CENTRAL BANK OF NIGERIA

# NIGERIA FINANCIAL LITERACY BASELINE SURVEY REPORT

• October 2015 •

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# Vision

“Be THE MODEL CENTRAL BANK delivering PRICE and FINANCIAL SYSTEM STABILITY and promoting SUSTAINABLE ECONOMIC DEVELOPMENT."

# Mission Statement

"To be proactive in providing a stable framework for the economic development of Nigeria, through effective, efficient, and transparent implementation of monetary and exchange rate policy, and management of the financial sector."

# Core Values

Our core values of Meritocracy, Leadership, Learning and Customer-Focus are to guide the behaviour of both management and employees of CBN towards the achievement of the Bank's vision. It should be these shared standards that are dear to us, which guide our daily interactions, decisions, plans and implementations. No one, from Governor to Office-Assistant should be in doubt as to what our values are and every execution of their duties should fully reflect those values.

# List of Abbreviations

| | |
|---|---|
| A2F | Access to Finance Survey |
| ABL | Above-the-line (marketing) |
| AMPS | All Media Product Survey |
| A-V | Audio-visual |
| Avg | Average |
| CBN | Central Bank of Nigeria |
| EA | Enumerator area |
| EFInA | Enhancing Financial Innovation and Access |
| FGD | Focus group discussion |
| FLF | Financial Literacy Framework |
| HoH | Head of household |
| L7D | Last Seven Days |
| LSM | Living standards measure |
| NBS | National Bureau of Statistics |
| NISH | National Integrated Survey of Households |
| NFIS | National Financial Inclusion Strategy |
| OECD | Organization for Economic Corporation and Development |
| UNCDF | United Nations Capital Development Fund |

# ACKNOWLEDGEMENTS

The Central Bank of Nigeria (CBN) made a commitment at the Alliance for Financial Inclusion meeting in Maya, Mexico in 2010 to reduce the financial exclusion levels in Nigeria to 20% by 2020. This mandate helped to kick start the process of the development of the Financial Literacy Framework (to help drive financial inclusion levels) and the implementation of the National Baseline survey on Financial Literacy (a critical process in measuring improvements in financial literacy levels in Nigeria).

The Baseline Survey on Financial Literacy levels was successfully conducted for the first time in Nigeria in 2015 and the Consumer Protection Department of the CBN which led this effort would to acknowledge the contributions of the following individuals and organizations for this landmark achievement. The Department would like to acknowledge the efforts of the management and staff of the Consumer Protection Department for providing project support and guidance on this initiative; the Statistics Department of the CBN and the National Bureau of Statistics (NBS) for their operational and technical support in deploying best practices in survey methodology and implementation on the project.

We recognize the continued support of Enhancing Financial Innovation and Access (EFInA) in collaborating with the CBN in the promotion of Financial Inclusion in Nigeria. We would also like to thank Marketworx Africa (MWA), Infotools SA, Outsourced Insight SA, Yakini Development Consulting SA, for their technical support and advice.

# EXECUTIVE SUMMARY

## Background

The National Financial Inclusion Strategy (NFIS) was launched by the Federal Government of Nigeria in 2012 to reduce the number of adult Nigerians who are financially excluded from 46.3 per cent in 2010[1] to 20 per cent in 2020; and to empower the public through an '*increase in coordinated **financial literacy** measures that are complemented by **consumer protection***'[2]. The NFIS identified several implementation priorities amongst which was the development and implementation of a National Financial Literacy Framework.

The Central Bank of Nigeria (CBN) developed the Financial Literacy Framework (FLF) in collaboration with other stakeholders. The Framework was approved for implementation in January 2013. The Baseline Survey for Financial Literacy (the Baseline) was carried out in the context of the FLF. The survey was conducted with support from the National Bureau of Statistics (NBS), CBN Statistics Department, Enhancing Financial Innovation and Access (EFInA) and Marketworx Africa. The questionnaire used for the survey was based on the Tanzanian Financial Capability Baseline Survey questionnaire developed by Marketworx Africa on behalf of the Bank of Tanzania, which was administered in Tanzania in 2013. The questionnaire was customised for the Nigerian context through stakeholder meetings, a pre-test and a pilot.

The overall goal of the Baseline survey was to measure levels of financial capability in Nigeria to guide financial literacy policy options so that key areas of concern can be addressed through financial education interventions, and progress measured over time. Specifically, the survey set out to:

- Determine the levels of financial capability amongst various socio-demographic segments of the Nigerian adult population.
- Identify the main issues to be dealt with in future financial education interventions.
- Provide data to help channel resources effectively to the most vulnerable market segments.
- Develop a baseline against which changes in the level of financial capability can be assessed over time on a national level.
- Develop empirical data as input for the formulation and review of relevant policies and programmes.

[1] Access to Finance (A2F) Survey 2010, EFInA
[2] National Financial Inclusion Strategy, CBN 2012
[3] 2007 Marketworx Africa (Pty) Ltd

## Defining Financial Capability

**Financial capability** is defined as: "*The ability of an individual to act with confidence in making optimal choices in the management of his or her money matters.*"[3]

The design of the questionnaire was based on the premise that financial capability comprises a set of dimensions and competencies, but that external factors may impede the extent to which an individual's level of financial capability ultimately translates into behaviour. Data was collected on the respondents' socio-economic and demographic profiles, status in the household, financial decision-making role, and media usage (to enable targeted interventions). A rudimentary Access Strand was developed to determine respondents' current financial product usage.

On completion of the survey, financial capability segments were developed through statistical modelling and interrogation of the data. Firstly, the main discriminating financial capability *dimensions* were identified. Secondly, the main *competencies* associated with these dimensions were identified. Finally, socio-demographic variables were identified, which held a strong statistical relationship with these dimensions and competencies. Based on the combination of dimensions, competencies and socio-demographic variables, six distinct financial capability segments were identified, which demonstrate similar levels of financial capability and a similar socio-economic profile within each segment.

## Sampling Approach

The Baseline survey was administered on individual adults aged 16 years and above. The sample framework (stratified random sampling) was developed with assistance from the National Bureau of Statistics (NBS) and covered urban and rural communities in the 36 states of the Federation and the Federal Capital Territory (FCT).

To allow for comparative analysis of the Baseline with the Access to Finance (A2F) survey (with a target population of 18 years and above), through the Access Strand similar sampling approach to the A2F survey was adopted. The final cleaned sampled Baseline dataset comprised 13,286 respondents. The data was weighted to the national population based on the Census 2006 projections for 2012, yielding a total adult population of 98,533,553.

[4] The Access Strand was developed by EFInA for purposes of their Access to Finance Survey and measures the levels of usage of financial products and services. Respondents are categorised into: (1) banked; (2) formal other; (3) informal only; and (4) financially excluded.

## Demographic Profile of Respondents

The demographic profile of the adult population by location is summarised below:

**Table 1: Gender, age and location**

| Location | Urban | Rural | National |
|---|---|---|---|
| Distribution | 31.1% | 68.9% | 100.0% |
| **Gender** | | | |
| Male | 48.5% | 50.3% | 49.7% |
| Female | 51.5% | 49.7% | 50.3% |
| **Age Group** | | | |
| 16-25yrs | 26.2% | 31.9% | 30.1% |
| 26-35yrs | 26.3% | 24.8% | 25.2% |
| 36-45yrs | 18.1% | 17.4% | 17.6% |
| 46-55yrs | 12.5% | 11.3% | 11.6% |
| 56-65yrs | 9.7% | 8.3% | 8.8% |
| 66+ | 7.2% | 6.4% | 6.6% |

## Socio-economic Profile of Respondents

The main findings are summarised below:

- Levels of education are low: 50.7 per cent of the adult population has either no formal educational qualifications or has only completed (some) primary education. This calls for the use of simple language in financial documents and financial education initiatives.

- The youths that drop out of school/never enroll will not benefit from financial education interventions embedded in school curricula, and will have to be reached through other means.

- Two thirds of the adult population is married (50.4 million or 51.1 per cent monogamous and 15.1 million or 15.3 per cent polygamous), 24.5 million or 24.9 per cent are single while the balance of 8.6 million or 8.7 per cent are separated/divorced or widowed. These impact on the decision-making role in the households, particularly that of women.

- Agriculture is the main source of employment (29.1 million or 29.6 per cent), followed by running an own business (25.7 million or 26.1 per cent) and dependence on family/friends (25.3 million or 25.7 per cent). Only 7.4 million or 7.5 per cent is formally employed. Financial education initiatives through employee-based programmes will therefore have limited reach and innovative forms of communication will have to be considered to reach farmers and owners of small enterprises.

- Most households have more than one source of income and 78.0 per cent have more than one income earner. However, income levels are low and two thirds of the adult population earn less than the minimum wage of N18,000 per month.

- Financial vulnerability is underscored by almost half of respondents (46.8 million) indicating that they often or always "run short of money for regular expenses." The main coping mechanism for these people is borrowing (18.5 million or 39.5 per cent), followed by savings (11.5 million or 25.0 per cent).

- Low income levels were found to be one of the main barriers to financial intermediation: most save and borrow for income-smoothing purposes, rather than for asset-building or productive purposes. This limits an individual's ability to save and plan for retirement and provide for their dependents' future.

## Financial Context of Respondents

- An Access Strand was developed for the Baseline survey based on savings and credit only (see Figure 1). Formal inclusion was found to be lower than in the Access Strand developed in the 2012 A2F, as the Baseline sample was younger (adults aged 16 years and above compared to the A2F sample of adults aged 18 years and above). Insurance and mobile banking was also not taken into consideration in the Baseline Access Strand.

**Fig. 1:** FinCap Baseline Access Strands: usage of financial products and services

- About 41.8 million or 42.5 per cent of the population take financial decisions in collaboration with someone else in the household; while 16.8 million or 36.6 per cent of men take decisions alone compared to only 8.1 million or 17.5 per cent of women. Empowering women through financial education can result in greater participation in household decision making.

- About 45.4 million or 46.0 per cent of the adult population indicated that the information available on financial products and services is not adequate for decision making while about 39.6 million or 40.2 per cent indicated that the information is not reliable.

## Media Usage

The survey measured media consumption patterns based on usage over the last seven days (L7D). The most popular media usage is radio (about 71.1 million or 71.8 per cent), followed by TV, mobile phone advertisement and newspapers. As many as 18.6 million or 18.5 per cent of the adult population indicated that they had no exposure to mainstream media over the last seven days. There are significant differences in media usage between urban and rural dwellers and between men and women, with rural areas and women having much less exposure to mainstream media. This calls for innovative approaches to reach rural areas, and women in particular.

## Financial Capability Dimensions

- **Knowledge and awareness**:
  - Knowledge and awareness of financial products and services are extremely low. For example, 69.7 million or 70.7 per cent of the adult population have not heard of mobile-money; about 35.8 million or 36.3 per cent have not heard of pensions and 36.0 million or 36.6 per cent have never heard of a current account. About 32.8 million or 33.3 percent have not heard the term interest while 25.5 million or 25.9 per cent have not heard of a savings account.

  - Equally, levels of knowledge and understanding of basic financial processes are extremely low with about 81.0 million or 82.2 per cent of the adult population indicating that they have no knowledge of processes such as paying with or receiving money through a mobile phone; 80.7 million or 81.9 percent have no knowledge about obtaining insurance; 67.5 million or 68.5 per cent do not know how to calculate an interest rate while about 33.1 million or 33.6 percent indicated they had no knowledge of planning for old age.

- Most respondents indicated that they would like training/information on long-term planning and budgeting (primarily planning for old age: 18.8 million or 19.1 per cent), financial products and services (primarily how to save: 15.8 million or 16.0 per cent), and risk management (primarily planning for unexpected expenses, financial security of dependents and how to obtain insurance 18.7 million 19.0 per cent).

- **Attitudes to savings and credit:** Nigerians have a positive attitude to savings and are credit averse: only 8.6 million or 8.8 per cent indicated that they do not save because they do not need to; while of the 63.1 million Nigerians who do not have any form of loan/credit, 37.6 million indicated that they do not need or like credit or that credit is too expensive.

- **Numeracy skills:** With respect to numerical skills (addition, subtraction, division and multiplication), 70.9 per cent of the adult population or 69.8 million adults provided the correct answers for addition/subtraction, while 69.0 per cent of the adult population or 68.0 million adults provided the correct answers for the multiplication and division. These skills are critical for purposes of planning and budgeting, keeping track and calculating interest on savings and loans.

- **Confidence:** Level of confidence is a major determinant of financial behaviour: without confidence to act, behaviour will not change irrespective of the level of knowledge. About 54.1 million or 54.9 per cent of the adult population indicated that they are confident in making financial decisions; and 42.4 million or 43.0 per cent indicated that they are confident when dealing with financial organizations. Improved levels of knowledge and skills will strengthen confidence over time. Financial service providers also need to make an effort to be more welcoming to prospective low income clients.

## Financial Capability Competencies

- **Short-term planning**: About 59.3 million or 60.2 per cent of the adult population have had a personal or household budget (slight bias to men) and 53.8 million or 90.9 per cent always/mostly keep to their budget. The main reasons for not keeping to their budgets relate to income pressures, rather than poor planning or over-spending.

- **Keeping track**: About 52.7 million or 53.4 per cent of the adult population do not know/only have a rough idea of what they have spent in the past week and about 50.0 million or 50.8 per cent do not know how much money is available for day-to-day spending. The adult population is therefore not that good at tracking income and expenses and may not be managing their budgets as well as they think/would like to.

- **Separating business and personal finance:** About three quarters of respondents have a business of some sort (either a farm or an enterprise). While just over half indicated that they had a business plan, just under half indicated that they do not differentiate between their business and household budgets. Personal financial education is a precursor to managing the finances of an enterprise, and is required to emphasize the need to plan and budget for one's business; to separate household and business finances; and build up a financial and credit record for one's business.

- **Long-term planning:** Two thirds of the adult population have long-term financial goals; 92 per cent of these have plans to achieve these goals; and 90 per cent indicated that they stick to these plans.

- **Retirement:** Most respondents (97.8 per cent) have retirement strategies in place, but only 9.0 per cent believe that these will be sufficient to provide for their retirement and a further 42.8 per cent believe that these will only cover their retirement 'to some extent.' Financial education/training on planning for retirement – coupled with ways in which to improve savings - is a priority in Nigeria.

- **Children:** Of the 64 per cent of respondents that indicated that they had minor children, 83 per cent indicated that they had a strategy in place to provide for their dependents' future, but more than half are worried that these plans would not suffice.

- **Risk management:** With respect to risk management, 58 per cent of respondents indicated that they did not have a plan in place to provide for large unexpected expenses and more than half indicated that they are worried/very worried about the occurrence of large unexpected expenses. This challenge is linked to long-term planning skills and challenges with low/fluctuating incomes. Uptake of insurance is negligible (around 1 per cent) and there is a need in the market for micro-insurance – particularly life, disability and medical.

- **Savings and Credit Behavior:**
    - There is more than double the number of savers (84.8 per cent) than there are borrowers (35.3 per cent) in Nigeria. Savings and credit are used primarily for income-smoothing purposes, rather than asset-building and productive purposes.
    - More than half of respondents indicated that their savings do not earn interest, while a further 10 per cent did not know whether their saving earned interest or not. Of those that do earn interest, around half knew only roughly/not at all how much interest they were earning.
    - Of those that have borrowed, more than a quarter indicated that they have previously borrowed to pay off other debt. This is an indicator of debt stress among certain segments of the market and should be closely monitored.
- **Seeking advice:** Around 50 per cent of respondents seldom/never seek financial related advice. Of those that do, family and friends are the main source of advice (61 per cent) which leaves little opportunity for learning about new products and services from external sources. Children, religious leaders, village elders and colleagues/boss, all got mentions between 7 per cent and 10 per cent.
- **Product search behavior:** Just over half of respondents actively searched for information on savings before making a product decision; and around 62 per cent searched for information/alternatives before making a credit purchase decision. Limited product options in rural areas may inhibit product search behavior, but respondents should nevertheless be educated on the benefits and pitfalls of various products and how to do product comparisons.

## Financial Capability Market Segments

Through statistical modelling, the main discriminating financial capability **dimensions,** associated **competencies** and differentiating demographics were identified to segment the market based on levels of financial capability. These were as follows:

- Main differentiating competencies: numeracy, knowledge and awareness, and confidence in dealing with financial service providers.

- Main associated competencies: planning and keeping track
- Main differentiating socio-demographics: age and level of education

The process yielded six distinct market segments, as illustrated in Figure 2. These segments demonstrate similar levels of financial capability and a similar socio-economic profile within each segment which are described below:

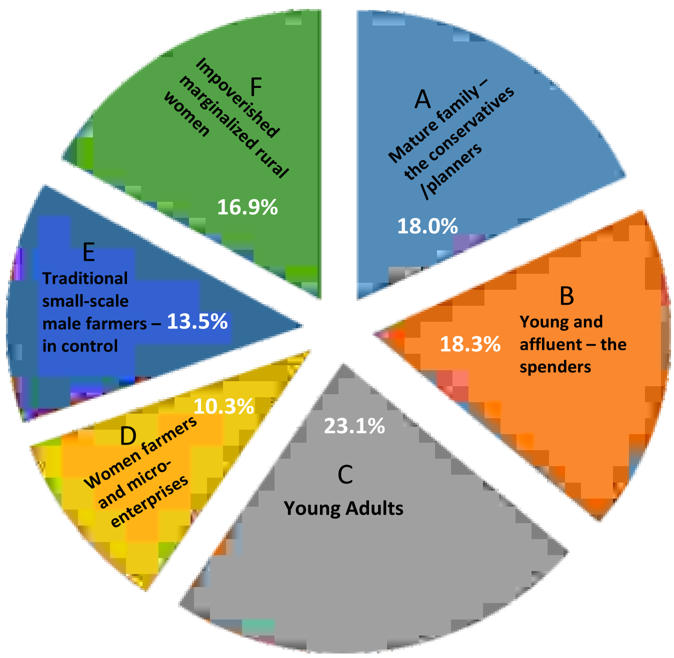



**Fig. 2: Financial Capability Market Segments**

## Segment A: Mature family – the conservatives/planners (18% of the adult population)

The dominant profile of this segment is a middle-aged business owner or someone that is employed (government or private sector), mostly living in the South West (29.0 per cent) or North Central. This segment has a male bias, urban bias, high educational levels and proficiency in English. It has an above average level of formal financial inclusion and achieved the highest overall score on financial capability. They are not a high priority for financial education, but could benefit from training on second tier products such as pensions, insurance, various forms of investments (e.g. stocks and bonds) and personal financial management.

