit delivery to address the challenges of unemployment, and to enhance the spread of small and medium enterprises. The Programme will provide a sustainable mechanism to stimulate employment, contribute to the Nation's non-oil GDP and address the challenges of youth restiveness.

The Bank signed a Memorandum of Understanding with Heritage Bank for the disbursement to eligible Corps members who passed a screening and training.

National Collateral Registry (NCR)

The National Collateral Registry was set up by the Bank in collaboration with the International Finance Corporation (IFC) as a financial infrastructure to deepen access to finance by MSMEs. The objectives of the Registry include to enhance financial inclusion in Nigeria, to stimulate responsible lending to MSMEs, to facilitate access to credit secured with movable assets, to perfect security interests in movable assets and to facilitate realisation of security interests in movable assets. A total of 69 financial institutions (comprising 21 Deposit Money Banks, 3 Development Finance Institutions, 1 Specialised Bank and 44 Microfinance Banks) had registered on the NCR portal as at end-2016. Over the period, 5 financial institutions registered their priority interest in movable assets valued at ₦24.1 billion with 1,464 financing statements.

In addition to the developmental initiatives, the CBN also carried out financial literacy and consumer protection awareness campaigns in various states and local government areas. During the reviewed period, in collaboration with other stakeholders, CBN initiated and developed the Financial Education Curriculum (FEC) for the infusion into subjects of basic and senior secondary schools. The purpose of the Curriculum is to create awareness on the functions and benefits of financial products and services. Accordingly, the National

“A total of **69 financial institutions** had registered on the National Collateral Registry portal as at **December 2016.**”

Educational Resource and Development Council (NERDC) was engaged by CBN to provide the structure and guide of the proposed curriculum.

The Consumer Protection Framework was also released by the Central Bank of Nigeria in November 2016.

The CBN reviewed upward the existing thresholds for KYC Tier 1 and 2 accounts as a response to requests made by financial services providers and in order to deepen financial inclusion. Customers of KYC Tier 1 accounts would now be allowed to make single deposits of up to ₦50,000 and have a cumulative balance of up to ₦300,000, while customers of KYC Tier 2 accounts could make single deposits of up to ₦100,000 and have a cumulative balance of ₦500,000 at any point in time.

The CBN implemented various initiatives aimed at entrenching a safe, reliable and efficient payments system in the country.

These includes:

- Payments systems vision 2020
- Licensing of super agents
- E-payment Incentive Scheme
- Bank Verification Number
- Cash-less Nigeria
- Agent Banking
- Nigeria Electronic Fraud Forum.

4.3.1.2. National Pension Commission (PenCom)

During the departing year, the Commission collaborated with pension fund administrators, CBN, SMEDAN, NIMC, BOI, mobile money operators, Chambers of Commerce, the National Examination Council, Unions/Associations of Traders and Artisans on the development of the Micro Pension Guideline. The Guideline provides the general rules and platform for enrolling the informal sector and self-employed in the Contributory Pension Scheme. The scheme will expand the pension coverage to the informal sector and self-employed and hence ensure inclusive finance.

Also, the Commission collaborated with tertiary education institutions on the introduction of Pension Literacy Programmes. An MoU was signed with universities to train their lecturers such that they would in turn train students on pension-related topics. Pension education and enlightenment will ultimately increase coverage of citizens under the pension scheme.

4.3.1.3. National Insurance Commission (NAICOM)

In pursuance of the implementation of the National Financial Inclusion Strategy to achieve a 40 per cent adult inclusion rate in the insurance sector, the National Insurance Commission (NAICOM) collaborated with the Central Bank of Nigeria on the development of revised Bancassurance Guidelines.

Also, NAICOM, in collaboration with GIZ and other stakeholders, conducted and concluded a diagnostic study on the potential of micro insurance in Nigeria. The objective of the study was to analyse whether the Nigerian context offers an enabling environment that would allow micro insurance to emerge, reach scale and achieve sustainability. In particular, it aimed to identify existing barriers to micro insurance and explore the impact of the current policy, regulatory and supervisory frameworks on micro insurance developments. In addition, the diagnostic study aimed at catalysing the development of local stakeholder strategies towards concrete actions.

4.3.1.4. Securities and Exchange Commission (SEC) Nigeria

Activities carried out by the Commission to drive access to finance during the year included the completion of capital market studies, and plans to infuse the key learning points in the

“The National Insurance Commission, in collaboration with GIZ and other stakeholders, concluded a diagnostic study on the potential of micro insurance in Nigeria.”

curriculum of schools, road shows and sensitisation activities about various capital market products and services.

4.3.1.5. Nigerian Communications Commission (NCC)

The Nigerian Communications Commission made progress in the provision of Information and Communication Technology (ICT) access in the 774 LGAs across the country. The NCC Infrastructure Licensing (Infracore) is divided into two phases, 1) the operators laying fibre, and 2) the consultant monitoring the implementation of laying fibre across the zones. The companies to lay fibre-optic technology in Lagos and North Central had been appointed but did not commence work due to a subsidy arrangement which had not been concluded. A Request for Proposal had been opened in the other five geopolitical zones, but the evaluation had not been concluded as at December 2016.

4.3.1.6. Nigeria Deposit Insurance Corporation (NDIC)

The Corporation held its maiden NDIC Stakeholders Town Hall Meeting initiative in 2016. The programme was designed as a platform for the Corporation's Senior Management, bank customers and operators to come together to rub minds on consumer protection and financial inclusion issues in the banking sector. The maiden edition of the initiative was held at "The Avenue Event Centre", Kano, on Thursday, 10th November, 2016 with the theme: "Bank Customer Protection: The Role of NDIC".

The Corporation also participated in the Enugu, Kaduna, Lagos, Kano, Abuja and Katsina International Trade Fairs. Apart from attending to visitors' enquiries directly, the Fairs provided an additional platform for reaching out to the unbanked, providing them with the relevant information about access to financial services and educating them on the benefits and limitations of the deposit insurance system and the Corporation's contribution toward financial system stability.

Additionally, NDIC partnered with a writer to produce two storybooks targeted at children and youths from nursery to secondary schools. The books were specifically intended to capture the imagination of the readers through the interesting storylines based on scenarios within the Nigerian environment. They were also designed to educate the readers about the value of money, the importance of savings and taking responsibility for managing one's finances.

4.3.2. Government Agencies

4.3.2.1. Federal Ministry of Women Affairs and Social Development (FMWASD)

To further support the Central Bank of Nigeria's initiative to accelerate access to finance by the vulnerable poor, the Federal Ministry of Women Affairs and Social Development in 2016 developed the National Women Empowerment Fund (NAWEF) exclusively for women, targeting about 80,000 women in eight pilot States: Adamawa, Yobe, Borno (North East), Akwa Ibom (South South), Osun (South West), Nasarawa (North Central), Abia (South East), Jigawa (North West).

The objective of the programme is to provide access to financial services for micro and small enterprises, to reduce the level of poverty and to facilitate growth and entrepreneurial development at the community level.

Another initiative from FMWASD was the Government Enterprise & Empowerment Programme (GEEP) which is for youths, artisans, women cooperative groups, market women, and farmers. The target beneficiaries are about 1.6 million in the 36 States of the Federation and FCT. Also, particular emphasis would be placed on rural areas in view of the high poverty level and limited access to finance.

“The Federal Ministry of Women Affairs and Social Development developed the National Women Empowerment Fund exclusively for women, targeting about 80,000 women in eight pilot States.”