## Segment B: Young and Affluent – the Spenders (11% of the Adult Population)

This segment is slightly younger (60% aged between 16 and 35) than Segment A; has the highest income and educational levels of all segments, highest urban bias, highest male bias, and highest income of all segments. Almost a third resides in the South-West and a further 20% in the South-South. They also have the highest formal employment (17.1% compared to the national average of 7.7%) and the highest personal income. A third indicated that their main source of income is family/ friends, which probably represents the young adults aged 16-25 in this segment who are still supported by their parents (primarily in Segment A)

The segment also has the highest level of formal financial inclusion and the third highest borrowing and saving after Segments A and D, despite having much higher income levels than Segment D. A level of debt stress appears to be emerging under this segment, with 16.6% (compared to the national average of 10.5%) of those that have borrowed indicating that they have borrowed more than they can afford.

This group has the 2$^{nd}$ highest overall score on financial capability, driven by the highest score of all segments on 'knowledge and awareness' and numeracy. This segment could benefit from financial education similar to that proposed for Segment A, but there needs to be an added focus on the need to save and live within their income means.

## Segment C: Young Adults (23.1% of the Adult Population)

The Young Adults have a slight urban bias, slight female bias and relatively high educational levels. They live primarily in the South-South and South-West, but have the highest representation in the South-East of all segments (16%). The outstanding feature of segment C is that 50% are aged 16-25 and a further 24% are aged 26-35. These are essentially young adults (1) either still dependant on their parents or (2) running a small business/ selling agricultural produce on a market or working on a farm. Although they demonstrate relatively high levels of formal financial inclusion and education, they had the lowest score of all segments on 'knowledge and awareness', their scores on 'keeping track' are on par with the national average and their scores on planning slightly below the national average.

The main focus of financial education initiatives targeted at this segment should be on knowledge and awareness of financial products and service providers (including mobile banking); and the need for short- and long-term planning, budgeting and saving from a young age – probably also within the business context as many are running small and micro enterprises.

## Segment D: Women Farmers and Micro Enterprises (10.3%)

This segment has a strong rural bias (75%) and a slight female bias (52.3%). Eight percent are widowed (compared to the national average of 5.8%), with only Segment F having a higher percentages of widows (12%). Segment D resides primarily in the North-West (23%), South-South (20.6%) and North Central (17.5%). Their main sources of income are farming/ selling own produce (34%) and running an own business (26%). The single most differentiating feature of this segment is that 98.3% have only completed primary education, i.e. this market segment comprises primarily school drop-outs and poor rural women. Proficiency in English is below the national average.

Half of this segment is financially excluded, savings and loans and savings are below the national average and almost 40% are struggling to keep up with necessary expenses or have serious financial problems. Numeracy levels are below that of the national average, and 90.8% fall in the lowest level of 'knowledge and awareness.' They had the second lowest score on confidence in engaging with financial institutions (after Segment F) and the second lowest score on planning (after Segment F).

Financial education initiatives targeted at this segment must address the broad spectrum from long- and short-term planning to knowledge and awareness, complemented by numeracy skills. Financial institutions will also have to consider how these people are treated and attempt to position themselves as more welcoming to uneducated farmers and small enterprise owners.

## Segment E: Traditional Small-scale Male Farmers – Poor But in Control (13.5%)

Segment E has the $2^{nd}$ strongest rural bias after Segment F, and appear to represent the traditional small-scale farmer (49%) and small enterprise owner. This segment does not have a gender bias and has the oldest age profile of the six segments. Seventy-two percent are married with a positive bias towards polygamous marriages (21% compared to the national average of 15%). They have the second lowest educational level (48% has no formal education and 37% has only completed primary education) after Segment F, and the second lowest English language proficiency after Segment F. Incomes are similar if not slightly higher than their younger counterparts in Segment D..

This group has slightly higher financial inclusion levels than Segment D with 30% being formally included and only 36% completely excluded. One third uses only informal financial services – the highest of all segments. With 93% of this segment saving, it is on par with Segment A with its much higher income, although the amounts saved are probably much lower. This group also has the second highest number of borrowers (44%) after Segment A. It may be that they borrow for productive/ income-smoothing purposes given the seasonality of farming, rather than for consumer purposes. Financial education targeted at this group should be similar to that aimed at Segment D, with emphasis on accessing and managing productive loans for agricultural purposes in particular.

### Segment F: Impoverished Marginalised Rural Women (16.9% of the Adult Population)

This segment is of great concern and has by far the lowest socio-economic profile, lowest financial capability scores, highest reported debt stress and is the most financially vulnerable. Eighty-four percent are women, and they reside primarily in the North-West (45%) and the North-East (21%). While the segment comprises more young people than Segment D (25% are aged 16-25), they also have the most elderly people with 29% over the age of 55%. They have the highest percentage of people in polygamous marriages (28%) and the highest percentage widows (12%). Less than one percent has any form of education. Almost one third is dependent on family/ friends for their main source of income, with 40% involved in agricultural activity/selling produce (probably of the family farm). Almost one third is the sole bread winner. They also have the lowest income of all segments.

This group is primarily financially excluded (66.6%), with 22.7% using informal financial services and only 10% is formally included. They have the lowest incidence of savers (74%) of all the segments. The incidence of borrowers (33.5%) is slightly lower than that of the national average (35.3%). However, we see serious signs of debt stress with 18.3% reporting that they have borrowed more than they can afford, and 39% indicating that keeping up with necessary expenses is 'always a struggle' or that they have serious financial problems and have fallen behind in payments. This group has the highest incidence of all for wanting to learn more about how to save (20% compared to the national average of 16%) and their training focus should be on budgeting so that they can manage their meagre incomes better, savings and how to reduce their debt.

## Conclusions and Implications for Financial Education

### Financial Education Interventions

While there are several cross-cutting issues to be addressed on national level, there are significant differences in levels of financial capability in the various market segments calling for a targeted approach. There is a strong relationship between levels of financial capability and levels of education, which in turn is largely a function of the socio-economic context of individuals.

Segments A, B and C can be reached through the educational system, employee wellness programmes, seminars, formal financial institutions, mainstream media and technology. The focus should be on second tier products such as pension schemes, savings and investment options, insurance and mobile banking. People should also be educated on their rights and responsibilities and recourse options.

Segments D, E and F have low educational levels, low literacy levels, limited English proficiency, low incomes and are informally employed (small enterprises and subsistence and small-scale farmers). Financial education will have to take the form of face-to-face interventions, e.g. through classroom-based training of groups. This could be supplemented by mass media platforms like radio peograms in the various local languages.

Content should focus on creating awareness of basic financial terms and products; basic budgeting, planning and saving; and the benefits, pitfalls and sources of (productive) credit. They should also be made aware of their rights and responsibilities and consumer recourse options. Training should be kept simple and not involve products which is beyond the reach of these segments.

### Implementation and Coordination

A funding strategy will be required to fund these initiatives. Government ministries, departments, donors agencies and industry associations should be co-opted to support these initiatives. In addition, the implementation of the National Financial Literacy Strategy should take into consideration the findings of the Baseline Survey report with particular emphasis on the various consumer segments; proposed content and delivery mechanisms; and the implementation and coordinating structures.

# 1.0 Background

## 1.1. Introduction

In 2012, the Central Bank of Nigeria (CBN), on behalf of the Federal Government, launched the National Financial Inclusion Strategy (NFIS). The strategy aims to reduce the number of adult Nigerians who do not have access to financial services from 46.3 per cent in 2010 to 20 per cent in 2020; and to improve product usage by empowering consumers of financial products and services through an increase in coordinated financial literacy measures that are complemented by consumer protection." The NFIS further identified some implementation priorities, amongst which was the development and implementation of a National Financial Literacy Framework (FLF)

The Consumer Protection Department of the CBN, in collaboration with other stakeholders, developed the National Financial Literacy Framework (FLF) which was approved by the Financial Literacy Steering Committee (FLSC) for implementation in January 2013. The National Financial Literacy Baseline Survey (the Baseline) was carried out in 2014 in the context of the FLF and as part of a broader strategy to regulate the conduct of Financial Services providers towards a stable financial system. The survey was implemented with support from the National Bureau of Statistics (NBS), the Statistics Department of the CBN, Enhancing Financial Innovation and Access (EFInA) and Marketworx Africa.

The primary focus of the Baseline was the individual. Data collected provide insight into individual experiences in dealing with personal finances: knowledge and understanding of financial products and processes; financial planning and control; and confidence in dealing with money matters and financial service providers. The data will also enable the refinement of the FLF, inform policy on financial education and measure progress over time.

This report presents the methodology, design and findings of the survey. Section 1 sets out the objectives and scope of the Baseline survey. Section 2 details the methodology which informed the questionnaire design; Sections 3 present the results of analysis; and Section 4 describes the financial capability market segments. The conclusions and recommendations are presented in Section 5.

## 1.2. Objectives and Scope of the Baseline Survey

The overall goal of the Baseline was to measure the levels of financial capability among adults in Nigeria to guide the development of financial literacy policy

[5] National Financial Inclusion Strategy - CBN (2012)

options and financial education interventions, and measure progress over time. Specifically, the Baseline sets out to:

- Determine the levels of financial capability amongst various socio-demographic segments of the Nigerian adult population
- Identify the main issues to be dealt with in future financial education interventions
- Provide data to help channel resources efficiently and effectively to the most vulnerable market segments
- Develop a Baseline against which changes in the levels of financial capability can be measured over time on a national level
- Develop empirical data as input for the formulation and review of relevant policies and programmes.

## 2.0 Methodology

### 2.1 Sample Design

The survey covered the 36 states of the Federation and the Federal Capital Territory (FCT) and was conducted in both urban and rural areas. The sample comprised individuals aged 16 years and above.

The sampling approach used by the NBS for the Access to Finance (A2F) Survey was adopted for the Baseline to enable comparative analysis of the two surveys. The sampling design comprised three stages:

- At the first stage, the enumeration areas (EAs) were selected. Using the frame of EAs of the 2006 Housing and Population Census conducted by the National Population Commission, the NBS constructed 30 clusters of 10 randomly selected EAs in each state and the FCT (also called replicates) for use in household-based surveys. For the Baseline survey, this first stage involved the random selection of three clusters/replicates (that is a total of 30 EAs) in each of the states and the FCT Abuja which yielded a total of 1,110 EAs nationally.
- At the second stage, 12 households were selected in each EA using systematic random sampling.

- At the third stage, the Kish grid was applied within each household to randomly select one respondent aged 16 or above. This yielded a total of 13,320 respondents nationwide.

After cleaning of the data, the base sample comprised 13,286 respondents aged 16 years and above. The data was weighted to the national population based on the 2006 Census projections for 2012, yielding a weighted dataset of 98,533,553 adults aged 16 and above.

## 2.2 Questionnaire Design

The Baseline questionnaire was designed by a Technical Committee comprising staff of the CBN and NBS with assistance from Marketworx Africa. The questionnaire was adopted from the Tanzanian National Financial Capability Baseline questionnaire implemented by the Bank of Tanzania. The Tanzanian questionnaire also drew on baseline survey instruments developed by the OECD, World Bank and the UNCDF Pacific.

The Tanzanian questionnaire was adopted to suit the Nigerian context through several stakeholder meetings. A pre-test of 600 respondents in six states (one in each of the six geopolitical zones) was conducted to further refine the questionnaire. This was followed by a pilot of 300 respondents in six states (one state in each of the six geopolitical zones), after which the questionnaire was finalised.

The questionnaire design was based on the assumption that financial capability comprises several **dimensions** which influence an individual's **competency** in dealing with different aspects of personal financial management. The dimensions and competencies tested in the questionnaire are detailed in Table 2.1. Questions around access to information on personal finance, sources of advice and information, and media usage were also included to enable the development of targeted financial education initiatives to be delivered through relevant channels.

The Baseline questionnaire further took into consideration contextual factors which may influence an individual's ultimate financial behaviour. These are summarised below:

I. On individual level:
    - The individual's socio-economic profile and attitude to life
    - The individual's current financial context and usage of financial products and services as measured by the A2F Financial Access Strand (FAS). The FAS classifies individuals into: (1) banked; (2) formally financially included (but not banked); (3) informal access to financial services only; and (4) financially excluded.
    - The individual's access to financial information and media usage

ii. The individual within the household: marital status and financial decision-making role.

iii. The household in the community: socio-economic profile of the household.

iv. The community within the broader context, for example geo-political setting and access to financial services and information.

Information was also collected on media usage patterns to facilitate the future development of targeted financial education initiatives and some indicative information on issues relating to consumer protection and recourse.

Table 2.1: Content of questionnaire

### A. Dimensions of financial capability

| **A. Dimensions of financial capability** |
|---|
| · Knowledge and awareness |
| · Attitudes to money - savings and credit in particular |
| · Confidence: |
| ▪ in making financial decisions |
| ▪ in dealing with financial service providers |
| · Skills: numeracy[1] |
| **B. Financial capability competencies** |
| · Day-to-day money management (short term) |
| ▪ Setting short-term goals and plans |
| ▪ Budgeting for short-term, regular day-to-day income and expenses |
| ▪ Sticking to a budget |
| · Planning for large expected events (medium term) |
| · Long-term planning: |
| ▪ Setting long-term goals and plans |
| ▪ Planning for retirement/ old age |
| ▪ Planning for dependent children |
| · Risk management and coping mechanisms – planning for large unexpected events |
| · Savings behavior |
| · Credit behaviour and levels of indebtedness |
| · Financial behavior in the business context (only for those who generate an income from their own business, farming or fishing activities) |
| ▪ The existence and level of formalisation of the business plan and budget |
| ▪ Whether personal and business finances are managed separately |
| · Decision-making, product choice and search behavior |
| ▪ Seeking advice |
| ▪ Product search and decision-making behavior (relating to savings and credit) |
| ▪ Information sources used |
| **C. Factors which may impact on ultimate financial behaviour** |
| · Socio-demographics of the individual |
| ▪ Location (urban, rural) |
| ▪ Gender and age |
| ▪ Education and language skills |
| · The individual's financial context |
| ▪ Sources and level of income |

| |
|---|
| ▪ Financial vulnerability |
| ▪ Levels of financial inclusion/ Access Strand |
| · The individual within the household |
| ▪ Marital status and relationship to head of household (HoH) |
| ▪ Decision-making in the household |
| · The household within the community |
| ▪ Connectivity: |
| o Financial support received by the respondent/ HoH from outside that household (HH) |
| o Financial support provided by the respondent/ HH to extended family and friends – and the impact thereof on that HH |
| o Socio-economic profile of the household: LSM |
| **D. Segmentation and further analyses** |
| · Level of financial inclusion/ A2F Access Strand |
| · Access to financial information |
| · Sources of advice |
| · Consumer protection and recourse |
| · Media usage |

## 2.3 Implementation of the Baseline

### Selection and Training of Field Staff

Field staff recruited for the purpose of this survey were trained on interview skills/techniques and the use of survey instruments such as the questionnaire, survey manual, EA line maps and household listing forms. The recruitment process ensured that only experienced staff, who could speak the dominant local language within the zones, were appointed as enumerators.

Training for the survey was implemented at two levels: the first level was the Training of Trainers (TOT) conducted by Marketworx Africa; and the second level was conducted by the trainers for the field personnel (enumerators and supervisors) in the six NBS zonal offices. These sessions were facilitated by two trainers/monitors and a facilitator. The training sessions included classroom teaching, demonstration and role playing. The two levels of training were comprehensive and were designed to ensure collection of quality data.

### Field Work Arrangements

The fieldwork arrangements for the survey followed the Household based approach as contained in the National Integrated Survey of Households (NISH). In each state, three teams were engaged. Each team comprised one supervisor and three enumerators. Fieldwork took three days in each EA (one day for listing of households, selection of the sample households and making appointments; and two days for interviews, call backs and travel time to the next EA). Each team moved in a roving manner. Data collection for the full survey took four weeks.

[6] The skills questions were drawn from the questionnaire developed by the UNDP Pacific Centre and J.E. Sibley, Massey University.

## Monitoring and Quality Control

To ensure quality of data, monitoring of the fieldwork was conducted by 18 staff from the CBN and NBS. The monitors included the trainers and all other members of the Technical Committee. The monitoring exercise which involved spot and scheme checks of completed interviews lasted for the duration of the fieldwork.

## Data Management

The Data Input Manager (from CBN) received the completed questionnaires and sent these to the Data Input Centre. The first batch was dispatched after the first week of fieldwork (on the 8$^{th}$ day of fieldwork); the second batch was dispatched after the third week (on the 22$^{nd}$ day); and the third and final batch was dispatched on completion of the fieldwork.

The data processing/analysis involved six stages: development of the data entry program; training of data processing staff; manual editing and coding; data entry and scanning; computer editing; verification and conversion; and generation of tables. Analysis of survey data and tabulation was carried out using the Statistical Package for Social Sciences (SPSS). A 3-day training session was held for data editors and operators to acquaint them with the structure of the questionnaire.

As part of the quality control, all questionnaires were manually edited to ensure skip instructions were followed. The data collected was first checked and manually edited by a team of editors before data entry, to ensure accuracy and consistency. The data capture format was developed using CSpro software which was tested for efficiency and accuracy in preparation for data entry. A verification exercise was carried out by ensuring that all codes were within the specified ranges and that all consistency errors were effectively dealt with.

The data analyses was conducted using the ESPRIT software of Infotools, South Africa.

## 3.0 Findings

### 3.1. Demographic Profile of The Respondents

Table 3.1 presents the demographic characteristics of the population aged 16 years and above. The age distribution of men and women is similar, with the majority (30.0 per cent) aged 16 -25 years. The decline in the population with increasing age is in line with Nigeria's population pyramid. Lagos State had the highest number (8.0 per cent) of the responding population, followed by Kano State (5.4 per cent) with the lowest numbers recorded in the FCT, Nasarawa, Yobe and Bayelsa States. The urban/rural residence split of respondents is 31.1/ 68.9, similar to that of Nigeria's population figures.

The profile of the respondents was also found to be similar to that of the A2F 2012, which serves to validate the data and also allows for using data from the A2F to complement the findings of the Baseline.

**Table3.1: Gender, Age and Location Distribution**

| | Per cent | | | Millions | | |
|---|---|---|---|---|---|---|
| **Location** | **Urban** | **Rural** | **National** | **Urban** | **Rural** | **National** |
| | 31.1% | 68.9% | 100.0% | 30.6 | 67.9 | 98.5 |
| **Gender** | | | | | | |
| Male | 48.5% | 50.3% | 49.7% | 14.9 | 34.1 | 49.0 |
| Female | 51.5% | 49.7% | 50.3% | 15.8 | 33.7 | 49.5 |
| **Age Group** | | | | | | |
| 16-25yrs | 26.2% | 31.9% | 30.1% | 8.0 | 21.6 | 29.7 |
| 26-35yrs | 26.3% | 24.8% | 25.2% | 8.1 | 16.8 | 24.9 |
| 36-45yrs | 18.1% | 17.4% | 17.6% | 5.6 | 11.8 | 17.3 |
| 46-55yrs | 12.5% | 11.3% | 11.6% | 3.8 | 7.7 | 11.5 |
| 56-65yrs | 9.7% | 8.3% | 8.8% | 3.0 | 5.7 | 8.6 |
| 66+ | 7.2% | 6.4% | 6.6% | 2.2 | 4.3 | 6.5 |

### 3.2. Socio-economic Profile of Respondents

#### 3.2.1. Language Skills

Only 48.0 per cent of the adult population can speak English, and 40.3 per cent can read in English (Table 3.2). It is therefore important to use local languages in future financial education initiatives and documents or publications of financial service providers.

**Table 3.2: Language skills**

| Languages | Spoken | Read |
|---|---|---|
| English Language | 48.0% | 40.3% |
| Hausa Language | 39.9% | 17.9% |
| Yoruba Language | 22.9% | 13.6% |
| Igbo Language | 17.3% | 7.2% |
| Pidgin Language | 18.0% | 3.8% |

### 3.2.2. Level of Education of Respondents

As illustrated in Table 3.3 and Fig. 3.1, educational levels are low as 29.0 per cent of respondents do not have any formal education, while a further 32.5 per cent have only completed basic education, i.e. half of the adult population have no or only basic education. Men are better educated than women, as only 45.4 per cent of women attained educational levels beyond primary school compared to 55.2 per cent of men. Similarly, only 12.4 per cent of women attained an educational level beyond secondary education compared to 18.6 per cent of men.

**Table 3.3:** Highest level of education achieved

| Highest level of education | Male | Female | National | Group |
|---|---|---|---|---|
| No formal education | 24.4% | 33.6% | 29.0% | Unschooled = 29.0% |
| Primary education | 20.5% | 21.0% | 20.8% | Basic education = 32.5% |
| Junior secondary education | 11.2% | 12.2% | 11.7% | |
| Senior secondary education | 25.4% | 20.8% | 23.0% | Intermediate School = 23.0% |
| National diploma | 5.0% | 2.8% | 3.9% | Tertiary other than degree = 6.9% |
| National certificate of education | 3.0% | 2.2% | 2.6% | |
| Nursing college diploma | 0.4% | 0.4% | 0.4% | |
| University degree | 5.6% | 3.4% | 4.5% | Tertiary degree and postgraduate = 8.6% |
| Post graduate degree | 1.1% | 0.3% | 0.7% | |
| Other | 3.5% | 3.3% | 3.4% | |

### 3.2.3. Household Context

#### Marital Status

About 65.8 million or 66.8 per cent of adults are married or living together, with 24.9 per cent never/ not yet married and 8.3 per cent separated/ divorced/ widowed (Table 3.4).

**Table 3.4:** Marital status of Respondents

| Marital status | Percentage | Grouped |
|---|---|---|
| Single - never married | 24.9% | 24.9% |
| Married – monogamous | 51.1% | 66.8% |
| Married – polygamous | 15.3% | |
| Living with partner but unmarried | 0.4% | |
| Widowed | 5.9% | 8.3% |
| Divorced | 0.7% | |
| Separated | 1.7% | |

#### Contribution to Household Income

Of the adult population, 24.5 million or 24.9 per cent are sole bread winners, with 33.6 per cent of the men and 16.1 per cent of the women being sole breadwinners of their households. In addition, about 55.0 million or 55.8 per cent of the adult population contribute to their household income (Table 3.5).

**Table 3.5:** Role in Household Income

| | National | Male | Female |
|---|---|---|---|
| Sole breadwinner | 24.9% | 33.6% | 16.1% |
| Contribute to HH income and Not Sole breadwinner | 55.8% | 51.8% | 62.4% |
| Do not contribute to HH income | 18.0% | 14.6% | 21.5% |

#### Financial decision-making in the Household

As illustrated in Table 3.6, the majority of adults (38.6 per cent of men and 46.2 per cent of women), take decisions together with someone else in the household. More than a third of men take decision alone (compared to 17.5 per cent of women), whereas 35.2 per cent of women indicated that they are not involved in household decision-making (compared to 23.8 per cent of men). There are no noticeable differences between urban and rural communities.

It is important to know whom to target in the household in relation to specific financial education messaging. If the decision-maker is not reached, it may not translate into positive behavioural change on household level. There is a growing body of international evidence that effective financial education targeted at non-decision makers, such as women, serve to empower them, increase their confidence in dealing with financial matters, encourages them to start taking control of their own destiny and finances, and at times, getting involved in household decision-making.

**Table 3.6:** Nigeria - Mainly responsible for household decision-making

| Mainly responsible for HH decision-making | Gender | | Setting | |
|---|---|---|---|---|
| | Male | Female | Urban | Rural |
| You alone | 36.6% | 17.5% | 24.7% | 28.0% |
| Someone else in the household | 23.8% | 35.2% | 29.0% | 29.7% |
| You together with someone else in the household | 38.6% | 46.2% | 45.6% | 41.0% |
| Don't know | 1.0% | 1.1% | 0.8% | 1.2% |

## 3.2.4. Livelihoods and Financial Vulnerability

### Sources of Income

Table 3.7 shows that around 34.2 million or 34.7 per cent of the adult population generate their highest income from agricultural-related activities (own farm, agricultural trading, employed on someone's farm); about 25.7 million generate their main source of income from an own business (26.1 per cent); followed by income from family or friends (25.3 million or 25.7 per cent). The main difference in sources of income between men and women is that the single highest source of income for women is income from family or friends (33.7 per cent), while that of men is income from own farm (36 per cent).

Only 7.4 million or 7.5 per cent of the adult population generate income from formal employment. This is higher among men (9.6 per cent) than women (5.4 per cent); and much higher in urban (12.4 per cent) than in rural areas (5.3 per cent). Employee-based financial education interventions will therefore reach less than 7.5 per cent of the adult population. Innovative forms of communication are required to reach the less organised informal sector such as those owning/working for a small or micro enterprise, farmers, farm employees and house wives – particularly in rural areas with dispersed population and limited access to communication.

**Table 3.7:** Highest source of income: gender and setting

| | | National | Male | Female | Urban | Rural |
|---|---|---|---|---|---|---|
| Dependent | Money from Family or Friends | 25.7% | 17.7% | 33.7% | 29.9% | 23.8% |
| | Pension | 1.6% | 2.5% | 0.7% | 2.6% | 1.1% |
| Employed | Formal Sector Employment | 7.5% | 9.6% | 5.4% | 12.4% | 5.3% |
| | Informal Sector Employment | 2.7% | 3.4% | 2.0% | 3.9% | 2.1% |
| | Employment on someone else's Farm | 0.6% | 0.9% | 0.3% | 0.4% | 0.7% |
| Own Enterprise | Sub-letting of Landed property | 0.5% | 0.7% | 0.4% | 0.8% | 0.4% |
| | Farming on Own farm | 29.6% | 36.0% | 23.1% | 8.1% | 39.2% |
| | Agricultural Trading | 4.5% | 3.5% | 5.6% | 2.8% | 5.3% |
| | Run Own Business | 26.1% | 24.2% | 28.1% | 37.4% | 21.1% |
| | Other | 1.2% | 1.7% | 0.8% | 1.7% | 1.0% |

## Personal Income Levels

Personal income remains a sensitive subject and 13.4 per cent of respondents refused to answer or indicated that they 'did not know' their personal monthly income. Of those that responded, 56.5 per cent earn less than the national minimum wage of N18,000/month. Incomes are slightly lower in rural than urban areas; and among women than men (Table 3.8).

**Table 3.8:** Personal Income

| Personal Income Range | National | National Cumulative | Male | Female | Urban | Rural |
|---|---|---|---|---|---|---|
| Total | | | 49.7% | 50.2% | 31.1% | 68.9% |
| No income | 4.2% | 4.2% | 3.3% | 5.1% | 4.0% | 4.3% |
| Below N1,000 | 5.4% | 9.6% | 3.9% | 6.9% | 3.7% | 6.1% |
| N1,001 - N6,000 | 19.4% | 29.0% | 15.9% | 22.8% | 13.8% | 21.9% |
| N6,001 - N12,000 | 16.9% | 45.8% | 16.2% | 17.6% | 13.4% | 18.4% |
| N12,001 - N18,000 | 10.7% | 56.5% | 11.3% | 10.2% | 11.3% | 10.4% |
| N18,001 - N24,000 | 9.3% | 65.8% | 10.2% | 8.4% | 10.5% | 8.7% |
| N24,001 - N30,000 | 6.6% | 72.4% | 8.1% | 5.1% | 7.2% | 6.3% |
| N30,001 - N40,000 | 5.3% | 77.8% | 7.2% | 3.3% | 6.4% | 4.8% |
| N40,001 - N60,000 | 4.7% | 82.4% | 6.1% | 3.2% | 6.2% | 4.0% |
| N60,001 - N100,000 | 2.6% | 85.0% | 3.5% | 1.8% | 3.5% | 2.2% |
| N100,001 - N200,000 | 1.2% | 86.2% | 1.7% | 0.6% | 2.3% | 0.7% |
| N200,001 or more | 0.4% | 86.6% | 0.4% | 0.3% | 0.8% | 0.2% |
| Uncertain/don't know | 11.0% | 97.6% | 9.9% | 12.1% | 12.7% | 10.3% |
| Refused to answer | 2.4% | 100.0% | 2.3% | 2.4% | 4.2% | 1.5% |

## Financial Vulnerability

Financial vulnerability is underscored by 47.3 million or 48.0 per cent of the adult population stating that they often or always run short of money for necessary expenses. This severely curtails people's ability to save for asset-generating purposes (Table 3.9). About 74.5 million or 75.6 per cent of the adult population indicated that they can only survive for one month without an income (Table 3.10).

**Table 3.9:** Financial vulnerability – running short of money for necessary personal/ HH expenses

| Vulnerability factor | National | Urban | Rural | Groups |
|---|---|---|---|---|
| **How often do you run short of money for necessary personal/ HH expenses** | | | | |
| Do not run short of money | 15.9% | 16.9% | 15.5% | 52.0% |
| Rarely run short of money | 36.1% | 39.7% | 34.4% | |
| Often run short of money | 38.9% | 40.5% | 40.5% | 48.0% |
| Always run short of money | 9.1% | 9.6% | 9.6% | |

**Table 3.10:** Financial vulnerability: duration can cope without income

| Duration can cope without income | National | Urban | Rural |
|---|---|---|---|
| Up to one week | 39.9% | 37.8% | 40.9% |
| Up to one month | 35.7% | 34.5% | 36.2% |
| Up to six months | 14.1% | 15.9% | 13.3% |
| Up to one year | 5.4% | 5.4% | 5.5% |
| More than one year | 4.8% | 6.5% | 4.1% |

Most adults find it difficult to keep up with regular necessary expenses and only 12.3 million or 12.5 per cent indicated that they can do so without any difficulties. There is no major difference between men and women, but as illustrated in Table 3.11, rural adults clearly face more challenges than their urban counterparts.

**Table 3.11:** Keeping up with payments of necessary expenses

| Keeping up with payments of necessary expenses | National | Urban | Rural | Top 2/ Bottom 2 |
|---|---|---|---|---|
| National (Responses) | 100.0% | 31.1% | 68.9% | |
| Without difficulty | 12.5% | 15.3% | 11.2% | 67.9% |
| Keeping up, but it is sometimes a struggle | 58.0% | 60.7% | 56.7% | |
| Keeping up, but it is always a struggle | 24.8% | 19.9% | 26.9% | 32.1% |
| Have serious financial problems and have fallen behind with many expenses | 4.8% | 4.0% | 5.2% | |

## Coping Strategies (income-smoothing)

As illustrated in Table 3.12, the main reasons cited for running short of money for necessary expenses are low/irregular/no income (64.4 per cent) and high/unexpected expenses (27.5 per cent).Poor planning or impulse spending account for only 6.1 per cent of the reasons for running short of money. This implies that financial education initiatives may not necessarily translate into increased savings or better personal financial management, if issues relating to poverty are not also addressed. Combining/ embedding financial education into entrepreneurship and or vocational training can in some instances prove more effective than stand-alone programmes.

**Table 3.12:** Reasons for running short of money

| Main reason for running short of money for necessary expenses | National | Grouped |
|---|---|---|
| Low/fluctuating income | 54.9% | Income low/irregular: 64.4% |
| Unemployed/unable to work | 9.5% | |
| Too many unexpected expenses | 15.7% | Expenses too high: 27.5% |
| Increasing cost of living | 10.4% | |
| Provide financial help to others | 1.4% | |
| Overspending | 2.2% | Poor planning: 6.1% |
| Do not plan ahead | 1.8% | |
| Impulse/unplanned spending | 2.1% | |
| Other | 1.8% | |

Table 3.13 shows that the main financial coping mechanisms for the 47.3 million adults that run short of money for regular and necessary expenses are borrowing (18.7 million or 39.5 per cent) and the use of savings (11.6 million or 24.5 per cent). Those who resort to borrowing as a coping mechanism (15.7 million or 83.9 per cent) indicated that their main source of borrowing is family and friends (Table 3.14).

**Table 3.13:** Main coping strategy

| Strategy implemented first when running short of money | National |
|---|---|
| Borrow | 39.5% |
| Savings | 24.5% |
| Extra work | 16.0% |
| Sell an asset | 10.0% |
| Go without essentials | 5.0% |
| Do not pay school fees/take kids out of school | 0.7% |
| Other | 4.3% |

**Table 3.14:** Main sources of borrowing

| Main source for borrowing | National | Urban | Rural |
|---|---|---|---|
| Family or friends | 83.9% | 80.7% | 85.1% |
| Microfinance bank or other financial institution | 4.0% | 5.5% | 3.4% |
| Employer | 1.1% | 1.5% | 1.0% |
| Money lender | 7.9% | 9.7% | 7.1% |
| Others | 3.2% | 2.6% | 3.4% |

## 3.3. Financial Context of the Adult Population

### Level of Financial Inclusion

The A2F Access Strand depicts the level of financial product usage (savings, credit, insurance, transactional and mobile banking) from various service providers categorized as banked, formal other, informal and financially excluded. A rudimentary Access Strand was developed for the Baseline to obtain an indication of the financial context of the adult population.

Current levels of financial inclusion are one of the determinants of the relevant message and content of financial education interventions to be targeted at certain market segments. The level of financial inclusion also provides an indication of the stakeholders and channels through which different market segments can be reached. For example, those who are currently banked and/or served through mobile phones can be reached through formal communication channels of banks or by mobile network operators through mobile phones for messaging on financial education.

The level of financial inclusion is therefore of particular importance for segmentation purposes and is used later in the report as one of the descriptors of the FinCap segments (Section 4).

**Fig. 3.1:** Baseline Access Strand – usage of financial products and services

### Financial Information

While developed nations often suffer from information overload, this is not the case in developing countries or communities. As illustrated in Table 3.15, 46.0 per cent of the adult population indicated that the information available on financial products is not adequate, and 40.2 per cent indicated that it is not reliable. There is no marked difference in the adequacy and reliability of financial information between urban and rural populations.

Credibility of the source of information/ financial education is critical to the success of any planned financial education intervention.