**“In 2016,
4,718
employees
were
compensated
through the
Employees'
Compensation
Scheme of the
Nigeria Social
Insurance
Trust Fund.”**

4.3.2.2. Federal Ministry of Information and Culture (FMIC)

The Financial Inclusion Secretariat intensified efforts on advocacy and campaigns for financial services and products and collaborated with the Federal Ministry of Information and Culture on increasing widespread awareness about financial services. During the year under review, the Council of Information approved to support the implementation of the National Financial Inclusion Strategy through enhancing awareness of mobile money and other financial products, using state-owned media platforms.

4.3.2.3. Federal Ministry of Finance (FMF)

The CBN, the Federal Ministry of Finance and the Bill & Melinda Gates Foundation signed a tripartite agreement to implement a Digital Financial Inclusion Project in Nigeria. The Project which will be implemented along defined roles and responsibilities between 2015 and 2018 is aimed at increasing the level of financial inclusion in Nigeria by supporting the achievement of the 70 per cent payments target by 2020, strengthening the payments system infrastructure in order to accelerate the pace of digitisation in the country and improving the efficiency of public expenditure, by reducing leakages and saving money for vital developmental projects.

4.3.2.4. Nigeria Social Insurance Trust Fund (NSITF)

The Nigeria Social Insurance Trust Fund is vested with the powers to manage the Employees' Compensation Scheme (ECS). In 2016, an additional 17,504 employers were registered under the ECS. Employers are required to contribute 1 per cent of the total emolument of their employees from their own funds on a monthly, quarterly, biannual or annual basis to cover employees who suffer from occupational diseases, injuries, or disabilities from accidents at work or in the course of employment. In the case of death of employees, the Fund provides compensation to dependants. In 2016, 4,718 employees were compensated.

In order to increase coverage of the ECS, the Nigeria Social Insurance Trust Fund conducted sensitisation and advocacy campaigns between June and December 2016. For instance, it implemented the Safe Work place Intervention Project with the slogan “Promoting safe work place and minimise rates of industrial accidents” and it sensitised the State Governments of Bauchi, Gombe, Jigawa and Rivers States and various trade associations in a bid to cover employees in both, the formal and informal sector. It also collaborated with the Bureau of Public Procurement (BPP) in a proactive move to include the NSITF Compliance Certificate as one of the requirements for vendors who participate in tender processes for government contracts.

4.3.2.5. Nigerian Postal Service (NIPOST)

In collaboration with the National Identity Management Commission and Nigerian Communications Satellite Limited, NIPOST engaged a company to provide NIPOST with connectivity in order to extend financial and digital services and access to rural and underserved areas. The company deployed gadgets to the Mahuta post office in B/Kebbi, Iga-Okpaya and Adi-otulo post offices in Benue State, as well as the Kubwa post office in Abuja on pilot basis. The project is planned to include other outlets nationwide.

Other financial inclusion-related programmes of NIPOST included:

- **Mobile Money**

NIPOST initiated the operation of a mobile money scheme with mobile money operators, which went live during the year under review.

- **Agency Banking**

NIPOST contacted microfinance banks and the National Association of Microfinance Banks to cooperate on engaging people in the informal sector.

NIPOST indicated plans to link its payment platform to the National Central Switch to enable its platform perform a variety of transactions, such as cash to account, account to cash, account-to-account and payment of utility bills.

“One key outcome from the Global Policy Forum of the Alliance for Financial Inclusion was the **Denarau Action Plan**, a 10-point Action Plan to increase female financial inclusion.”

“The Bill & Melinda Gates Foundation sponsored a study on ways to accelerate adoption of **mobile money payments**.”

4.3.2.6. **National Identity Management Commission (NIMC)**

The Commission, in collaboration with other stakeholders, started working on the harmonisation and integration of identification schemes. This would in turn provide a comprehensive database of identity information of adult Nigerians, which could be used for identification verification purposes by financial services providers.

4.4. **Supporting Institutions**

4.4.1. **Alliance For Financial Inclusion**

The Alliance for Financial Inclusion (AFI), a global network of policymakers and regulators with the common goal of promoting access to finance across the world, organises an Annual Global Policy Forum (GPF). The GPF provides member institutions the opportunity to take stock on progress made against financial inclusion targets and share knowledge on best practices to improve the implementation of financial inclusion strategies.

In 2016, the AFI GPF held in Nadi, Fiji with 530 senior officials from the AFI network (Alliance for Financial Inclusion, 2017). One key outcome from the GPF was the increased focus of the AFI network on gender and female financial inclusion, evidenced by the network's adoption of the Denarau Action Plan, a 10-point Action Plan to be overseen by the newly formed AFI Gender and Women's Financial Inclusion Committee (GWFIG).

4.4.2. **Bill & Melinda Gates Foundation (BMGF)**

The Bill & Melinda Gates Foundation, as one of its major activities in Nigeria, supports increased access to financial services for women, smallholder farmers and other excluded population segments.

In 2016, the Gates Foundation focused largely on promoting digital financial services as a means of improving financial inclusion in Nigeria. Some of the key activities of the Foundation in the period under review included:

- Sponsoring a study on how mobile payments can be accelerated in Nigeria.
- Organising a workshop for staff of the Nigerian Communications Commission on Digital Financial Inclusion in September 2016. The key objective was to provide NCC with a broader understanding of the role of telecommunications services providers in increasing financial inclusion.
- Hosting a working session for the Nigeria Inter-Bank Settlement System and the Central Bank of Nigeria to examine how NIBSS' existing database could be used to improve the existing geospatial maps of Nigerian financial access points, which are currently available at www.fspmmaps.com.
- Co-hosting the Financial Inclusion Summit themed: “Realizing the potential of Digital Financial Services in Nigeria (DFS)”. The Summit featured the launch of a study conducted by the McKinsey Global Institute titled “Digital Finance for All: Powering Inclusive Growth in Emerging Economies”.

4.4.3. **Enhancing Financial Innovation & Access (EFInA)**

In 2016, EFInA conducted a **Super-Agents Scoping Study** to evaluate the super-agent model and its effects on agent banking in Nigeria, following the release of the Regulatory Framework for Licensing Super-Agents in Nigeria in 2015. It was also conducted to identify key lessons learned from other countries with a view to adopting the learnings in Nigeria. The survey is expected to impact positively on the achievement of the agent target set in the National Financial Inclusion Strategy.

EFInA also conducted a **Digital Financial Services Training Session for Microfinance Banks** in the period under review. The capacity building session was aimed at improving the

understanding of microfinance banks on the benefits of going digital as well as the strategic DFS deployment options available for microfinance banks.

EFInA also conducted its **Access to Financial Services in Nigeria 2016 Survey**, which is a biennial demand-side survey that provides information on the status of financial inclusion in Nigeria. The Survey was conducted with a nationally representative sample of Nigerian adults across the 36 States of the Federation and FCT. Results were collated and weighted by the National Bureau of Statistics to provide for the total adult population.

GIZ
developed
financial
literacy
material and
trained 169
trainers and
over 1,150
end-
beneficiaries
through a
Train-the-
Trainers
model. ””

4.4.4. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

The Pro-poor Growth and Promotion of Employment in Nigeria Programme (SEDIN) of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) was conceptualised to increase sustained employment and income generation in micro, small, and medium enterprises.