**Table 3.15:** Adequacy of information on financial products

| Available information on financial products is sufficient | Total (Responses) | Urban | Rural |
|---|---|---|---|
| Yes | 54.0% | 58.4% | 52.0% |
| No | 46.0% | 41.6% | 48.0% |
| Available information on financial products is reliable | | | |
| Yes | 59.8% | 64.9% | 57.5% |
| No | 40.2% | 35.1% | 42.5% |

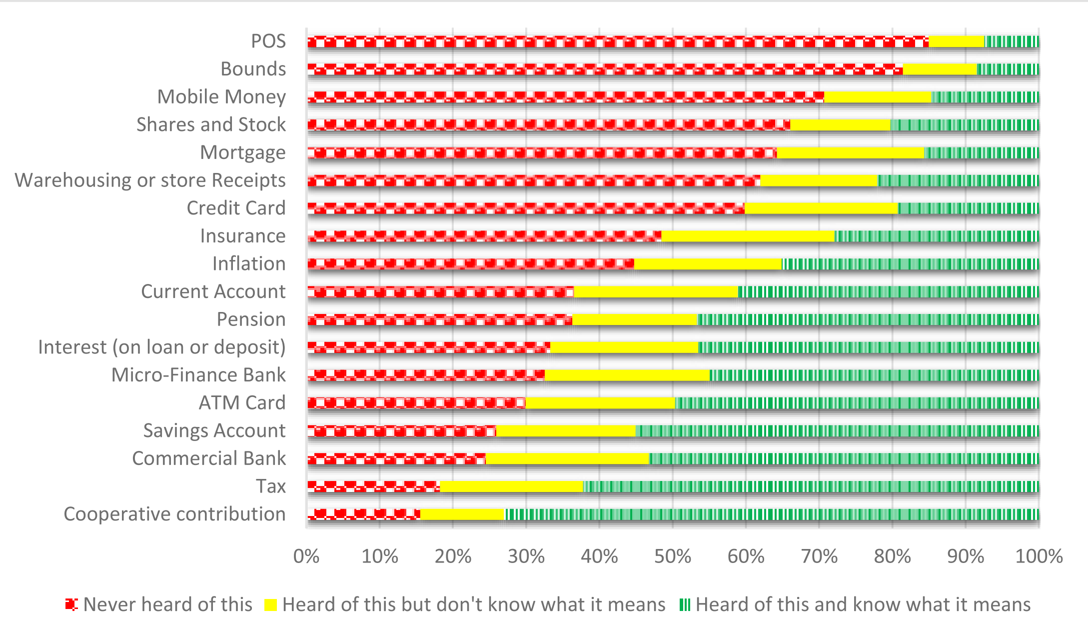
[7] In developing the Access Strand in the A2F survey, all financial products are considered, including credit, savings, insurance and transactions. However, for purposes of the FinCap Baseline, only credit and insurance were considered in the development of the Access Strand. Including all the variables would have made the questionnaire too long.

## 3.4. Findings on Financial Capability Dimensions

### 3.4.1. Knowledge and Awareness

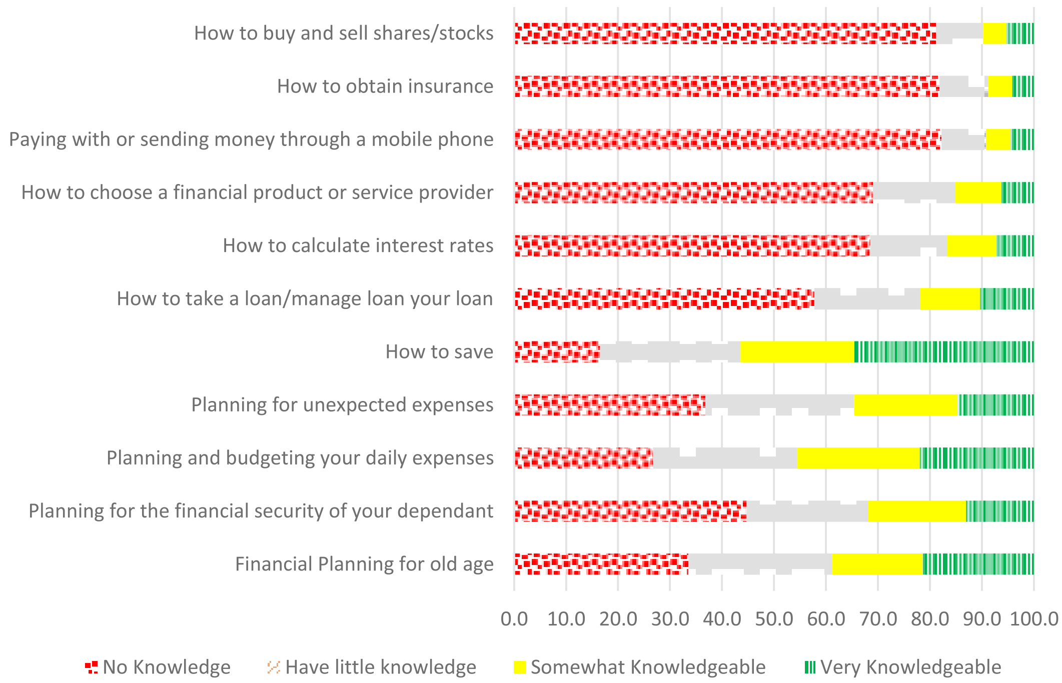
Figures 3.4 and 3.5 illustrate current levels of awareness and understanding of various financial and economic terms and levels of knowledge of financial processes. The levels of understanding and knowledge are based on self-assessment, not actuals. While it is not surprising that so few people (7.6 per cent) have heard of Point-of-Sale (essentially a practitioners' term) and of terms like bonds, stocks and mortgages, it is of concern that more than 70 per cent (69.7 million) of the adult population have not heard of mobile-money; more than a third (35.9 million) have not heard of pensions or a current account; a third (32.8 million) have not heard the terms interest or current account; and one in four people have not heard of a savings account. If people have not even heard of these terms, they are a long way from understanding these terms and ultimately using these products.

**Fig. 3.2:** Knowledge and awareness of financial and economic terms




Of equal concern are the poor ratings the respondents gave themselves with respect to financial processes. For example, 85.3 per cent indicated that they have 'no knowledge' of processes such as paying or receiving money through a mobile phone or obtaining insurance; more than two thirds do not know how to calculate an interest rate; and a third indicated that they had no knowledge of how to plan for old age.

**Fig. 3.3:** Knowledge and awareness of financial processes – self-assessment




### 3.4.2. Attitudes to Savings and Credit

There are more than double the number of savers than borrowers in Nigeria (Table 3.16). While there tends to be under-claim in credit and over-claim in savings in surveys, the general pattern emerging from the Baseline is that there is a strong savings culture and that Nigerians are rather credit averse.

**Table 3.16:** Number of savers and borrowers

| | Total | Male | Female |
|---|---|---|---|
| Currently have monetary savings | 84% | 86% | 82% |
| Currently have a loan/ credit | 36% | 37% | 35% |

The data on the number of savers and borrowers show statistically significant differences between the genders: the incidences of male savers and borrowers are both higher than the incidences among women. This points to greater involvement with personal and household financial management among men than women. This can be partially ascribed to lower incomes among women, fewer women being involved in productive economic activity, women working for their husbands and cultural practices which excludes women from being involved in household finances or borrowing (see below: Reasons for not having credit/ loans).

Nigeria's strong saving culture is further borne out by the high number of people indicating that they would like more training and information on savings, as well as people's attitudes to saving and credit, as illustrated in Tables 3.17 the 'strongly agree/agree' with the statement 'I do not save as much as I would like', clearly illustrates a highly positive attitude to savings, while actual savings may be lower because of income pressures. Economic pressure on savings are further underscored by the strong agreement with statements such as 'I save only if I have money left after expenses', 'I do not have sufficient or regular income to save' and strong disagreement with the statement 'I save money regularly.' However, 18.9% demonstrated a total disregard (or lack of understanding) for savings by agreeing with the statements: 'I do not save because I do not need to' and 'I don't worry about saving money for the future.'

**Table 3.17:** Attitudes to saving

| Attitude | National Average | |
|---|---|---|
| | Strongly agree & agree | Disagree & strongly disagree |
| I do not save as much as I would like to | 84.60% | 15.40% |
| I save money regularly | 23.30% | 76.70% |
| I save only if have money left after expenses | 65.30% | 34.70% |
| When I receive money/income, I immediately save some | 46.90% | 53.10% |
| I do not have sufficient or regular income to save | 74.60% | 25.40% |
| I do not save because I do not need to | 8.80% | 91.20% |
| I don't worry about saving money for the future | 10.10% | 89.90% |

Nigerians' credit aversion is further underscored in Table 3.18 which illustrates the reasons for not having credit: of the 63.1 million Nigerians who do not have any form of loan/credit, 37.6 million indicated that they do not need or like credit or that credit is too expensive. A further 17.6 million indicated that they do not know where to get a loan or how to apply for it and an additional 11.0 million have no access to credit basically because they do not qualify, have no guarantors/collateral or nowhere to borrow nearby.

**Table 3.18:** Reasons for not having credit

| Reason for not having any form of credit (multiple mentions) | Total (Responses) | Total grouped | Male | Female | Urban | Rural |
|---|---|---|---|---|---|---|
| Do not need credit | 31.0% | Credit aversion = 59.6% | 30.6% | 31.3% | 34.1% | 29.4% |
| Do not like loans/credit | 16.4% | | 17.0% | 15.8% | 19.0% | 15.2% |
| Credit is expensive/too much interest | 12.2% | | 12.4% | 12.0% | 13.9% | 11.3% |
| Do not know how to apply for a loan | 10.5% | Lack of knowledge = 20% | 11.1% | 9.9% | 6.7% | 12.3% |
| Do not know where to get a loan | 9.5% | | 9.4% | 9.7% | 5.9% | 11.2% |
| Do not qualify/have no guarantor/collateral | 9.3% | No access = 12.6% | 10.3% | 8.3% | 10.5% | 8.7% |
| There is nowhere to borrow nearby | 3.3% | | 3.3% | 3.3% | 1.6% | 4.1% |
| Spouse/partner/family will not allow | 5.1% | Cultural & other = 7.9% | 3.3% | 6.8% | 3.8% | 5.7% |
| Others | 2.8% | | 2.7% | 2.9% | 4.4% | 2.0% |

### 3.4.3. Numeracy Skills (Mathematical Literacy)

With respect to numerical skills: addition, subtraction, division and multiplication, 72.9, 72.7, 70.8 and 69.8 per cent provided the correct answers, respectively. The level of numeracy skills as expected increased with level of education. Those that have no formal education consistently scored below the national average.

**Table 3.19:** Correct Responses to Numeracy Questions

| Highest Level of Education | Addition | Subtraction | Multiplication | Division |
|---|---|---|---|---|
| National (All Levels) | 72.9% | 72.7% | 70.8% | 69.8% |
| No formal education | 53.6% | 53.6% | 54.5% | 48.8% |
| Basic Education | 75.8% | 75.0% | 70.9% | 71.6% |
| Senior Secondary School | 83.5% | 84.2% | 82.0% | 83.0% |
| Tertiary other than degree | 81.9% | 80.1% | 79.3% | 79.8% |
| Tertiary degree and postgraduate | 94.1% | 94.5% | 89.7% | 92.3% |

The questions asked in the Baseline survey were very basic. It is not possible to budget or track expenses and income accurately without these basic skills let alone calculating interest and monthly loan repayments or the total cost of a loan over a given period. This suggests the need for developing improved arithmetic skills at basic education level and running numeracy training for adults with no formal education.

### 3.4.4. Confidence

Level of confidence is a major determinant of financial behaviour: without confidence to act, behaviour will not change irrespective of the level of knowledge. As illustrated in Table 3.20, the adult population in Nigeria are more confident in making financial decisions than in engaging with financial institutions. The level of confidence in making financial decisions and dealing with financial organisations increases with levels of education.

Confidence also increases with knowledge and hands-on experience, and as such, financial education can go a long way in strengthening people's confidence in making financial decisions and interacting with financial service providers. Financial service providers should also make a dedicated effort to make people feel welcome in their branches and comfortable in interacting with their staff – particularly (potential) clients with a low socio-economic profile.

**Table 3.20:** Confidence in making financial decisions and dealing with financial institutions

| Highest Educational Level | Very confident | Confident | Somewhat confident | Not at all confident | Confidence Index\1 |
|---|---|---|---|---|---|
| **Level of confidence in making financial decisions** | | | | | |
| No formal education | 8.7% | 35.7% | 40.2% | 15.4% | 15.1 |
| Basic education | 11.6% | 41.8% | 36.1% | 10.5% | 25.7 |
| Senior secondary | 17.1% | 42.6% | 31.9% | 8.3% | 33.3 |
| Tertiary other than degree | 24.3% | 47.6% | 23.4% | 4.7% | 45.8 |
| Tertiary degree and postgraduate | 29.7% | 45.6% | 23.7% | 1.1% | 53.8 |
| National (All levels) | 14.0% | 40.9% | 34.6% | 10.5% | 27.5 |
| **Level of confidence when dealing with financial organisations** | | | | | |
| No formal education | 6.3% | 24.3% | 40.9% | 28.5% | -6.0 |
| Basic education | 10.3% | 30.6% | 38.3% | 20.8% | 8.6 |
| Senior secondary | 14.1% | 35.8% | 35.3% | 14.8% | 20.8 |
| Tertiary other than degree | 21.9% | 39.8% | 28.1% | 10.2% | 34.4 |
| Tertiary degree and postgraduate | 26.7% | 39.0% | 29.0% | 5.4% | 43.7 |
| National (All levels) | 11.8% | 31.2% | 37.1% | 19.9% | 11.2 |
| \1. *Index weights:* | 1.0 | 0.5 | 0.1 | -1.0 | |

## 3.5. Findings on financial capability competencies

The financial capability competencies illustrate the actual financial behaviour with respect to day-to-day money-management, long-term planning, risk management, savings and credit/loan behaviour, seeking financial advice and product search behaviour.

### 3.5.1. Day-to-day Money Management (Short-term)

#### Budgeting and Financial Discipline: Personal/Household

Sixty per cent of the adult population indicated that they have a personal or household budget (Table 3.21). Budget-keeping is slightly more prevalent among men than women. Of the 59.3 million adults that have a budget, about 53.8 million (90.8 per cent) claim that they always or mostly keep to their budget. Women appear to perform slightly but not significantly poorer than men in keeping to their budgets.

**Table 3.21:** Budgeting and planning by gender

| Have a budget to manage money and daily expenses | National (Responses) | Male | Female |
|---|---|---|---|
| Yes | 60.2% | 65.1% | 57.9% |
| No | 39.8% | 34.9% | 42.1% |
| **Keep to budget** | | | |
| Always | 39.4% | 40.7% | 38.1% |
| Sometimes | 51.4% | 51.5% | 51.3% |
| Rarely | 6.8% | 5.9% | 7.7% |
| Not at all | 2.4% | 1.9% | 2.9% |

As illustrated in Table 3.22, the main reasons cited by 82.3 per cent of the adult population for not keeping to their budgets, relate to income and expense pressures. This is similar to the reasons cited for running short of money for payment of regular necessary expenses and point towards financial vulnerability rather than poor financial discipline.

**Table 3.22:** Reasons for not keeping to budget

| Reasons for not keeping to budget | National (Responses) | Male | Female |
|---|---|---|---|
| Too many unforeseen expenses | 41.8% | 42.0% | 41.5% |
| Impulse/unplanned spending | 11.0% | 10.7% | 11.2% |
| Do not budget well | 6.9% | 7.3% | 6.6% |
| Battle to make ends meet | 16.9% | 17.5% | 16.3% |
| Increasing cost of living | 22.6% | 21.6% | 23.7% |
| Other | 0.8% | 0.9% | 0.7% |

## Keeping Track

Table 3.23 illustrates that 52.7 million adults or 53.4 per cent do not know/only have a rough idea of what they spent over the past week; and 50.0 million or 50.8 per cent do not know/only have a rough idea how much money they have available at that point in time. These findings imply that although 60.1 per cent of adults claim to have a budget to manage their daily expenses (Table 3.21), Table 3.23 indicates that people may not budget and keep to their budget as closely as they think, as they do not seem to track their expenses and cash flow all that well.

**Table 3.23:** Keeping track of expenses

| Tracking expenses and cash-flow | Know how much money spent in last week | Know how much money available for day-to-day spending |
|---|---|---|
| Exactly | 20.4% | 24.0% |
| Fairly good idea | 26.2% | 25.3% |
| Rough idea | 26.9% | 24.5% |
| Don't Know | 26.5% | 26.2% |

Those that have loans, track their loans and repayments much more closely than their expenses and money available: 70.9 per cent knew exactly/fairly well how much they have borrowed and 70.2 per cent knew exactly/fairly well how much they have repaid in loans over the past 12 months.

**Table 3.24:** Keeping track of expenses by loan holders

| Tracking loans | Know how much money borrowed over the past 12 months | Know how much money repaid on loan(s) over the past 12 months | Know how much money spent in last week | Know how much money available for day-to-day spending |
|---|---|---|---|---|
| Exactly | 50.1% | 49.3% | 23.2% | 26.9% |
| Fairly well | 20.8% | 20.9% | 28.5% | 28.0% |
| Roughly | 13.8% | 13.3% | 26.6% | 24.5% |
| Not at all | 15.3% | 16.6% | 21.8% | 20.6% |

Anecdotal evidence has demonstrated that training on budgeting can improve people's ability to plan their income and expenses and increase savings.

## Enterprise Finances

About 75.0 million or 76.1 per cent of adults have their own businesses, be that a farm, agriculture-related business or other form of enterprise. This underscores the importance of financial education targeted at farmers and business owners. Only 50.1 per cent of those with a business activity have a budget. Of these, less than half (47.6 per cent) indicated that this plan/budget is separate from the household budget and only 18.6 per cent have a written budget (Table 3.25).

**Table 3.25:** Enterprise Characteristics of The adult population

| Enterprise characteristic | Total (Responses) |
|---|---|
| **Own a business/ not** | |
| Own a business/farm | 76.1% |
| Do not own a business/farm | 24.8% |
| **Have a business plan or budget to assist with managing income and expenditure** | |
| Yes | 50.1% |
| **Have a Business plan/budget separate from personal/household budget** | |
| Yes | 47.6% |
| **Have a Business plan/budget that is written down** | |
| Yes | 18.6% |

The majority of those with enterprises (65.9 per cent) have no account with a financial institution for personal or business purposes (Table 3.26). While 17.4 per cent have a personal account only and 8.3 per cent have a (separate) business account (5.4 per cent business account only plus 2.9 per cent with separate household and business accounts). This demonstrates that business finances are mostly managed on an informal basis and are closely integrated with personal finances.

**Table 3.26:** Business and personal bank accounts

| Have personal and/or business/ farm account with bank or other financial institution | Percentage |
|---|---|
| Personal bank account only | 17.4% |
| Business bank account only | 5.4% |
| One account for personal and business purposes | 8.4% |
| Separate accounts for personal and business purposes | 2.9% |
| No bank account | 65.9% |

### 3.5.2. Long Term Planning

#### General

As illustrated in Table 3.27, 64.8 million adults or 65.8 per cent have long-term financial goals. Of these, 60.1 million or 92.8 per cent have plans to achieve these goals and only 12.1 million or 20.1 per cent of those that have plans indicated that the plans are written down.