As part of the Programme, in 2016, GIZ developed financial literacy material consisting of 13 topics aimed at developing the capabilities of the low-income economically active population. The material focuses on managing finances to succeed in business, managing money and keeping records, contributing to wise financial decisions in the household and community, planning ahead, and making informed decisions about financial products and services.

A Training of Trainers model was adopted through the course of the year with end beneficiaries, including MSMEs, farmers, youths and women groups. In the period under review, a total of 169 trainers were deployed and over 1,150 end-beneficiaries trained. The financial literacy material was also accepted and adapted by Consumer Protection Department of the Central Bank of Nigeria.

4.4.5. Mercy Corps

In 2016, Mercy Corps initiated targeted interventions for marginalised adolescent girls, including the provision of financial literacy through safe space learning, bank account opening for eligible girls aged 18 and above, and facilitation of the formation of savings groups, using the Village Savings and Loans Association (VSLA) model.

The key objectives of these interventions were to prepare the girls for financial responsibilities, providing them with the requisite knowledge and skills to transition from economic dependence to independence.

Through the course of the year, the girls were supported to open zero-balance accounts in order to commence saving, were trained on managing daily expenses and were equipped with knowledge of opportunities and risks inherent in the financial sector to enable them make informed financial decisions.

4.4.6. LYNX Nigeria / Aflatoun

Linking the Youth of Nigeria through Exchange (LYNX-NIGERIA) works with young people in the four core areas rights, education, civic engagement, and economic empowerment.

In 2016, the organisation organised Training of the Trainers Programmes in partnership with the European Union, Aflatoun International and SOS Children's Villages Nigeria. The specific objective of the training was to train Master Trainers on the use of a learner-centered methodology and a child social and financial education curriculum.

WAY FORWARD

Recommendations for Enablers

- Leverage on financial inclusion to contribute to economic growth
- Support an enabling mobile money ecosystem
- Monitor and evaluate credit interventions closely
- Examine issues related to low insurance and pension penetration

Recommendations for Providers

- Reach out to un- or under-served areas
- Increase awareness of consumers about financial services
- Enhance financial inclusion database
- Exploit advantages of digital financial services

Recommendations for Supporting Institutions

- Tailor support towards existing issues, such as sub-optimal dispersion of financial access points, low mobile money awareness or the need to make financial services attractive in the Northern parts of the country
- Provide in-depth analysis or technical support on existing high-level issues, such as research on incentive schemes for financial services providers to increase rural outreach, capacity-building workshops on data management for microfinance banks and insurance companies or recommendations on how government agencies can benefit most from digital financial services



8 out of 10 Nigerians financially included by **2020**





Mrs. Khadijah Kasim, Consumer Protection Department, CBN (left) and Mrs. Zainab Katune, Banking & Payments System Department, CBN (right) with the Prime Minister of the Republic of Fiji during the 2016 Global Policy Forum of the Alliance for Financial Inclusion



CBN Governor flags-off Youth Entrepreneurship Development Programme (YEDP) Training for Corps members



Mrs. Temitope Akin-Fadeyi, Head, Financial Inclusion Secretariat, at the Roundtable on Financial Inclusion hosted by the Nigerian Institute of Advanced Legal Studies



Stakeholders strategising towards the NYSC Peer Educator Programme for Financial Inclusion led by the Federal Ministry of Youth & Sports Development



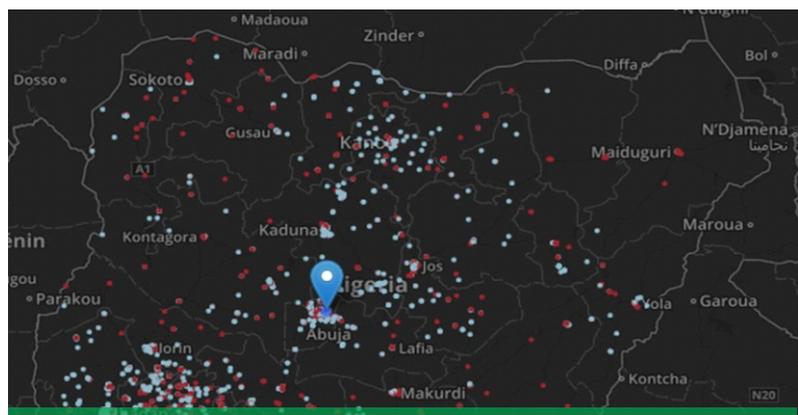
Planning and Writing workshop to develop Financial Literacy curriculum for basic and senior secondary schools in Nigeria.



Dr. Olayinka David-West, Academic Director, Lagos Business School, presenting the findings of the "State of the Market Report 2016 on Digital Financial Services in Nigeria"



Stakeholder Engagement, NCC/CBN Joint Technical Committee on Mobile Money



Geographical overview of financial access points in Nigeria - available at www.fspmmaps.com

5. CONCLUSION

Nigeria faced an economic recession in 2016, which had negative implications for financial inclusion developments in the country, as it made it harder for the low-income population to save and harder for financial institutions and investors to lend and invest.

The estimated formal financial inclusion rate, therefore, has remained constant since 2014, while the overall financial inclusion rate declined from 60.5 per cent in 2014 to 58.4 per cent in 2016, as the number of adults who only used informal financial services declined. While several indicators, such as the percentage of adults with a commercial bank account, the number of deposit accounts relative to the adult population as well as insurance and pension penetration increased in 2016, achievement remained behind the defined targets. The penetration of several types of financial access points relative to the adult population remained fairly constant between 2015 and 2016, and was below targets.

It is therefore imperative that all stakeholders strongly enhance their financial inclusion efforts in order to close the existing gaps between the targets and the actual achievements such that financial inclusion can act as an enabler to economic growth of the country during times when it is needed most. Specific measures are recommended for specific stakeholder groups:

Financial Services Providers

- Reach out to un- or under-served areas: Since the number and dispersion of financial access points remained behind expectations in 2016, financial services providers need to further expand their current financial access points significantly. They are strongly encouraged to perform feasibility studies of deploying new branches or agents in remote areas. They should also partner with Local, State or Federal Government Agencies in the implementation of Government Programmes, such as the Special Intervention Project, which may provide them with a larger volume of clients or transactions at once and therefore increase the commercial viability of deploying new access points in rural areas.
- Increase awareness of consumers about financial services: Low awareness, in particular of mobile money, remained a key issue to financial inclusion. It is recommended that financial services providers scale up their sensitisation activities and that Apex Associations consider joint initiatives on increasing awareness, as they are likely more efficient than separate programmes of individual financial services providers.
- Enhance financial inclusion database: Improvements in the financial inclusion data were recorded between 2015 and 2016. However, financial services providers in some industries, in particular insurance companies and microfinance banks, still need to improve their compliance with data return rendition to their regulators to inform policies as well as their own strategies.
- Exploit advantages of digital financial services: Studies have shown significant benefits of digital financial services to financial services providers. All financial services providers, including insurance companies, pension fund administrators and non-bank microfinance institutions, are encouraged to analyse how they can use digital technology to make their internal processes more efficient and how they can deliver their services at a lower cost to customers.

“Providers are encouraged to analyse and exploit the benefits of digital financial services.”

“It is pertinent to note that the Federal Government has critical roles to play in bridging the gaps on economic inclusion of the poor for sustainable financial inclusion”.

“It is recommended that supporting institutions direct their support towards addressing identified implementation gaps. Potential areas include scaling up digital innovation and viable business models for rural outreach”.

Enablers, including Government Agencies and Financial Regulators:

- Leverage on financial inclusion to contribute to economic growth: The key factor responsible for the increase in financial exclusion rate from 39.5% in 2014 to 41.6% in 2016 has been attributed to the challenging economic environment for the period which had a direct negative effect resulting in low employment rate, lower disposable income and increasing inflation rate with greater impact felt by the bottom of the pyramid. To this end, the Federal Government has a huge role to play in providing necessary infrastructure and social interventions to ultimately alleviate people out of poverty. It is pertinent to note that this will go a long way in bridging the gaps on “economic inclusion” of the poor by way of employment and income generation for sustainable financial inclusion in the country.

It is also essential that Government Agencies and financial services regulators further scale up digitization of payments and provide necessary enabling policies for merchants and consumers to expand outreach and the adoption of financial products and services as tools to stimulate economic growth.

- Support an enabling mobile money ecosystem: Several issues related to the low uptake and usage of mobile money have been raised in the report. It is necessary that regulators examine issues around high USSD costs, low agent profitability, the role of MNOs and poor mobile network. Government Agencies and regulators are also encouraged to support awareness programmes about mobile money.
- Monitor and evaluate credit interventions closely: In order to drive the credit penetration in the country, the Government and CBN need to ensure the successful implementation of initiated credit initiatives, such as the National Collateral Registry, the Government Enterprise & Empowerment Programme, and the Anchor Borrowers' Programme. It is crucial that adequate monitoring and evaluation mechanisms are in place from the onset in order to obtain learnings, optimise the implementation over time and ensure low default rates of beneficiaries. The Government and regulators should also continue to promote large-scale credit interventions targeted at specific industries where competitive advantages exist and efficiency gains may be obtained from economies of scale and spill-over effects on other industries.
- Examine issues related to low insurance and pension penetration: Regulators should analyse the status quo as well as issues related to the low penetration in the country so far, and develop enabling policies to increase penetration significantly. To drive insurance penetration, the revised Bancassurance Guidelines as well as other relevant Guidelines, such as the Takaful Insurance and Micro Insurance Guidelines, should be implemented successfully and the implementation closely monitored and evaluated. For the pension sector, it is essential that a Board is convened to approve the Micro Pension Guidelines.

Supporting Institutions:

- Tailor support towards addressing implementation gaps: It is recommended that supporting institutions direct their support towards addressing identified implementation gaps. Focus areas may include the sub-optimal dispersion of financial access points, scaling up digital innovation, the low mobile money awareness and adoption, the need to offer more relevant financial services e.g. Non-interest finance for the Northern regions with very high exclusion rates, and the need to develop viable business models which allow financial services providers to deliver services in low-cost and effective manners to the financial excluded.

- Provide in-depth analysis: Several of the key issues and recommendations listed in the report are at a high level. Supporting institutions should consider examining high-level recommendations further and providing technical support on more detailed analysis and research around the high-level issues. For instance, support could be useful in conducting research on incentive schemes to increase rural outreach by financial services providers, in enhancing capacity-building on data management and analysis for microfinance banks or insurance companies, or in advising on how non-bank microfinance institutions and government agencies could benefit most from digital financial services.

Four years remain in the implementation of the National Financial Inclusion Strategy. In today's fast-changing environment, even ambitious targets can be achieved within such a short time frame. However, it is evident that all stakeholders need to take their responsibilities seriously and develop and implement targeted solutions to the existing issues in the financial inclusion landscape. A successful implementation of the Strategy by 2020 will increase the economic opportunities and the standard of living of millions of adult Nigerians.

Central Bank of Nigeria

August, 2017

APPENDIX

Appendix 1: Tables of Status Quo Analysis of Initiatives Aimed at the Achievement of Financial Inclusion Key Performance Indicator Targets

Payments:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|--|--|--|
| Roll out of the Cashless Policy in all States of the Federation | <ul style="list-style-type: none"> ▪ Cashless Policy was rolled out in six States of the Federation plus FCT as at December 2016. ▪ Public awareness campaigns on the Cashless Policy were held nationwide in 2016. | <ul style="list-style-type: none"> ▪ 30 other States are yet to implement the Cashless Policy. ▪ No charges applicable to deposits as at December 2016 which reduces incentives for merchants to deploy PoS devices. | Central Bank of Nigeria (Shared Services Office) |
| Implementation of the tiered KYC requirements | <ul style="list-style-type: none"> ▪ In 2016, banks and other financial institutions implemented the three-tiered KYC requirements. ▪ CBN reviewed restrictions and limits on KYC Tier 1 and 2 accounts and published a circular on new limits. | <ul style="list-style-type: none"> ▪ None. | Central Bank of Nigeria (Financial Policy and Regulation Department) |
| Increase in public awareness about mobile payments | <ul style="list-style-type: none"> ▪ Public awareness about mobile payments has been increased through CBN's harmonised sensitisation campaigns across the country. | <ul style="list-style-type: none"> ▪ Awareness about and usage of mobile money is still low. | Central Bank of Nigeria (Banking and Payments System Department) |
| Digital Financial Inclusion Project | <ul style="list-style-type: none"> ▪ In 2016, a Proof-of-Concept (PoC) was conducted on the digitisation of payments to farmers and results disseminated. ▪ Staffing of a Project Management Unit within the Financial Inclusion Secretariat to drive the project was initiated. | <ul style="list-style-type: none"> ▪ The Project Management Unit of the Financial Inclusion Secretariat needs to be fully staffed. ▪ Challenges with BVN registration in remote areas. | Central Bank of Nigeria (Financial Inclusion Secretariat) |

Savings:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|--|---|---|
| Implementation of a national savings mobilisation programme | <ul style="list-style-type: none"> ▪ The programme has been overtaken by other developments and will be reconsidered in due course. | <ul style="list-style-type: none"> ▪ None. | Central Bank of Nigeria (Financial Inclusion Secretariat) |

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|--|---|--|
| Introduction and promotion of a basic “no frills” savings account and implementation of tiered KYC requirements | <ul style="list-style-type: none"> In 2016, banks and other financial institutions implemented the three -tiered KYC requirements. CBN reviewed restrictions and limits on KYC Tier 1 and 2 accounts and published a circular on new limits. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Financial Policy and Regulation Department) |
| Policies to support linkages to informal savings groups | <ul style="list-style-type: none"> Under the RUFIN intervention, clients of non-bank microfinance institutions have been linked to microfinance banks on a case-by-case basis. | <ul style="list-style-type: none"> No formal framework in place yet to support linkages between the formal financial sector and informal savings groups. | Central Bank of Nigeria (Development Finance Department) |

Credit:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|--|---|---|
| Implementation of the Micro, Small and Medium Enterprises Development Fund (MSMEDF) | <ul style="list-style-type: none"> From January to December 2015, ₦48.1 billion was disbursed, out of which ₦24.5 billion was disbursed as part of the Anchor Borrowers’ Programme, while the remaining ₦23.6 billion was disbursed through 145 participating financial institutions to 134,799 beneficiaries and 160 small and medium enterprises. | <ul style="list-style-type: none"> Several PFIs (especially Financial Cooperatives & NGO -MFIs) do not possess the prescribed collateral for accessing the loan. Data paucity, especially from State Governments. | Central Bank of Nigeria (Development Finance Department) |
| Removal of the minimum reporting balance for credit bureaux | <ul style="list-style-type: none"> Section 12 of the Revised MFB Guidelines requires MFBs to supply information on all their credits to at least two licensed credit bureaux. This in effect implies that there is no minimum reporting balance. | <ul style="list-style-type: none"> Many MFBs have not registered with at least two credit bureaux as required due largely to financial constraints. CBN approved the payment of the one-off registration fee for all MFBs to address the challenge. Going forward, the payment of the registration fee will be made a condition for the grant of operating license. | Central Bank of Nigeria (Other Financial Institutions Supervision Department) |
| Initiation of a Land Reform Act | <ul style="list-style-type: none"> Process is ongoing. | <ul style="list-style-type: none"> None. | Ministry of Lands, Housing and Urban Development |