**Table 3.27:** Long term financial goals and plans

| Have specific long-term financial goals | Have plans to achieve these goals | Plan to achieve goals is written down |
|---|---|---|
| 65.8% | 92.8% | 20.1% |

More than 90.0 per cent of adults who have long term financial plans always/sometimes keep to their plans, and 84.3 per cent regularly/sometimes review their plans (Table 3.28).

**Table 3.28:** Keeping to financial plans and Review

| Do you keep to your financial plan? | Percentage |
|---|---|
| Always | 36.2% |
| Sometimes | 55.1% |
| Rarely | 6.5% |
| Never | 2.3% |
| **How often do you review plan against future goals?** | |
| Regularly | 29.0% |
| Sometimes | 55.3% |
| Rarely | 11.4% |
| Never | 4.3% |

#### Retirement

Most adults (55.4 per cent) have plans/strategies in place to provide for old age, with a bias towards the older population. Adults have multiple strategies in place for old age with education for children being the dominant strategy for all age groups - except for the 16 to25 year olds, which indicated that farming/agricultural activities is their dominant strategy (Table 3.29).

**Table 3.29:** Planning for old age/retirement

| **Planning for old age/ retirement** | Per cent | | | | | | |
|---|---|---|---|---|---|---|---|
| | 16 - 25 Years | 26 - 35 Years | 36 - 45 Years | 46 - 55 Years | 56 - 65 Years | 66+ Years | National |
| **Have plans/strategies in place to provide for old age** | 35.3 | 57.8 | 66.5 | 71.0 | 68.0 | 63.7 | 55.4 |
| **Main Plan/Strategy for old age** | | | | | | | |
| Financial help or support from family, village or clan | 9.9 | 2.9 | 2.1 | 1.9 | 3.3 | 5.6 | 4.2 |
| Saving cash | 14.3 | 11.5 | 9.8 | 7.8 | 7.1 | 6.5 | 10.3 |
| Saving or investments with a financial institution(s) | 4.4 | 5.4 | 3.6 | 4.9 | 4.6 | 3.4 | 4.5 |
| Pension from pension administrator | 1.1 | 3.2 | 3.4 | 6.4 | 7.3 | 8.9 | 4.2 |
| Buying land or property, rental income | 2.5 | 4.7 | 5.2 | 4.8 | 4.7 | 9.1 | 4.7 |
| Other non-financial assets, such as jewelry | 0.9 | 0.3 | 0.6 | 0.3 | 0.3 | 0.8 | 0.5 |
| Farming/Agricultural activities | 27.8 | 25.3 | 24.7 | 25.6 | 24.2 | 22.3 | 25.4 |
| Own business (not agricultural) | 16.1 | 15.1 | 12.5 | 5.9 | 8.6 | 6.0 | 12.0 |
| Education for your children | 20.1 | 30.2 | 36.8 | 41.3 | 39.6 | 36.2 | 32.8 |
| Others | 2.8 | 1.5 | 1.2 | 1.1 | 0.3 | 1.1 | 1.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

As illustrated in Table 3.30, there are differences in the main strategies (single mention) across gender and location: on national level, the main strategy is investment in children's education (32.8 per cent) followed by farming/ agriculture (25.4 per cent) and own business (12 per cent). However, farming/ agriculture scored a mere 6.9 per cent in urban areas, whereas financial products such as pensions, savings/investments at financial institutions and investment in property, combined represent 21.6 per cent in urban areas. Women have a much higher reliance on investment in children than men, at 37.6 per cent and 27.8 per cent respectively.

**Table 3.30:** Main retirement strategies

| Retirement plan/strategy (will) rely on most | National (Responses) | Urban | Rural | Male | Female |
|---|---|---|---|---|---|
| Education for children | 32.8% | 38.7% | 30.0% | 28.3% | 37.6% |
| Farming/agriculture/livestock | 25.4% | 6.9% | 33.8% | 28.9% | 21.5% |
| Own business (non-agricultural) | 12.0% | 14.8% | 10.7% | 10.9% | 13.1% |
| Savings in cash | 10.3% | 9.9% | 10.4% | 9.3% | 11.3% |
| Investments in property | 4.7% | 6.5% | 3.9% | 5.9% | 3.5% |
| Savings/investments with a financial institution | 4.5% | 7.3% | 3.3% | 5.7% | 3.3% |
| Financial help/support from family/friends | 4.2% | 5.6% | 3.5% | 3.3% | 5.1% |
| Pension | 4.2% | 7.8% | 2.5% | 5.6% | 2.8% |
| Other | 1.5% | 2.2% | 1.1% | 1.7% | 1.3% |
| Other non-financial assets/valuables | 0.5% | 0.2% | 0.6% | 0.5% | 0.6% |

Of note is that out of the 54.6 million adults that have retirement plans/strategies, only 9.2 per cent believe that their retirement strategies will be sufficient to provide for retirement expenses. A substantial number (89.6 per cent) of those aged 60 and above have strategies that cannot completely cover their expenses (Table 3.31)

**Table 3.31:** Adequacy of retirement strategies

| Extent to which retirement strategies do/will cover expenses | National | Age 60+ | Aged <60 |
|---|---|---|---|
| Completely | 9.2% | 10.4% | 8.9% |
| To a large extent | 42.8% | 44.0% | 42.6% |
| To some extent | 45.5% | 43.5% | 45.9% |
| Not at all | 2.5% | 2.1% | 2.6% |

When asked at what age a person should start planning for retirement, 71.6 per cent of adults cited ages ranging from 16 to 35 (Table 3.32). The most commonly cited age band was 26 to 35 years (36.5 per cent).

**Table 3.32:** Age at which to start planning for retirement

| Age at which people should start planning for retirement | Frequency | Cumulative Frequency |
|---|---|---|
| 16-25 | 35.1% | 35.1% |
| 26-35 | 36.5% | 71.6% |
| 36-45 | 21.5% | 93.1% |
| 46-55 | 5.3% | 98.4% |
| 56-65 | 1.3% | 99.7% |
| 66+ | 0.3% | 100.0% |

## Children

About 63.5 million or 64.5 per cent of adults have children dependant on them for financial support. Of these, 83.3 per cent indicated that they had a strategy in place to provide for their children's future needs should something happen to them or should they lose their income (Table 3.31). Despite that, 52.7 per cent of adults are 'fairly worried' to 'very worried' about providing for their children should something happen to them as financial providers. This again points to the need for appropriate and affordable life assurance and educational investment products accessible to all.

**Table 3.31:** Worried about being able to provide for dependants

| Worried about being able to cover children's future expenses | National |
|---|---|
| Not worried at all | 15.9% |
| A bit worried | 31.4% |
| Fairly worried | 20.8% |
| Very worried | 31.9% |

### 3.5.3. Risk Management: Unexpected Major Expenses

Around 58.0 per cent of the adult population indicated that they do not have a plan in place to deal with unexpected (large) expenses and more than half of the adult population (51.0 per cent) indicated that they are "very worried" or "fairly worried" about covering unexpected expenses (Table 3.32).

**Table 3.32:** Have a plan to provide for unexpected major expenses

| Made provision to cover unexpected expenses | National |
|---|---|
| Yes | 41.7% |
| **Worried about covering unexpected expenses** | **National** |
| Not worried at all | 19.0% |
| A bit worried | 30.0% |
| Fairly worried | 18.5% |
| Very worried | 32.5% |

Of the 41.7 per cent who do have a plan in place, most have multiple strategies. As indicated in Fig. 3.5, one third indicated that they will mostly rely on savings, followed by 26 per cent that said they have livestock to sell and 14.1 per cent who indicated that they would ask family/friends for assistance. Only 10.7 per cent indicated that their main strategy would be borrowing. A mere 1.0 per cent indicated that they had insurance. This points to the need for encouraging savings and introducing suitable and affordable (micro) insurance – life insurance and income protection in particular – to the market and educating the public on the types of insurance, benefits and how to obtain these products.

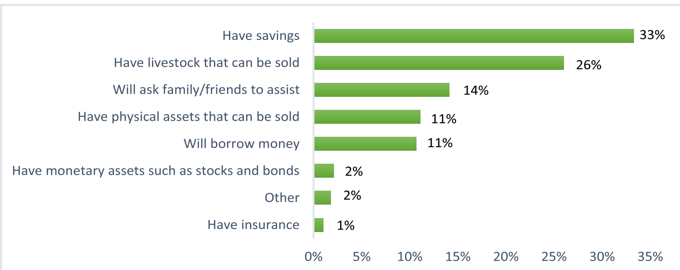



**Fig. 3.4:** Main strategies for dealing with major unexpected expenses

### 3.5.4. Savings Behaviour

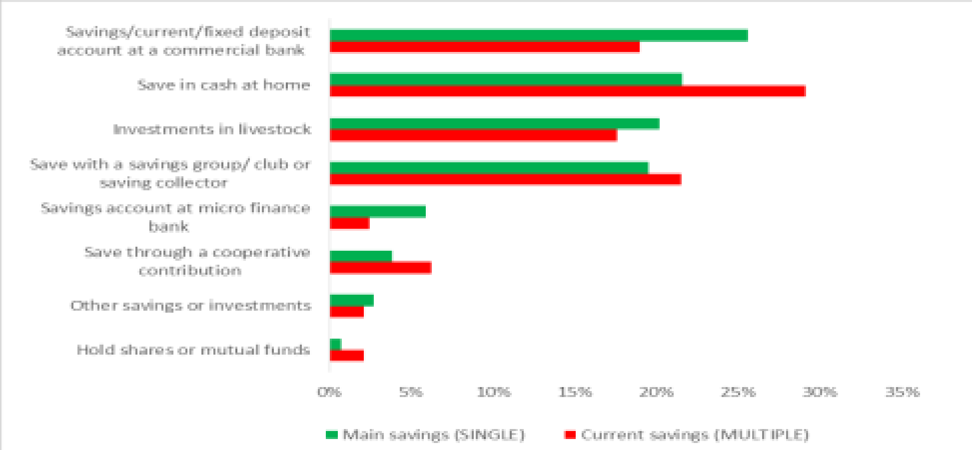
Eighty-four per cent of the adult population reportedly have some form of monetary saving, and many have multiple savings, with 'cash at home' being the most common form of savings (44.7 per cent). When asked what their main form of savings was (single mention), savings/current/fixed deposit account at a commercial bank had the highest incidences at 25.6 per cent (Table 3.33).

**Table 3.33:** Holding of savings/investments products by the adult population

| Savings/Investment Products | Adult population holding of product (multiple responses) | Adult population with product as main source (single response) |
|---|---|---|
| Hold shares or mutual funds | 3.2% | 0.7% |
| Other savings or investments | 3.2% | 2.7% |
| Save through a cooperative contribution | 9.5% | 3.8% |
| Savings account at micro finance bank | 3.7% | 5.9% |
| Save with a savings group/ club or saving collector | 33.1% | 19.5% |
| Investments in livestock | 27.1% | 20.2% |
| Save in cash at home | 44.7% | 21.6% |
| Savings/current/fixed deposit account at a commercial bank | 29.2% | 25.6% |
| No form of savings | 16.1% | N/A |

It is encouraging to observe such a strong savings culture among Nigerians. However, from the Access to Finance Survey (EFInA, 2012), we know that the purpose of most savings is for emergencies and income-smoothing, i.e. not for long-term asset building. This has also been observed in the previous sections on long-term planning and risk management. Financial education can encourage people to save more, save more regularly and also save for asset-building purposes. However, the form of savings (cash at home) may not change much in the absence of easily accessible cost-effective savings products and services with a positive effective interest rate.

**Fig. 3.5:** Forms of saving




As many as 54.9 per cent of adults indicated that their savings do not earn interest; and a further 10.2 per cent of adults do not know whether their savings earn interest (Table 3.34). This is not surprising, given that 33.3 per cent of adults have not heard of the terms 'interest' and a further 20.2 per cent have 'heard of it but don't know what it means'. (Section 3.5.1: Knowledge and awareness).

**Table 3.34:** Interest on savings

| Earn interest on savings | Total |
|---|---|
| Yes | 34.8% |
| No | 54.9% |
| Don’t know | 10.2% |
| **Know how much interest savings are currently earning** | **Total** |
| Exactly | 23.1% |
| Fairly well | 30.3% |
| Roughly | 24.1% |
| Not at all | 22.5% |

Of the 28.4 million adults who claim to earn interest on their savings, about 15.2 million or 53.4 per cent know exactly or 'fairly well' how much interest they earn; whereas 24.1 per cent know only 'roughly' and more than one in five people (22.5 per cent) do not know at all how much interest they earn (Table 3.35).

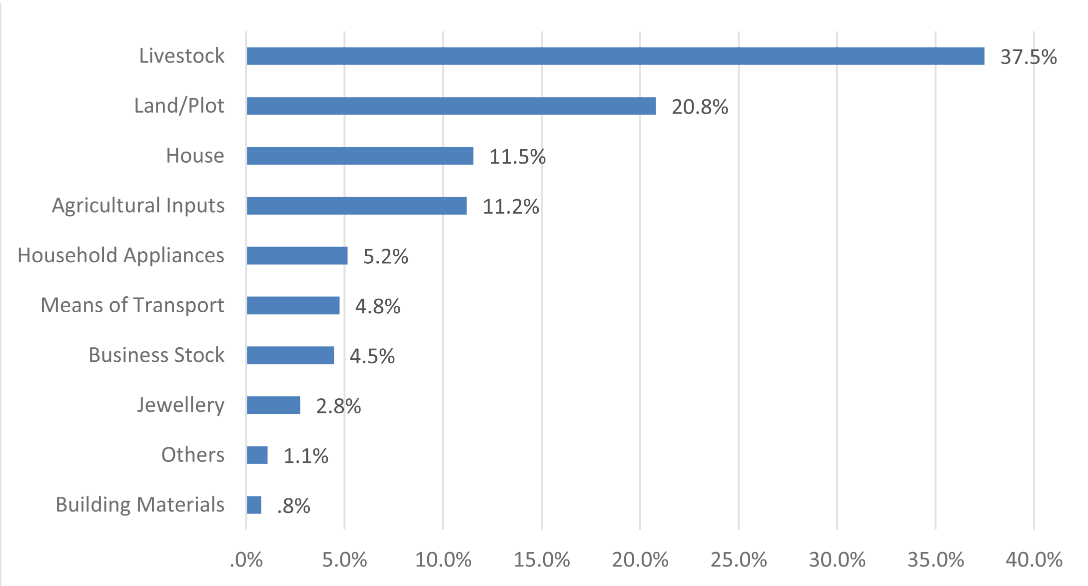
Forty per cent of the adult population indicated that they had non-monetary savings, further underscoring the positive attitude to savings among Nigerians (Table 3.35). This is more prevalent among men than women (45.5 per cent and

35.3 per cent respectively), and more prevalent in rural than urban areas (45 per cent and 39.2 per cent respectively). Figure 3.7 shows that the most common forms of non-monetary savings are livestock (37.5 per cent) and land (20.8 per cent).

**Table 3.35:** Non-monetary savings

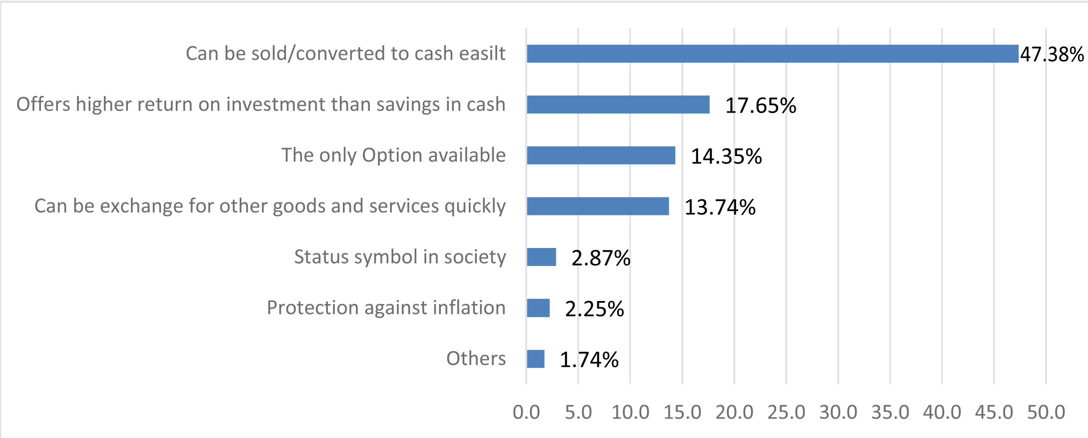
| | National | Male | Female | Urban | Rural |
|---|---|---|---|---|---|
| **Have non-monetary savings/investments** | 40.4% | 45.5% | 35.3% | 30.2% | 45.0% |

**Fig. 3.6:** Types of non-monetary savings (spontaneous, multiple response)




As illustrated in Fig. 3.7, the adult population's main criterion for non-monetary savings is that it must be easily convertible to cash or exchangeable for other goods. Also, 7.0 million or 17.7 per cent indicated that non-monetary savings yield a higher return than savings in cash. For many (5.7 million or 14.4 per cent) non-monetary savings represent the only available saving option, while a further 0.9 million or 2.3 per cent stated that such non-monetary savings provide protection against inflation.