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|---|--|---|
| Development of a collateral registry for movable assets that will serve all levels of credit | <ul style="list-style-type: none"> ■ The National Collateral Registry (NCR) went live in 2016. ■ In 2016, a total of sixty-nine financial institutions (comprising 21 Deposit Money Banks, 3 Development Finance Institutions, 1 Specialized Bank and 44 Microfinance Banks) registered on the NCR portal. ■ Over the period, 5 financial institutions registered their priority interest in movable assets valued at ₦24.136 billion with 1,464 financing statements. | <ul style="list-style-type: none"> ■ Awareness about the Registry still needs to be increased. | Central Bank of Nigeria (Development Finance Department) |
| Promotion of linkages between MFBs and DMBs to obtain wholesale funding for on-lending | <ul style="list-style-type: none"> ■ Linkages have been created on a case-by-case basis. | <ul style="list-style-type: none"> ■ No formal framework for this linkage has been developed yet. | Central Bank of Nigeria (Banking Supervision Department) |
| Implementation of entrepreneurship training | <ul style="list-style-type: none"> ■ As at December 2016, the Entrepreneurship Development Centres (EDCs) collectively had trained a total of 36,548 participants. ■ In 2016 only, EDCs trained 14,104 participants. This figure exceeded by 5 per cent the target of 13,400 on the number trained for the year 2016. ■ In April 2016, EDC operations commenced in the South East geo-political zone as approved by Management of the Bank. | <ul style="list-style-type: none"> ■ Some graduates of EDCs find it difficult to access credit from Deposit Money Banks (DMBs) because of the traditional collateral requirements. ■ Inability to access credit prevents some of the EDC graduates from starting any productive venture. | Central Bank of Nigeria (Development Finance Department) |
| Introduction of credit awareness programmes to avoid consumer over-indebtedness | <ul style="list-style-type: none"> ■ Credit awareness programmes were covered under CBN's harmonised awareness campaigns in 2016. ■ Also, the Consumer Protection Department of the CBN commenced a financial literacy programme for MSMEs and farmers, which includes issues related to credit, such as over-indebtedness. | <ul style="list-style-type: none"> ■ None. | Central Bank of Nigeria (Consumer Protection Department) |
| Implementation of the NIRSAL programme | <ul style="list-style-type: none"> ■ In line with the CBN Board approved exit strategy, NIRSAL exited from the CBN building and move to Maitama, Abuja. ■ Consequently, the process of staff employment was initiated. ■ Appropriate constitution of its Board and holding of its inaugural meeting. Approval of its governance, operational and organisational structure. | <ul style="list-style-type: none"> ■ None. | Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) |

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|------------------------------------|--|--|---|
| Anchor Borrowers' Programme | <ul style="list-style-type: none"> ■ The Programme had been rolled out to 17 States as at December 2016. ■ During 2016, a total of ₦24.5 billion was disbursed to 125,963 farmers covering 160,083 hectares. The amount was released through ten participating financial institutions for farmers. | <ul style="list-style-type: none"> ■ Side-selling as a result of price variation between the time of stakeholder's engagement and harvest. ■ Delayed payment of farmers by the anchor. ■ Lack of IT solution for data capture and updates. ■ Outright refusal of repayment by farmers. ■ Delayed payment of cash components to farmers by participating financial institutions. ■ Lack of project monitoring vehicles. | Central Bank of Nigeria (Development Finance Department) |

Insurance:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|---|--|---|
| Regulatory enforcement of compulsory insurance products | <ul style="list-style-type: none"> In 2016, the National Insurance Commission drafted an MoU with several State Governments to eradicate fake insurance policies and enforce compliance with compulsory insurance products. | <ul style="list-style-type: none"> None. | National Insurance Commission |
| Usage of banking agents as distribution channels for insurance products | <ul style="list-style-type: none"> NAICOM drafted Guidelines on New Insurance Agencies (Referral). The Guidelines provide an enabling environment for organisations closer to the low-income earners, such as NGOs and trade associations, which can act as intermediaries and introduce insurance to their clients. Bancassurance Guidelines were reviewed by CBN and NAICOM, while the publication of revised Bancassurance Guidelines was outstanding as at December 2016. | <ul style="list-style-type: none"> Partnerships between insurance companies and mobile money and mobile network operators should be enhanced further and monitored by the regulators. The revised Bancassurance Guidelines need to be published so that insurance companies can build on banks' customer base. | National Insurance Commission |
| Diversification of insurance products to serve low-income clients | <ul style="list-style-type: none"> In 2016, NAICOM licensed two Takaful Insurance companies, Noor Takaful Plc and Jaiz Takaful Plc. NAICOM initiated a review of the Micro Insurance Guidelines in 2016. | <ul style="list-style-type: none"> Lack of trust of the financially excluded in the insurance sector and low financial literacy with respect to insurance are barriers to uptake of insurance products. | National Insurance Commission |
| Develop a Consumer Protection Framework for the Insurance sector | <ul style="list-style-type: none"> Consumer protection elements were included in the review of the Micro Insurance Guidelines. | <ul style="list-style-type: none"> None. | National Insurance Commission |
| Implementation of the insurance component of the NIRSAL programme | <ul style="list-style-type: none"> Implementation of NIRSAL's Insurance Facility to expand insurance products for agricultural lending progressed in 2016. | <ul style="list-style-type: none"> Low participation in programme. | Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) |
| Introduction of insurance literacy programmes | <ul style="list-style-type: none"> NIA, in collaboration with the Association of Registered Insurance Agents of Nigeria (ARIAN) and the Nigerian Council of Registered Insurance Brokers (NCRIB), embarked on a road show to galvanize public interest in insurance in the first quarter of 2016. NAICOM incorporated financial literacy elements in the review of the Micro Insurance Guidelines. | <ul style="list-style-type: none"> None. | National Insurance Commission |