**Fig. 3.7:** Reasons for non-monetary savings



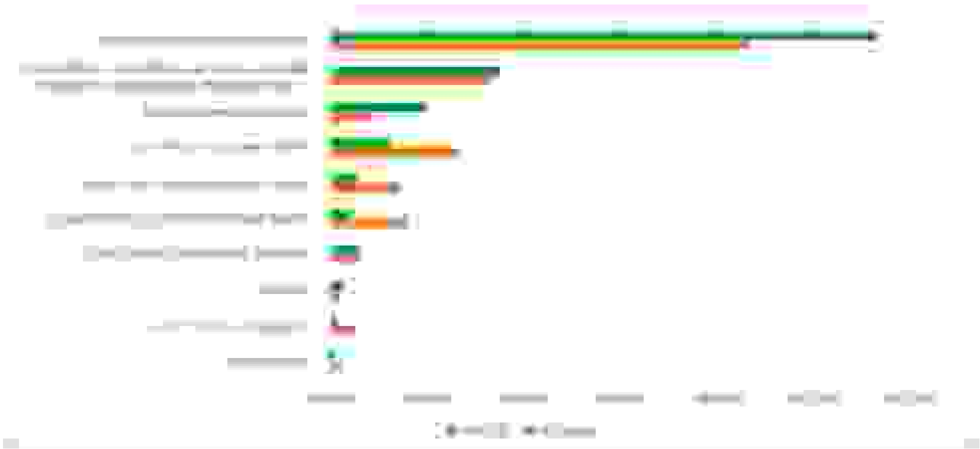

There is clearly a need for financial education on savings - not only to teach people where and how to save, but also why they should save, the difference between saving for income-smoothing and long-term asset-building, and the value of compound interest rates. Increased savings require improved cash management and budgeting, and these financial education modules should go hand-in-hand.

There is clearly a lack of appropriate, accessible and cost-effective savings products with a positive interest rate. This is illustrated by the high incidence of non-interest-bearing savings, people that invest in non-monetary savings because these yield better returns, and people with non-monetary savings as the only available saving option. Impactful financial education will require that the financial institutions strengthen their reach and quality of offering.

### 3.5.5. Credit

Thirty-six per cent of adult Nigerians hold credit in some form. The main loan/credit choices are illustrated in Figure 3.9, and display significant differences between those residing in rural and urban areas. While the main loan/credit choice is loans from family and friends, the incidence is much higher among rural adults than their urban counterparts; while those located in urban areas have higher incidences of loans/credit from financial institutions, such as commercial banks, microfinance banks and cooperatives.

**Figure 3.9**: Loans/ Credit Product Choices by Location



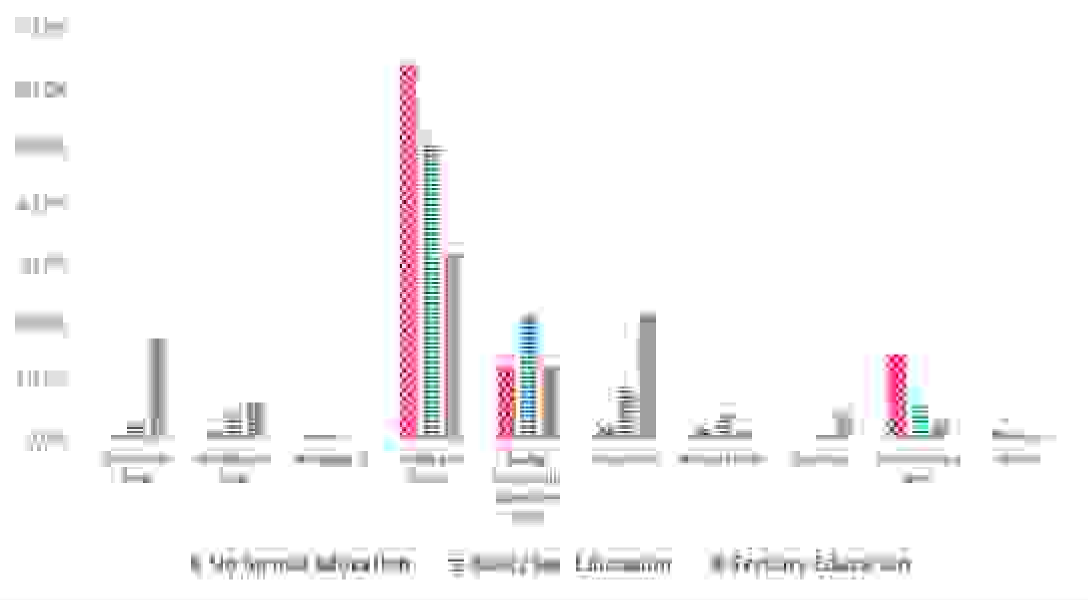
About 34.9 million adult Nigerians have some form of credit or loan product. Of these, 11.8 million have no formal education, 19 million have basic/secondary education and 4.2 million have tertiary education. As illustrated in Table 3.36 and Figure 3.10, loan/credit from family and friends is the most common source. Reliance on loans from family/friends decreases with educational achievement, while the reverse is the case for loans/credit products from commercial and microfinance banks. Non-monetary loan products are the second most popular among the 11.8 million adults with no formal education. Loans from Savings Group/club, village/community associations and loans from cooperatives are the second most popular among adults with basic/secondary education and those with tertiary education, respectively. The loan/credit products from the commercial and microfinance banks do not make the top 6 choices among adults with no formal education and those with basic/secondary education. However, they rank third among those with tertiary education.

**Table 3.36:**Source of loan/credit by level of education

| Credit/Loan product from | No formal education | Basic/Sec. Education | Tertiary Education |
|---|---|---|---|
| Commercial Bank | 0.8% | 3.0% | 17.6% |
| Microfinance Bank | 1.3% | 4.6% | 6.3% |
| Mortgage \1 | 0.6% | 0.9% | 0.3% |
| Family and Friends | 64.2% | 50.5% | 31.8% |
| Savings Group/club, village/com. Assoc. | 12.5% | 20.8% | 12.7% |
| Cooperative | 2.5% | 8.4% | 21.5% |
| Money Lender | 1.8% | 4.0% | 1.3% |
| Employer | 0.2% | 0.8% | 4.8% |
| Non-Monetary Loan | 14.6% | 6.0% | 2.8% |
| Others | 1.4% | 1.2% | 0.9% |

*\1: Any loan to build a house*

**Figure: 3:10** Source of loans/ credit by level of education



As illustrated in Table 3.37, of the 35.1 million adults that currently have credit in some form, about 9.3 million or 26.4 per cent indicated that they have borrowed to pay off debt 'often' or 'sometimes.' **Table 3.37:** Borrowing to settle debts

| Have borrowed to pay off other debt/ loans | National | Male | Female | Urban | Rural |
|---|---|---|---|---|---|
| Often | 1.8% | 2.1% | 1.6% | 2.7% | 1.5% |
| Sometimes | 24.6% | 25.7% | 23.5% | 18.7% | 26.6% |
| Rarely | 9.1% | 8.9% | 9.3% | 6.7% | 9.9% |
| Never | 64.4% | 63.3% | 65.6% | 71.9% | 62.0% |

Furthermore, Table 3.38 illustrates that as many as one in ten adults feel that they have borrowed more than they could afford; while a further 45.1 per cent indicated that they have borrowed to their limit. These are sure signs of debt stress among the 36.0 per cent of the adult population with credit and will have to be monitored closely. This debt stress can probably be largely attributed to poverty and financial vulnerability, but may also be the outcome of/ aggravated by weak personal financial management skills, such as poor budgeting, and/or limited understanding of the implications and conditions of a loan.

**Table 3.38:** Feelings about amount borrowed

| Feelings about amount of money borrowed | National | Male | Female |
|---|---|---|---|
| I could afford to borrow more if I wanted/needed to | 44.5% | 45.1% | 43.8% |
| I have borrowed to my limit and could not afford to borrow More | 45.1% | 44.4% | 46.0% |
| I have borrowed more than I can really afford | 10.4% | 10.5% | 10.2% |

Earlier in the report it was then also mentioned that a third of the population has never heard of the concept 'interest', with a further 20.2 per cent indicating that they have heard of it but do not know what it means. It is doubtful that those that indicated they have heard of “interest” and know what it means, can all (correctly) calculate an interest rate or, as such, their monthly loan repayment.

In conclusion, there is clearly a need for financial education on loans/credit: the first priority should be those that currently have loans and the training should aim at assisting these individuals to better manage their loans, get out of the debt trap and start saving. Secondly, those who do not have loans can benefit from credit-related training, as long as the emphasis is on encouraging productive loans (as opposed to consumer loans), and both the benefits and pitfalls of credit are highlighted.

Of critical importance is also the implementation of a comprehensive consumer protection framework that will ensure accessible and affordable recourse mechanisms for *all* (both the banked and unbanked). The population must be educated on this consumer protection framework through financial education interventions.

As with savings, unless financial service providers make available easily accessible competitive loans for productive purposes, financial education on credit may not have much of an impact on the uptake of productive credit.

### 3.5.6. Seeking Advice and Product Search Behaviour

#### Seeking Advice

About half of the adult population (48.6 million) often/sometimes seek advice on financial matters, while 9.4 million or 9.6 per cent rarely do and as many as 40.2 million or 40.9 per cent never do (Table 3.39). There are no significant differences among the genders or locations.

**Table 3.39:** Seeking financial advice

| Seek financial advice or information | National | Grouped |
|---|---|---|
| Often | 8.1% | 49.5% |
| Sometimes | 41.4% | |
| Rarely | 9.6% | 50.6% |
| Never | 41.0% | |

As illustrated in Table 3.40, the main source of information for adults who seek financial advice is family/friends (61.1 per cent). Other important sources of information include religious leaders (9.5 per cent) and own children (9.4 per cent). Only 4.3 per cent approach a financial institution, the website of a financial institution or have a personal financial/tax advisor.

There are a few significant differences among men and women, and among urban and rural communities: women have a higher incidence of seeking advice from family, friends and children than men do; while men have a higher incidence of approaching village elders, colleagues/bosses or financial institutions, although these all remain relatively low at less than 10.0 per cent. Urban-based adults have a higher incidence of approaching a colleague/boss or a financial institution or its website, than their rural counterparts; whereas rural people have a much higher tendency of approaching village elders (9.0 per cent) than their urban counterparts (3.7 per cent).

**Table 3.40:** Sources of financial advice

| Sources of financial advice/ information | National | Male | Female | Urban | Rural |
|---|---|---|---|---|---|
| Family/friends | 61.1% | 59.5% | 62.9% | 63.0% | 60.3% |
| My children | 9.5% | 8.0% | 11.3% | 9.3% | 9.6% |
| Religion leaders | 9.4% | 8.9% | 9.8% | 7.9% | 9.9% |
| Village elders | 7.4% | 8.4% | 6.2% | 3.7% | 9.0% |
| My colleague(s)/boss | 7.1% | 8.7% | 5.4% | 8.3% | 6.6% |
| Banks/other financial institutions | 3.2% | 4.1% | 2.2% | 4.8% | 2.5% |
| Website of financial institution | 0.6% | 0.8% | 0.4% | 1.2% | 0.3% |
| Have personal financial/ tax advisor | 0.5% | 0.5% | 0.4% | 0.5% | 0.4% |
| Village concert/road show/town festival | 0.2% | 0.3% | 0.2% | 0.2% | 0.3% |
| Other | 0.6% | 0.5% | 0.6% | 0.6% | 0.6% |

Given that only half the adult population seek advice of which over 70.0 per cent approach family, friends or children, it means that people may be repeating errors of others and that there is not much chance of learning about new products or technology. Other ways will have to be sought to reach people, such as through schools (children – also a way of reaching some parents); the media and focussed financial education programmes (e.g. classroom-based training for adults). As religious leaders and village elders appear to have credibility, they could be co-opted to support the recruitment of trainees and also trained on how to counsel or refer people seeking financial advice.

### Product Search Behaviour

Of the 80.9 million adults that have savings in some form or the other, about 45.3 million or 56.0 per cent that have savings/investment products indicated that they actively searched for information on the features of their savings products, while 54.3 per cent considered alternative savings products (Table 3.41) before making a decision. People are more cautious when considering loans as 21.8 million or 62.1 per cent of those that have credit actively searched for information on the product, while 61.3 per cent considered alternatives before choosing a credit product. The higher incidence for loans may be because it is more difficult to obtain credit than to find somewhere to save. Search behaviour for both savings and loans may increase as more products become available in rural areas over time.

**Table 3.41:** Product search behaviour

| | Savings | Loans |
|---|---|---|
| Searched for information on product features | 56.0% | 62.1% |
| Considered alternatives before making a decision | 54.3% | 61.3% |

## 3.6. Further Analyses

### 3.6.1. Desired Financial Education Training

When adults were asked which topics they would most like training on, "planning for old age" received the highest number of mentions (18.8 million or 19.1 per cent) followed by "how to save" (15.8 million or 16.0 per cent) – Table 3.42. The latter is closely related to planning for old age, as savings and investments are the main tools for doing so. How to take/manage a loan (10.6 million or 10.7 per cent), planning for the security of dependants (8.3 million or 8.4 per cent) and planning for unexpected expenses (7.8 million or 8.0 per cent) also received relatively high mentions. It should be kept in mind that adults were asked to provide a single response. This means that they may also want training on other topics, but Table 3.42 demonstrates the adult population's priorities.

**Table 3.42:** Topics adults would most like training or information on

| Would most like training on | National | Grouped |
|---|---|---|
| Financial planning for old age | 19.1% | Planning and budgeting =33.7% |
| Planning for the financial security of dependants | 8.4% | |
| Planning and budgeting for daily expenses | 6.2% | |
| How to save | 16.0% | Financial products/services = 37.6% |
| How to take/manage a loan | 10.7% | |
| Paying with/spending money through a mobile phone | 6.9% | |
| How to choose a financial product or service provider | 4.0% | |
| How to obtain insurance | 2.6% | Risk management = 18.8%% |
| How to buy/sell insurance | 4.2% | |
| Planning for unexpected expenses | 8.0% | |
| How to choose a financial product or service provider | 4.0% | |
| How to calculate interest rates | 2.4% | Mathematical skills = 2.4% |

### 3.6.2. Consumer Protection and Recourse

About 6 million or 6.1 per cent of adults indicated that they have been defrauded or have had a bad experience with a financial service provider (formal or informal) at some point in time. As illustrated in Table 3.43, most of these incidences were experienced while engaging with commercial banks. These percentages should be considered against the number of people that use these various financial service providers and the number of products held at each.

**Table 3.43:** Institutions where negative incidences were experienced

| Financial institutions | Percentage |
|---|---|
| Bank | 30.6% |
| Saving with a group/club/collector/alajo/akawo/adashe | 27.8% |
| Loan from a saving group or club, savings collector | 13.6% |
| Micro finance bank | 7.8% |
| Saving through a cooperative contributors | 5.9% |
| Loan from a cooperative contributors | 4.2% |
| Land lord/home owner | 4.1% |
| Loan from a money lender | 3.7% |
| Share, bond, stocks | 3.6% |
| Other | 10.8% |

Of the 6 million adults that have had a negative experience with financial service providers, 58.6 per cent reportedly lodged a complaint and this was primarily done at the institution where the person had the experience. As illustrated in Table 3.44, 64 per cent of the adults who lodged complaints indicated that the problem was only partially resolved or not resolved at all. Over 1.8 million reported that their negative experiences were with commercial banks and 1.15 million of them lodged complaints, while 0.45 million reported that their negative experiences were with microfinance banks and 0.20 million lodged complaints. More than 0.5 million or 50 per cent of complaints in respect of commercial banks remained partially or not at all resolved, while 0.17 million or 82 per cent of complaints in respect of microfinance banks were partially or not at all resolved. This further highlights the need to adequately strengthen the complaint resolution structures in financial institutions to ensure effective resolution of customer complaints by financial institutions.

**Table 3.44:** Extent to which problem was resolved

| Extent to which problem was resolved | National | Commercial Bank | Microfinance Bank |
|---|---|---|---|
| Completely | 36.0% | 48.2% | 17.9% |
| Partially | 23.0% | 15.8% | 11.3% |
| Not at all | 41.0% | 36.0% | 70.7% |

Ideally a dedicated consumer recourse survey should be undertaken, with targeted sampling that will ensure that a statistically significant number of respondents are included for each type of financial institution which will allow for a deeper analyses of the types of issues encountered.

### 3.6.3. Media Usage

An understanding of the media usage of adults facilitates the development of targeted financial education interventions through relevant channels. As illustrated in Table 3.45, on a national level, radio is the most frequently used medium, followed by television and then advertisements on mobile phones.

There are significant differences between media usage by urban and rural inhabitants: as many as 23.2 per cent of rural adults have not been exposed to any of the listed media in the last seven days, compared to 8.5 per cent of urban adults. There are also significant differences between men and women: men displayed significantly higher usage patterns across all media.

**Table 3.45:** Media usage last 7 days

| Media usage last 7 days | National | Male | Female | Urban | Rural |
|---|---|---|---|---|---|
| Read a newspaper | 15.6% | 21.4% | 9.8% | 28.5% | 9.8% |
| Read a Magazine | 8.4% | 10.3% | 6.6% | 16.2% | 4.9% |
| Watched TV | 48.3% | 51.1% | 45.7% | 77.5% | 35.1% |
| Listened to Radio | 72.3% | 79.1% | 65.6% | 79.3% | 69.1% |
| Used a Computer | 7.5% | 9.6% | 5.4% | 15.2% | 4.0% |
| Accessed the Internet | 9.0% | 11.5% | 6.5% | 19.1% | 4.4% |
| Sent or received e-mail | 6.7% | 8.1% | 5.3% | 13.8% | 3.4% |
| Received an advertisement on cell/mobile phone | 22.4% | 25.2% | 19.8% | 39.9% | 14.5% |
| None | 18.6% | 12.6% | 24.5% | 8.5% | 23.2% |

## 4.0 Financial Capability Market Segment

Six market segments were identified with similar scores on the main dimensions and competencies of financial capability. The statistical approach followed in the development of the segments is detailed in Annex A.

This section presents the main differentiating dimensions, followed by the associated competencies. Each segment is then described in detail in terms of its socio-demographic profile, scores on the financial capability dimensions and competencies, levels of financial inclusion, main financial education needs and points of contact/media usage.