Pensions:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|--|--|---------------------------------|
| Implementation of the Pension Reform Act | <ul style="list-style-type: none"> ■ Necessary extant legislations have been drafted and are awaiting approval for implementation. They would provide required guidance in the implementation of the provisions of the Act. ■ Lesson notes are being developed and circulated to staff of the Commission to have a working understanding of the provisions of the Act. | <ul style="list-style-type: none"> ■ No Board in place to approve the draft legislations. | National Pension Commission |
| Compulsory Inclusion of all States in the Contributory Pension Scheme | <ul style="list-style-type: none"> ■ As at the end of the third quarter of 2016, 26 State Governments had enacted their Pension Reform Laws and 11 State Governments were at the Bill stage. | <ul style="list-style-type: none"> ■ None. | National Pension Commission |
| Amendment of regulations to allow inclusion of smaller firms and cooperatives and associations in the current pension scheme | <ul style="list-style-type: none"> ■ Guidelines on the Micro Pension Plan, which aims at expanding pension coverage to the self-employed and persons working in organisations with less than three employees, are being finalised as at December 2016. ■ PenCom participated in the 2016 Social Media Week, Lagos to discuss and promote the Micro Pension Plan. | <ul style="list-style-type: none"> ■ None. | National Pension Commission |
| Introduction of pension awareness and literacy programmes | <ul style="list-style-type: none"> ■ In 2016, PenCom, in collaboration with Ahmadu Bello University, Zaria, introduced pension courses in the school. Some staff of the Commission were nominated to serve as facilitators to train the designated University Lecturers on the approved courses. ■ PenCom sponsored and signed programmes on television and radio as well as publications in print media on pension awareness. | <ul style="list-style-type: none"> ■ None. | National Pension Commission |
| Development of a consumer protection framework for the pensions sector | <ul style="list-style-type: none"> ■ The Commission, in conjunction with the operators, is working on an Administrative Service Charter for the industry, which will specify the rights of all stakeholders and how to protect them. ■ This is an important initiative contained in both the corporate and industry strategies. | <ul style="list-style-type: none"> ■ None. | National Pension Commission |

Deposit Money Bank Branches:

| Strategy | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|---|---|--|
| Development of guidelines for operating mini-branches | <ul style="list-style-type: none"> Emphasis has been shifted to branchless banking initiatives, such as agent banking and mobile money services. In 2016, the Bankers' Committee approved targets for commercial banks to deploy branches in currently unserved LGAs. | <ul style="list-style-type: none"> Branchless financial access points, such as bank and mobile money agents, still need to be scaled up. | Central Bank of Nigeria (Banking Supervision Department) |

Microfinance Bank Branches:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|---|--|---|
| Implementation of the revised microfinance policy | <ul style="list-style-type: none"> The microfinance policy was revised in April 2011. Sensitisation campaigns were conducted after its revision. The policy has been operational since then. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Development Finance Department) |
| Creation of incentives for rural branch expansion | <ul style="list-style-type: none"> No formal framework on incentives for rural branch expansion is in place. RUFIN collaborated with CBN and other stakeholders to implement a training of the trainers workshop with microfinance banks and non-bank microfinance institutions. | <ul style="list-style-type: none"> Perception of unviable business model, given the life style of rural people. Most rural people are not in any formal employment. Lack of understanding of MFBs of rural business. The major business in the rural areas is seasonal and makes it harder for MFBs to operate outside of the seasons. | Central Bank of Nigeria (Other Financial Institutions Supervision Department) |
| Increased promotion of shared services initiatives | <ul style="list-style-type: none"> Shared services have been promoted as part of CBN's harmonised sensitisation campaigns. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Shared Services Office) |
| Investor fora at State levels to encourage high-net-worth individuals to float MFBs | <ul style="list-style-type: none"> The CBN during the last 3 years held investors' fora in collaboration with its development partners. The objective of the Investment fora was to acquaint the State Governments on the need to establish MFBs within their States given the uneven distribution of MFBs in Nigeria. Under the Microfinance Policy Framework, the three tiers of Government are encouraged to | <ul style="list-style-type: none"> Some of the State-owned MFBs are not viable as their establishment was politically motivated, leading to their poor performance or failure. Weak infrastructure. | Central Bank of Nigeria (Other Financial Institutions Supervision Department) |

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|--|--|--|--|
| | <p>establish MFBs by devoting 1% of their annual budget to microcredit initiatives.</p> <ul style="list-style-type: none"> So far, four States, Katsina, Kano, Niger and Gombe States, have keyed into the policy by establishing MFBs. | | |
|--|--|--|--|

ATMs:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|--|---|--|
| Deployment of multifunctional ATMs | <ul style="list-style-type: none"> Some banks started deploying multifunctional ATMs that are capable of taking deposits, as well as performing bill payments and funds transfers, among other functions. | <ul style="list-style-type: none"> No formal national strategy in place to drive deployment. | Central Bank of Nigeria (Banking and Payments System Department) |
| Revision of the off-site ATM policy | <ul style="list-style-type: none"> The off-site ATM policy was not revised as at December 2016. | <ul style="list-style-type: none"> No new Independent ATM Deployer (IAD) has been licensed. | Central Bank of Nigeria (Banking and Payments System Department) |
| Deployment of low-cost ATMs in rural areas | <ul style="list-style-type: none"> Results of the second round of the geospatial mapping survey provide insights on suitable rural areas for ATM deployment. Results have been made available to financial service providers. In 2016, the Bankers' Committee approved targets for commercial banks to deploy ATMs in currently unserved LGAs. | <ul style="list-style-type: none"> No strong business case for deployment of terminals in rural areas. | Central Bank of Nigeria (Banking and Payments System Department) |

PoS:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|---|--|--|
| Requirement for mobile network operators to give priority to transaction data through their platform to ensure instant transaction credits and debits | <ul style="list-style-type: none"> The need for cooperation of the MNOs in the ecosystem is being addressed at the CBN/NCC Joint Technical Committee level. NCC initiated a study on the pricing of USSD. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Banking and Payments System Department) |
| Roll out of the Cashless Policy in all States of the Federation | <ul style="list-style-type: none"> Cashless Policy was rolled out in six States of the Federation plus FCT as at December 2016. Public awareness campaigns on the Cashless Policy were held nationwide in 2016. | <ul style="list-style-type: none"> 30 other States are yet to implement the Cashless Policy. No charges applicable to deposits as at December 2016 which reduces incentives for merchants to deploy PoS devices. | Central Bank of Nigeria (Shared Services Office) |
| Expansion of the Evidence Act so that e-payments are accepted as evidence in court | <ul style="list-style-type: none"> The Act has been amended and e-payments are now accepted as evidence in court. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Banking and Payments System Department) |

Agents:

| Initiative | Key Achievements as at 2015 | Implementation Issues | Primary Responsible Institution |
|---|--|--|---|
| Implementation of agent banking and mobile money regulations | <ul style="list-style-type: none"> ▪ An Agent Banking Database was deployed and as at December 2016, 18,228 mobile money agents had been uploaded. ▪ Additionally, four banks had commenced commissioning of bank agents. ▪ Two super-agents had been licensed by CBN. ▪ NIPOST piloted agent banking in 3 States and enrolled 42,120 customers on their agent banking platform. ▪ NCC agreed that mobile network operators could apply for a super-agent license at CBN; however, they would need to do so through a subsidiary. ▪ Agent banking sensitisation was conducted in all the six geo-political zones in Nigeria. | <ul style="list-style-type: none"> ▪ Agents remain concentrated in areas with higher financial inclusion-rates. ▪ Large difference between total number of registered agents and the total number of active registered agents, implying that incentives for agents need to be improved. ▪ Security of agent outlets remains an issue. ▪ The role of mobile network operators in agent banking has been limited so far. ▪ Slow pace of the collaborative efforts between the regulators. | Central Bank of Nigeria (Banking and Payments System Department) |

Know Your Customer (KYC):

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|---|--|---|
| Issuance of a unique national ID card to all Nigerians by 2015 | <ul style="list-style-type: none"> ▪ As at December 2016, the National Identity Management Commission (NIMC) had issued the National Identification Number (NIN) to about 14.7 million Nigerians and had reached about 15.1% of adult population. | <ul style="list-style-type: none"> ▪ Budgetary constraints of NIMC. | National Identity Management Commission (NIMC) |
| Awareness campaigns on tiered KYC requirements | <ul style="list-style-type: none"> ▪ In 2016, banks and other financial institutions implemented the three-tiered KYC requirements. ▪ CBN reviewed restrictions and limits on KYC Tier 1 and 2 accounts and published a circular on new limits. | <ul style="list-style-type: none"> ▪ None. | Central Bank of Nigeria (Financial Policy and Regulation Department) |

Financial Literacy:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|--|---|--|
| Implementation of a financial literacy framework | <ul style="list-style-type: none"> The National Financial Literacy Framework was released in October 2015. Implementation of the Framework started in 2016. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Consumer Protection Department) |
| Collaboration with Federal and State Ministries of Education to implement financial literacy curricula in schools | <ul style="list-style-type: none"> CBN, in collaboration with the Federal Ministry of Education and other stakeholders, developed a stand-alone Financial Education Curriculum for basic and senior secondary schools. The National Council on Education approved the Curriculum in 2016. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Consumer Protection Department) |
| Collaboration with the CBN and financial service providers to implement financial literacy campaigns | <ul style="list-style-type: none"> The Central Bank of Nigeria as part of its harmonised sensitisation campaigns provided financial education across the Federation in 2016. Several stakeholders, such as the Bankers' Committee, GIZ, SEC, and Mercy Corps, conducted sensitisation and financial literacy activities in 2016. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Consumer Protection Department) |

Consumer Protection:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|---|---|--|
| Implementation of a Consumer Protection Framework for financial services | <ul style="list-style-type: none"> CBN approved and published the Consumer Protection Framework in 2016. | <ul style="list-style-type: none"> None. | Central Bank of Nigeria (Consumer Protection Department) |

Initiatives for Women:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|---|---|--|
| Targeting of 60% of the MSMEDF at women | <ul style="list-style-type: none"> In 2016, 85,512 (63.4%) out of the total 134,799 beneficiaries of the MSMEDF were women. Therefore, the 60% target was met. A process to deploy an IT database on the MSMEDF had been initiated as at December 2016. The database will facilitate analysis of gender-disaggregated data. | <ul style="list-style-type: none"> Several participating financial institutions are not able to provide all the required data. Lack of an IT database makes it hard to measure the % of disbursements made to women. Cultural issues restrict women from accessing the Fund. | Central Bank of Nigeria (Development Finance Department) |

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|---|---|---|
| Requirement of minimum level of 30% of female staff in MFBs | <ul style="list-style-type: none"> ■ The strategy of the CBN department is to encourage gender diversity in MFBs through capacity building. ■ MFBs would be encouraged to nominate more eligible women for capacity enhancement programmes to prepare them to take up headship positions in the industry, thus contributing towards the achievement of the strategy target. ■ MFBs are also encouraged to adopt the Sustainable Banking Principle on engagement of female staff. ■ A proposal for an article on gender diversity is being considered for inclusion in the Code of Corporate Governance released as an exposure draft to the industry. | <ul style="list-style-type: none"> ■ There are not enough well-qualified women in certain locations. | Central Bank of Nigeria (Other Financial Institutions Supervision Department) |
| Encouragement of women who have an appropriate business to become agents | <ul style="list-style-type: none"> ■ Sensitisation campaigns have taken place in various places to enable the women embrace this business line. | <ul style="list-style-type: none"> ■ Awareness on agent banking still needs to be increased as only four banks and no microfinance bank had commenced deploying bank agents as at December 2016. | Central Bank of Nigeria (Consumer Protection Department) |
| Entrepreneurship development and financial linkage programmes tailored specifically to women | <ul style="list-style-type: none"> ■ The Entrepreneurship Development Centres (EDCs) are encouraged to ensure that at least 40 per cent of participants are women. ■ From inception to December 2016, a total of 15,052 women had been trained in the EDCs, which amounts to 41% of all participants. ■ In 2016 only, 6,345 women were trained, which amounted to 45% of all participants which is above the target of 40% female participation. | <ul style="list-style-type: none"> ■ Cultural issues in the North of the country restrict women from participation in entrepreneurship trainings. | Central Bank of Nigeria (Development Finance Department) |
| Introduction of a specialized financial literacy framework for addressing cultural issues that contribute to the financial exclusion of women | <ul style="list-style-type: none"> ■ The National Financial Literacy Framework, which was released in 2015, defined four key segments (Adult Formal Segment, Adult Emerging Segment, Youth Segment and Intermediaries Segment) for the delivery of financial education. | <ul style="list-style-type: none"> ■ Women are not explicitly catered to in the Framework but have been catered to as part of the other segments identified. | Central Bank of Nigeria (Consumer Protection Department) |

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|--|---|--|--|
| Implementation of interest drawback schemes targeted at women | <ul style="list-style-type: none"> The interest drawback scheme of the Agricultural Credit Guarantee Scheme Fund (ACGSF), which pays back 40% of the interest paid to beneficiaries upon timely repayment of the loans, is open to both men and women. Women have participated and benefitted from the scheme. | <ul style="list-style-type: none"> No issues at the moment. | Central Bank of Nigeria (Development Finance Department) |

Initiatives for Children and Youth:

| Initiative | Key Achievements as at 2016 | Implementation Issues | Primary Responsible Institution |
|---|--|---|--|
| Development and implementation of a framework for child and youth finance | <ul style="list-style-type: none"> The Financial Inclusion Special Interventions Working Group was established and inaugurated in 2015. One of the three priority population segments of this Working Group is the youth. The Working Group defined a work plan with specific initiatives targeting the youth. Two key initiatives of the 2016 work plan are 1) the Youth Peer Educator Programme which was conceptualised in 2016 by the Federal Ministry of Youth & Sports Development, the Central Bank of Nigeria and the National Youth Service Corps and 2) the Youth Entrepreneurship Development Programme launched by CBN, NYSC and Heritage Bank. | <ul style="list-style-type: none"> None. | Federal Ministry of Youth & Sports Development |
| Implementation of children and youth financial literacy initiatives in Nigerian educational institutions | <ul style="list-style-type: none"> In 2016, several sensitisation activities were conducted by a range of stakeholders in collaboration with schools, in particular on the World Savings Day and during the Global Money Week. | <ul style="list-style-type: none"> No curriculum on financial literacy for tertiary institutions has been developed. | Central Bank of Nigeria (Consumer Protection Department) |

Appendix 2: Selected Disaggregated Financial Inclusion Data as at December 2016⁶¹