## 4.1. Main Dimensions of Financial Capability in Nigeria

The main discriminating dimensions of financial capability are summarised in Table 4.1

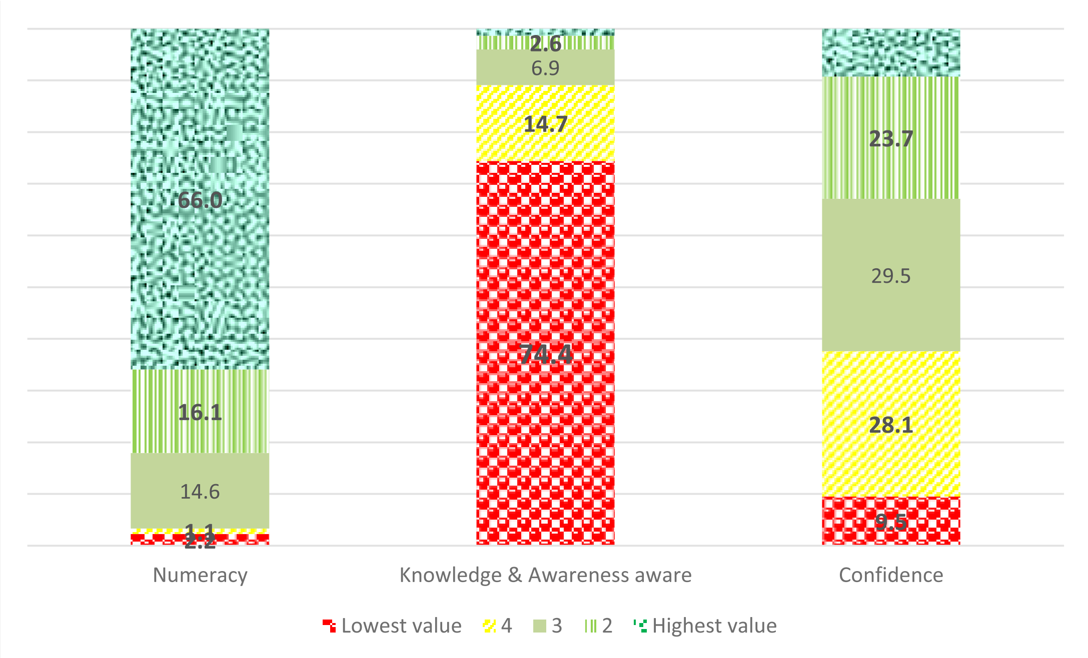
**Table 4.1:** Main dimensions of financial capability in Nigeria

| Dimensions of Financial Capability | Aggregated concepts most significant in terms of distinguishing between Nigerian adults |
|---|---|
| Knowledge/awareness | Knowledge/awareness of financial products/services |
| | Knowledge/awareness of financial topics/concepts |
| Numeracy | Numeracy skills |
| Confidence | Confidence in terms of making financial decisions and engaging with financial institutions |

A score was developed for each respondent based on these dimensions, with "5" being the lowest score and "1" being the highest. The adult distributions across these dimensions are illustrated in Fig. 4.1. The weakest scores were achieved on 'knowledge and awareness'.

These scores identify the priority areas to be addressed in financial education initiatives in Nigeria. However, the scores differ tremendously across the various market segments. This is further explored in Section 4.3.

**Fig. 4.1:** Distribution (score) of adults in terms of the main discriminating dimensions of financial capability




## 4.2. Main Financial Capability Competencies in Nigeria

The competencies which hold a strong relationship with the dimensions are (1) planning and financial discipline; and (2) financial awareness or keeping track of finances. The sub-components of these are summarised in table 4.2

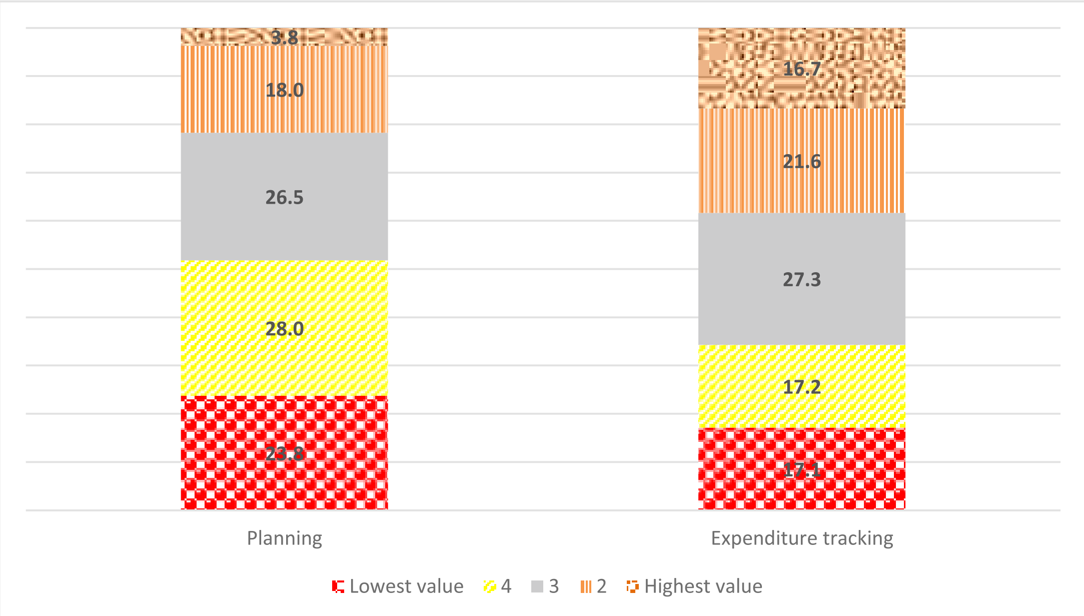
**Table 4.2:** Main financial capability competencies in Nigeria

| Underlying Competencies of Financial Capability | Aggregated concepts most significant in terms of distinguishing between Nigerian adult population segments |
|---|---|
| Planning and discipline | Short-term planning and discipline (budgeting & keeping to budget) |
| | Long-term planning and discipline (Financial go al setting, having a plan to achieve these goals and reviewing the plan regularly) |
| Financial awareness/consciousness (keeping track) | Knowledge with regard to amount spent in previous week and amount of money available at a given time |

A score was developed for each respondent based on these competencies, with "5" being the lowest score and "1" being the highest. The adult distribution (scores) across these dimensions are illustrated in Figure 4.2: the adult population fared better on tracking expenses than on short- and long-term planning.

These capability scores illustrate further priority issues to be addressed through financial education interventions. However, there are substantial differences in the scores among various segments of the adult population. This is further explored in the next section.

**Fig. 4.2:** Distribution (score) of adult population in terms of the main competencies




## 4.3. Financial Capability Market Segments

### Developing the Financial Capability Market Segments

A two-step cluster-analysis was conducted based on the dimensions and competencies of financial capability. The first step yielded five segments demonstrating different levels of financial capability. These segments were then further refined in the second step by introducing demographic variables. Only age and the level of education attained contributed significantly to refining the segments, yielding a total of six clearly defined financial capability segments.

The six segments do not reflect a continuum, but rather a grouping based on similar scores on the financial capability dimensions and competencies and the segments are therefore not all of the same size. The six market segments are labelled A to F and are illustrated in Fig. 4.3.

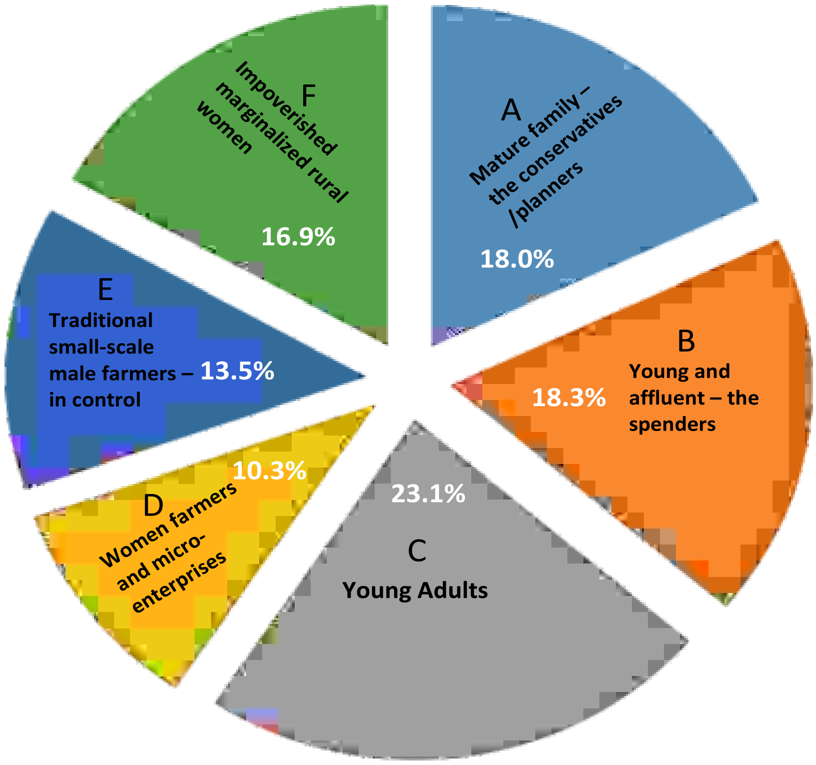



**Fig. 4.3:** Financial capability market segments

## Distribution (score) of Segments Across the Dimensions of Financial Capability

The segment scores for the financial capability dimensions are summarised in Table 4.3 and illustrated in Fig. 4.4. The overall financial capability ranking indicates that Segment A scored the highest and segment F the lowest.

**Table 4.3:** Segment scores of financial capability dimensions

| FinCap variables | | National | A | B | C | D | E | F |
|---|---|---|---|---|---|---|---|---|
| Population (Millions) | | 98.5 | 17.7 | 18.0 | 22.8 | 10.1 | 13.3 | 16.7 |
| Capability ranking 1=most capable | | | 1 | 2 | 3 | 4 | 5 | 6 |
| Numeracy | Lowest value | 2.2% | 1.2% | 1.5% | 1.7% | 2.6% | 1.7% | 5.0% |
| | 4 | 1.1% | 0.9% | 0.8% | 0.6% | 1.8% | 0.5% | 2.3% |
| | 3 | 14.6% | 10.2% | 7.0% | 7.4% | 16.1% | 16.8% | 34.6% |
| | 2 | 16.1% | 13.0% | 12.0% | 15.1% | 21.7% | 19.1% | 19.6% |
| | Highest value | 66.0% | 74.7% | 78.6% | 75.3% | 57.7% | 62.0% | 38.5% |
| Knowledge & Awareness | Lowest value | 74.4% | 64.8% | 2.2% | 99.8% | 90.8% | 99.6% | 97.9% |
| | 4 | 14.7% | 18.9% | 55.5% | 0.0% | 8.8% | 0.3% | 1.0% |
| | 3 | 6.9% | 9.0% | 28.1% | 0.1% | 0.0% | 0.1% | 0.8% |
| | 2 | 2.6% | 4.8% | 9.3% | 0.0% | 0.4% | 0.0% | 0.2% |
| | Highest value | 1.4% | 2.5% | 5.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Confidence | Lowest value | 9.5% | 3.3% | 6.4% | 9.6% | 12.1% | 5.5% | 20.7% |
| | 4 | 28.1% | 17.1% | 23.3% | 29.7% | 34.1% | 29.4% | 38.2% |
| | 3 | 29.5% | 29.9% | 29.7% | 30.4% | 29.9% | 31.7% | 25.8% |
| | 2 | 23.7% | 33.2% | 26.4% | 22.8% | 18.8% | 25.7% | 13.0% |
| | Highest value | 9.2% | 16.6% | 14.1% | 7.5% | 5.1% | 7.7% | 2.4% |

**Figure 4.4:** Knowledge and awareness

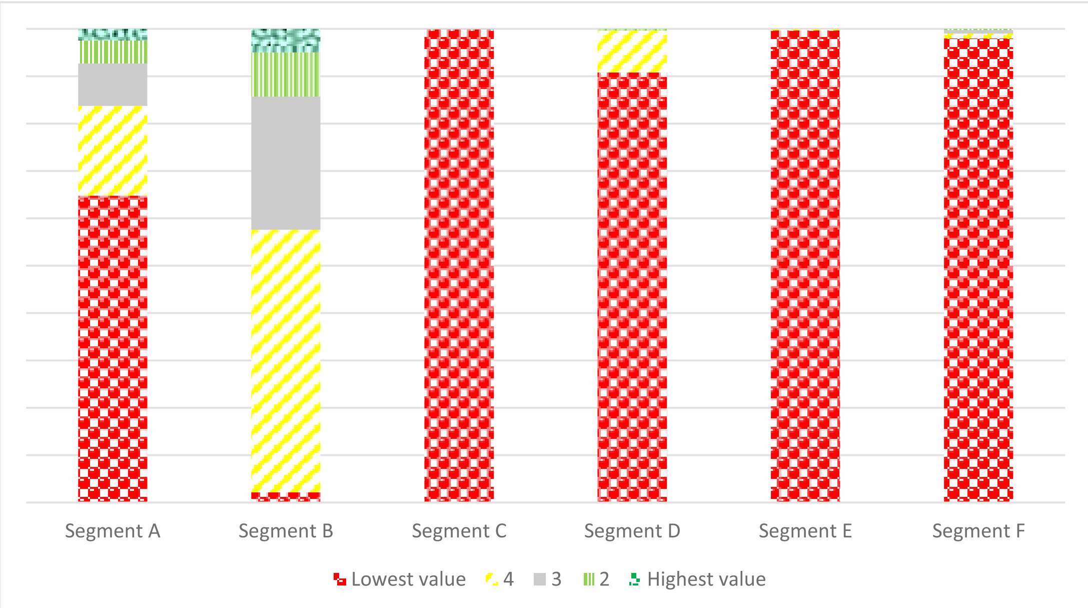


**Fig. 4.5:** Numeracy

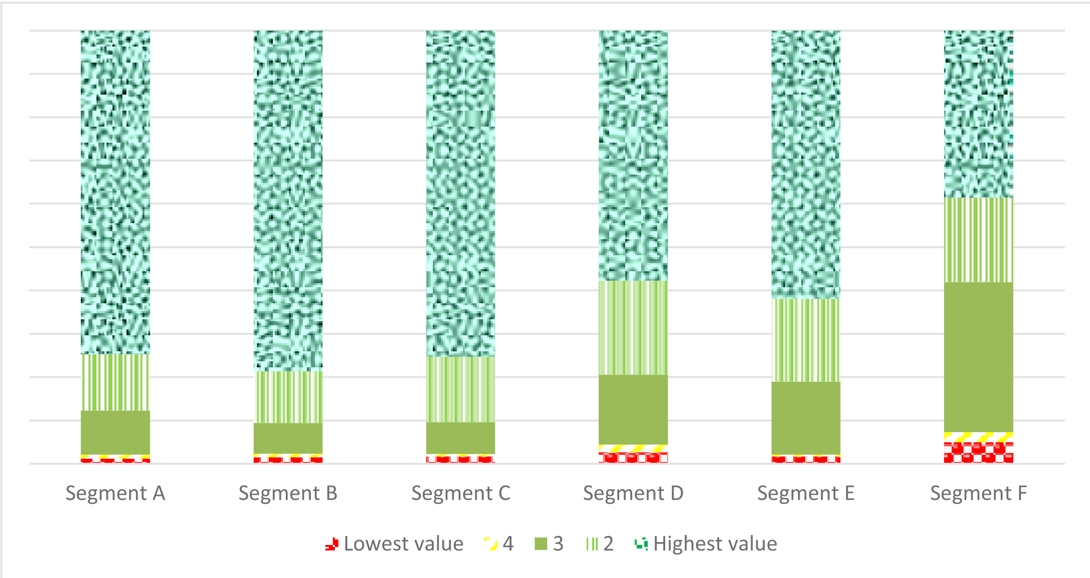
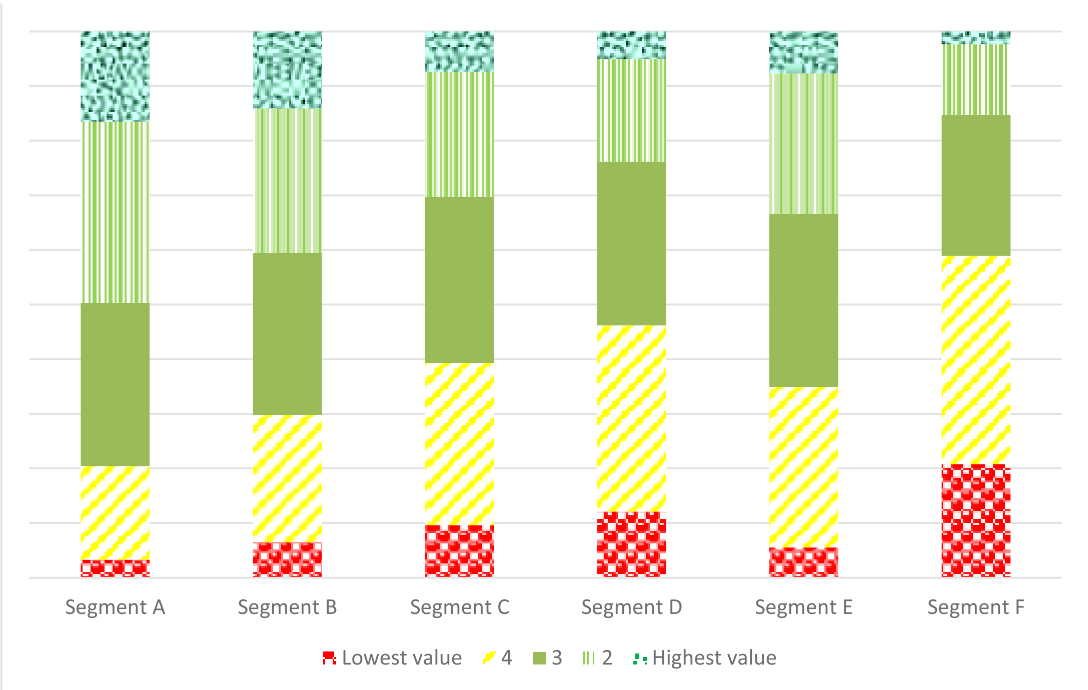



**Fig. 4.6:** Confidence



## Distribution (score) of Segments Across the Financial Capability Competencies

The segment scores of the financial capability competencies are summarised in Table 4.4 and illustrated in Fig. 4.7. As with the dimensions, the overall financial capability ranking indicates that Segment A scored the highest and segment F the lowest.