| As at December 2016 | | Count of Registered Bank Verification Numbers (BVNs) | Count of Registered National Identification Numbers (NINs) | Number of Deployed Commercial Bank Branches |
|---------------------|---------------------------|--|--|---|
| By State | Abia | 813,226 | 183,651 | 138 |
| | Adamawa | 312,534 | 261,828 | 59 |
| | Akwa-Ibom | 609,731 | 222,898 | 103 |
| | Anambra | 1,162,008 | 515,624 | 212 |
| | Bauchi | 279,247 | 231,466 | 50 |
| | Bayelsa | 239,390 | 143,303 | 36 |
| | Benue | 522,843 | 196,953 | 65 |
| | Borno | 299,029 | 61,038 | 62 |
| | Cross River | 457,699 | 185,601 | 78 |
| | Delta | 1,127,205 | 442,072 | 191 |
| | Ebonyi | 261,507 | 161,807 | 38 |
| | Edo | 1,002,022 | 305,477 | 176 |
| | Ekiti | 329,653 | 173,356 | 74 |
| | Enugu | 783,616 | 208,068 | 149 |
| | Federal Capital Territory | 1,379,819 | 4,663,452 | 413 |
| | Gombe | 213,757 | 265,299 | 37 |
| | Imo | 785,212 | 256,475 | 101 |
| | Jigawa | 181,198 | 177,574 | 39 |
| | Kaduna | 970,049 | 558,995 | 168 |
| | Kano | 762,597 | 401,504 | 174 |
| | Katsina | 282,558 | 191,167 | 55 |
| | Kebbi | 237,556 | 219,142 | 40 |
| | Kogi | 450,214 | 219,995 | 80 |
| | Kwara | 535,376 | 275,053 | 78 |
| | Lagos | 5,646,108 | 811,668 | 1,592 |
| | Nasarawa | 444,591 | 202,832 | 53 |
| | Niger | 535,670 | 232,206 | 75 |
| | Ogun | 1,213,251 | 406,104 | 157 |
| | Ondo | 655,010 | 224,318 | 114 |
| | Osun | 652,640 | 373,567 | 96 |
| | Oyo | 1,386,884 | 494,869 | 221 |
| | Plateau | 593,875 | 304,801 | 68 |
| | Rivers | 1,487,223 | 307,808 | 301 |
| | Sokoto | 282,350 | 260,351 | 50 |
| | Taraba | 243,013 | 217,191 | 35 |
| Yobe | 137,914 | 60,197 | 35 | |
| Zamfara | 188,449 | 261,318 | 33 | |
| Foreign Enrollment | 12,438 | N/A | N/A | |
| Total | 27,477,462 | 14,679,028 | 5,446 | |

⁶¹Data is provisional

| As at December 2016 | | Count of Registered Bank Verification Numbers (BVNs) | Count of Registered National Identification Numbers (NINs) |
|---------------------|--------------|--|--|
| By Age | < 18 | 295,707 | 45,960 |
| | 18 - 25 | 6,724,207 | 2,635,146 |
| | 26 - 33 | 7,588,364 | 4,113,916 |
| | 34 - 45 | 7,258,250 | 4,115,774 |
| | 46 - 55 | 3,268,843 | 2,106,896 |
| | > 55 | 2,342,091 | 1,661,336 |
| | Total | 27,477,462 | 14,679,028 |
| By Gender | Female | 10,805,908 | 5,840,468 |
| | Male | 16,671,554 | 8,838,560 |
| | Total | 27,477,462 | 14,679,028 |

Source: NIBSS for BVN, NIMC for NIN, CBN for commercial bank branches

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LIST OF ABBREVIATIONS

| Abbreviation | Full Meaning |
|--------------|--|
| ABP | Anchor Borrowers' Programme |
| AFI | Alliance for Financial Inclusion |
| AML/CFT | Anti-Money Laundering/Combating the Financing of Terrorism |
| ANMFIN | Association of Non-Bank Microfinance Institutions of Nigeria |
| ARIAN | Association of Registered Insurance Agents of Nigeria |
| ATM | Automated Teller Machine |
| BDC | Bureau de Change |
| BMGF | Bill & Melinda Gates Foundation |
| BOI | Bank of Industry |
| BPP | Bureau of Public Procurement |
| BVN | Bank Verification Number |
| CBN | Central Bank of Nigeria |
| CEO | Chief Executive Officer |
| CFAN | National Co-operative Financing Agency of Nigeria |
| CoG | Committee of Governors |
| CPD | Consumer Protection Department |
| CPI | Consumer Price Index |
| CPS | Contributory Pension Scheme |
| DFS | Digital Financial Services |
| DMB | Deposit Money Bank |
| ECS | Employees' Compensation Scheme |
| EDC | Entrepreneurship Development Centres |
| EFInA | Enhancing Financial Innovation & Access |
| ERGP | Economic Recovery & Growth Plan |
| ETF | Exchange Traded Fund |
| FCT | Federal Capital Territory |
| FEC | Financial Education Curriculum |
| FIS | Financial Inclusion Secretariat |
| FMBN | Federal Mortgage Bank of Nigeria |
| FMF | Federal Ministry of Finance |
| FMIC | Federal Ministry of Information and Culture |
| FMWASD | Federal Ministry of Women Affairs and Social Development |
| FMYSO | Federal Ministry of Youth and Sports Development |
| FPRD | Financial Policy and Regulation Department |
| FRSC | Federal Road Safety Commission |
| GDP | Gross Domestic Product |
| GEEP | Government Enterprise & Empowerment Programme |
| GIZ | Gesellschaft für Internationale Zusammenarbeit |
| GPF | Global Policy Forum |
| GWFIG | Gender and Women's Financial Inclusion Committee |
| ICT | Information and Communication Technology |
| IFAD | International Fund for Agricultural Development |
| JONAPWD | Joint National Association of Persons with Disabilities |
| KYC | Know Your Customer |
| LGA | Local Government Area |
| MFB | Microfinance Bank |

| | |
|--------------|--|
| MFI | Microfinance Institution |
| MMO | Mobile Money Operators |
| MNO | Mobile Network Operators |
| MoU | Memorandum of Understanding |
| MSMEDF | Micro, Small, and Medium Enterprises Development Fund |
| MSMEs | Micro, Small and Medium Enterprises |
| NAICOM | National Insurance Commission |
| NAMB | National Association of Microfinance Banks |
| NAPS | Nigeria Inter -Bank Settlement System Automated Payment Services |
| NAWEF | National Women Empowerment Fund |
| NBS | National Bureau of Statistics |
| NCC | Nigerian Communications Commission |
| NCR | National Collateral Registry |
| NCRIB | Nigerian Council of Registered Insurance Brokers |
| NCTP | National Cash Transfer Programme |
| NDIC | Nigeria Deposit Insurance Corporation |
| NEFT | Nigeria Inter -Bank Settlement System Electronic Fund Transfer |
| NERDC | National Educational Resource and Development Council |
| NFIS | National Financial Inclusion Strategy |
| NGO | Non-Governmental Organisation |
| NHIS | National Health Insurance Scheme |
| NIA | Nigerian Insurers Association |
| NIBSS | Nigeria Inter -Bank Settlement System |
| NIGCOMSAT | Nigerian Communications Satellite Ltd |
| NIMC | National Identity Management Commission |
| NIN | National Identification Number |
| NIP | Nigeria Inter -Bank Settlement System Instant Payment |
| NIPOST | Nigerian Postal Service |
| NPEPFI | NYSC Peer Educator Programme for Financial Inclusion |
| NSE | Nigerian Stock Exchange |
| NSITF | Nigeria Social Insurance Trust Fund |
| NURTW | Nigerian Union of Road Transport Workers |
| NYSC | National Youth Service Corps |
| PenCom | National Pension Commission |
| PFA | Pension Fund Administrator |
| PMS | Premium Motor Spirit |
| PoS | Point-of-Sale |
| PWD | People with Disabilities |
| RSA | Retirement Savings Account |
| RUFIN | Rural Finance Institution Building Programme |
| SEC | Securities and Exchange Commission |
| SMEDAN | Small & Medium Enterprises Development Agency of Nigeria |
| US\$ | United States Dollar |
| USSD | Unstructured Supplementary Service Data |
| VIO | Vehicle Inspection Office |
| VSLA | Village Savings and Loans Association |
| YEDP | Youth Entrepreneurship Development Programme |
| YESProgramme | Youth Enterprise Support Programme |

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