**Table 4.4:** Segment scores of Financial Capability Competencies

| Financial Capability variables | | Adults | A | B | C | D | E | F |
|---|---|---|---|---|---|---|---|---|
| Capability ranking 1=most capable | | | 1 | 2 | 3 | 4 | 5 | 6 |
| Planning | Lowest value | 23.7% | 0.0% | 17.2% | 29.2% | 41.5% | 0.0% | 56.6% |
| | 4 | 28.0% | 0.0% | 33.5% | 39.8% | 52.7% | 0.0% | 43.4% |
| | 3 | 26.5% | 0.0% | 40.7% | 27.6% | 0.0% | 94.2% | 0.0% |
| | 2 | 18.0% | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Highest value | 3.7% | 0.0% | 8.7% | 3.4% | 5.8% | 5.8% | 0.0% |
| Keeping track | Lowest value | 17.1% | 16.5% | 15.6% | 17.4% | 17.8% | 12.7% | 21.9% |
| | 4 | 17.2% | 15.1% | 12.4% | 20.5% | 17.5% | 24.7% | 14.1% |
| | 3 | 27.3% | 28.8% | 24.3% | 26.1% | 30.1% | 24.0% | 31.8% |
| | 2 | 21.6% | 20.6% | 25.2% | 19.1% | 20.9% | 24.0% | 20.9% |
| | Highest value | 16.7% | 19.0% | 22.5% | 16.8% | 13.7% | 14.7% | 11.4% |

**Fig. 4.7:** Planning and financial discipline

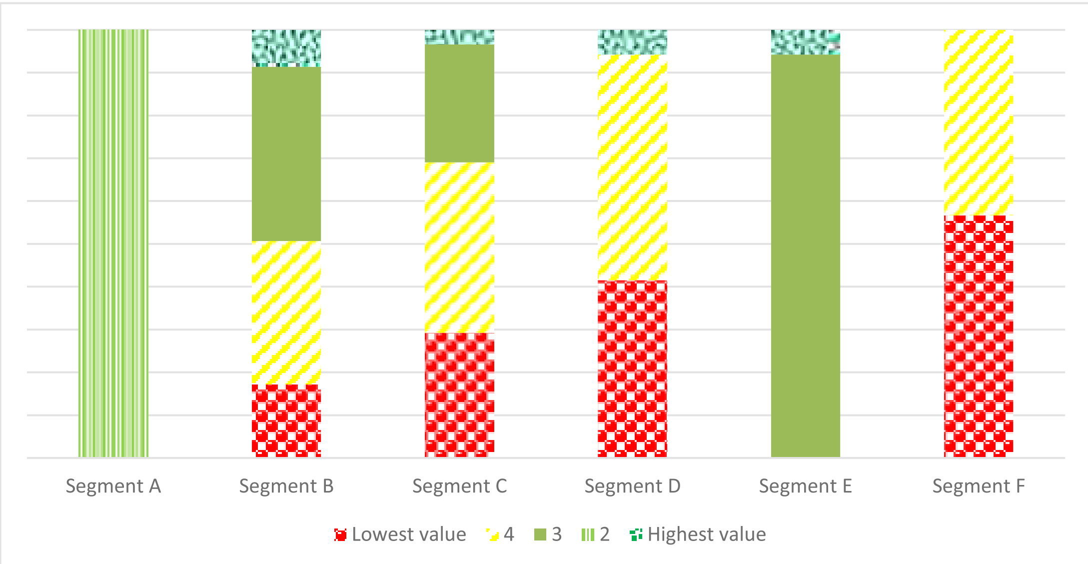
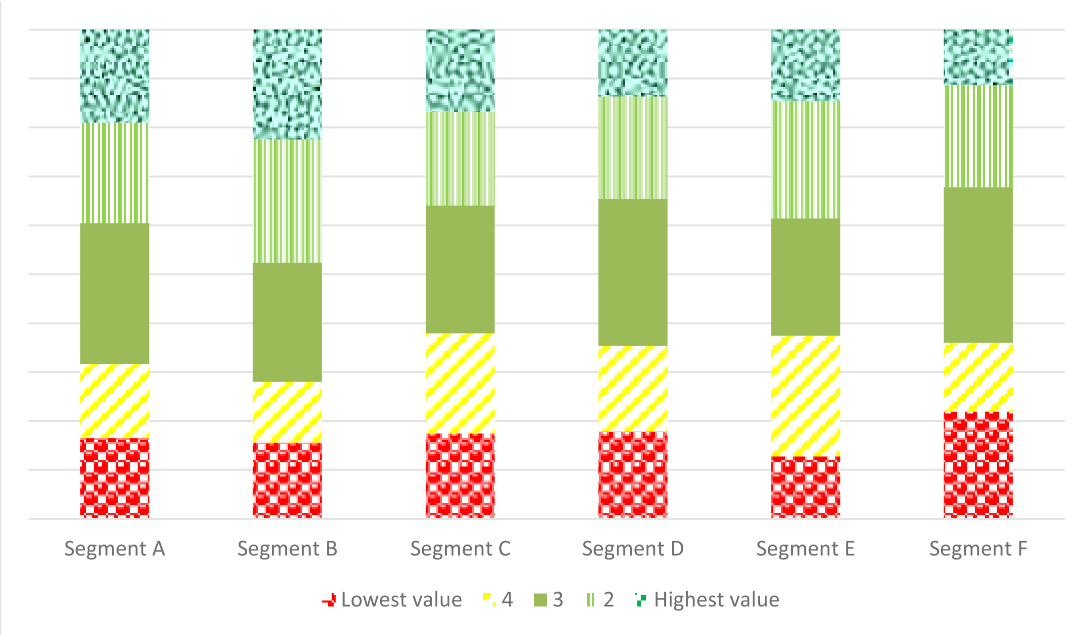


**Fig. 4.8:** Financial awareness/ tracking expenses



## Profile of Financial Capability Segments

In this section, the six financial capability segments are described in terms of various socio-economic variables, financial behaviour, attitudes to money and life, sources of advice and media usage. The segments' scores on each of these are detailed in Annex B. This analysis facilitates the development of targeted financial education initiatives by indicating the profile of the various segments, main financial capability issues to be addressed and contact points.

In assessing the six segments, it appears as though the population could be sliced in half with Segments A, B and C being urban-biased with education and income levels much higher than those of Segments D, E and F.

### Segment A: Mature Family – the conservatives/ planners (17.7 million adults or 18.0% of the adult population)

The dominant profile of Segment A is that of a middle-aged business owner or someone employed in the formal sector (private or government), mostly living around the South West (29.0 per cent) and North Central (19.0 per cent). The segment has a slight male bias (54.0 per cent) and a slight urban bias (36.0 per cent). It has the second highest income levels after Segment B. Almost 50.0 per cent are aged between 26 and 45 and 61.5 per cent are married (monogamous). Educational levels are relatively high as are English language skills. Although the main source of income is indicated as farming/selling farm produce (30.0 per cent), the figure is much lower than in Segments D, E and F. Of all the segments, segment A has the highest portion of those 'running an own business' (30.0 per cent). The segment also has a positive bias to employment in the formal sector (13.0 per cent compared to the national average of 7.7 per cent) and earning a pension (2.6 per cent compared to the national average of 1.5 per cent).

More than half (54.0 per cent) are banked or use other formal financial services compared to the national average of 37.9 per cent. This segment has the highest number of savers (45.0 per cent) and borrowers (45.0 per cent). Those that have borrowed feel comfortable with their level of debt and 56.0 Per cent indicated that they could afford to borrow more.

About two thirds of people in this segment indicated that they often/sometimes seek financial advice. Most seek advice from several sources, with the most frequent source of financial advice being family/friends (although they have a slightly negative bias at 89.9 per cent compared to the national average of 92.5 per cent) in addition to 16.3 per cent (positive bias) seeking advice from their children. Like the other segments, their second highest source of financial advice is a religious leader. This reflects the highest incidence of all the segments at 17.9 per cent, compared to the national average of 14.2 per cent. This segment also has the second highest incidence (after Segment B) of seeking advice from a bank/ financial institution at 7.5 per cent (compared to the national average 4.9 per cent).

Those in this segment are generally satisfied with their lives and more than two thirds indicated that their lives are very/fairly close to their ideal.

Segment A achieved the highest overall score on financial capability, driven by an extremely high score on the competency of planning with 100.0 per cent falling into the second highest band. Despite that, their competency/ability to 'keep track' is only slightly better than that of the national average. They also displayed a surprisingly low score on the dimension of 'knowledge and awareness' (although slightly higher than the national average, they scored much lower than Segment B) with more than two thirds falling into the lowest band. Their numeracy score is above the national average (but below that of Segment B) and their confidence score the highest of all segments. The lower scores on 'knowledge and awareness' could be because this is a slightly older generation than Segment B and they may not be all that familiar with products and services only introduced into the market in recent years – which may also explain the relatively high percentage consulting their children for financial advice. Similarly, their maturity may drive their above average confidence to interact with financial institutions.

The main financial education training need (as expressed by this segment) is "planning for old age" (19.2 per cent) – on par with the national average. The second highest reported training need is 'how to save' (12.6 per cent), although this is significantly lower than the national average (16.0 per cent). One in ten indicated that 'how to take/ manage a loan' is a training priority and they also had the highest incidence amongst all segments on 'how to calculate interest rates.' Close to 10.0 per cent indicated that they would like training/information on how to use a mobile phone for banking.

This segment is not a high priority on national level from a financial education perspective, but could benefit from education and training on 2nd tier products such as pensions, life insurance and other forms of insurance, and saving and investing in capital markets. Such 'training' can take the form of workplace employee seminars, and (paid for) seminars and conferences organised through industry associations. This segment has high media exposure, including radio and TV, and 28.0 per cent read the newspaper. As such they will also benefit from talk shows on specific topics on the radio and editorials or inserts on personal financial management in newspapers. As more than 10.0 per cent have used a computer/the internet in the past 7 days, website links could also be made available for own research ("self-educate").

### Segment B: Young and affluent – the spenders (18.0 million adults or 18.3% of the adult population)

Segment B is slightly younger (60.0 per cent aged between 16 and 35) than Segment A; has the highest income and educational levels of all segments, highest urban bias, highest male bias, and highest income of all segments. Almost a third resides around the South-West and a further 20.0 per cent in the South-South. Segment B also has the highest formal employment (17.1 per cent compared to the national average of 7.7 per cent) and the highest personal income. This segment has a similar but slightly younger profile than segment A; but seemingly includes fewer civil servants and more people employed in the private sector. A third indicated that their main source of income is family/friends, which probably represents the young adults aged 16-25 in this segment who are still supported by their parents.

Two thirds of this segment is formally financially included (the highest of all segments). They have the third highest borrowing and saving after Segments A and D, despite having much higher income levels than Segment D, and as such should be in a position to save a lot more than they do. Of concern is that a level of debt stress appears to be emerging under this segment: 16.6 per cent (compared to the national average of 10.5 per cent) of those that have borrowed indicated that they have borrowed more than they can afford. This is clearly not the outcome of income pressures, but rather of over-spending fuelled by material status.

As with other segments, the main source (89.9 per cent) of financial advice is family and friends (although they have a negative bias that is on par with Segment A), with 13.6 per cent consulting a religious leader, 12.5 per cent consulting a colleague/boss and 10.4 per cent consulting a bank or other financial institutions (the highest of all segments).

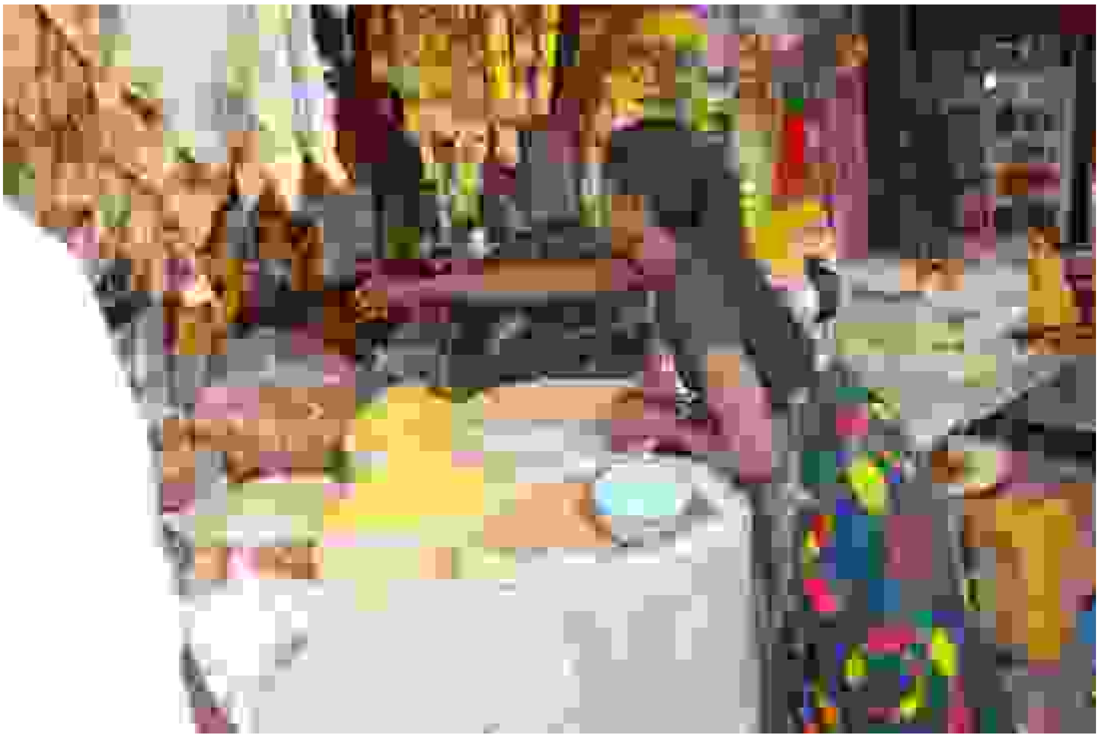
Segment B has the highest media consumption of all segments with 82 per cent listening to the radio, 71.0 per cent watching TV and 40.0 per cent reading the newspaper. They also make much use of electronic/social media: 27.0 per cent has accessed the internet in the past seven days, while 21.0 per cent used a computer/sent an e-mail and 28.0 per cent received an advertisement on a mobile phone.

This group has the second highest overall score on financial capability, driven by the highest score of all segments on 'knowledge and awareness' and numeracy. They also have the second highest score after Segment A on confidence and planning, although their planning skills lag far behind that of Segment A.

Segment B clearly has the knowledge/education, numeracy skills and access to information to manage their finances well, but some appear to be living the high-life beyond their means and savings are too low relative to their incomes. Their desired training needs is similar to that of Segment A, but although the need for training on 'planning for old age' is also indicated as their highest priority, at 16.2 per cent it is significantly lower than the national average (18.8 per cent). This underscores their tendency to live for the 'now'. This segment also indicated the highest interest (10.5 per cent) of all segments for information/training on using a mobile phone for banking.

While this segment has the skills and access to information to 'self-educate', there appears to be an attitudinal problem under some. They could benefit from financial education similar to that proposed for Segment A, but there needs to be an added focus on the need to save, live within one's means and the potential pitfalls of consumer spending. As with Segment A, this could be facilitated through workplace and paid-for (industry) conferences and seminars supplemented by mainstream media.

## Segment C: Young adults (22.8 million adults or 23.1% of the adult population)



Segment C has a slight urban bias, relatively high educational levels and a slight female bias. They live primarily in the South-South and South-West, but has the highest presence of all segments in the South-East (16.0 per cent). The outstanding feature of segment C is that 50.0 per cent are aged 16-25 and a further 24.0 per cent are aged 26-35, i.e. it comprises predominantly young adults. It is also the largest of the 5 segments.

This segment has the highest reported dependency on family/friends for their income (38.5 per cent); while a further 27.7 per cent own a business and 19.6 per cent has a farm/sell produce of own farm. So these are essentially young adults (1) either still dependant on their parents or (2) running a small business/ selling agricultural produce on a market or working on a farm – typical of the South-South and South-West urban and peri-urban areas. Thirty percent has completed junior secondary education and a further 55.2 per cent completed senior secondary education.

Despite their young profile, one third is formally financially included (compared to 37.9 per cent of the adult population). Savings is the lowest of all segments (77.9 per cent of the segment), which is to be expected given the young profile of this segment. Loans are below the national average but still surprisingly high considering their age, with 25.7 per cent having credit in some form. However, these are primarily from family and friends (possibly parents). Their feelings about borrowing is on par with the national average, with 42.0 per cent indicating that they can afford to borrow more, 48.8 per cent indicating that they have borrowed to their limit and 9.0 per cent indicating that they have borrowed more than they can afford. There is a slight bias towards 'my life is not very close to my ideal'.

Although they demonstrate relatively high levels of financial inclusion and education, they had the lowest score of all segments on 'knowledge and awareness.' This may be partially explained by the fact that they are quite young and inexperienced. However, their numeracy is above the national average, while their scores on 'keeping track' are on par with the national average and their scores on planning slightly below the national average.

Their self-identified training needs are similar to that of Segments A and B, namely planning for old age (19.2 per cent), how to save (15.7 per cent), how to take/manage a loan (10.1 per cent) and paying with a mobile phone.

While they have high TV viewership (60.2 per cent) and radio listenership (73.4 per cent), unlike Segments A and B, their newspaper readership at 14.1 per cent is slightly below the national average (16.0 per cent), and their usage of computers/ the internet/ e-mails are all below 10.0 per cent.

The main focus of financial education initiatives targeted at this segment should be on knowledge and awareness of financial products and service providers (including mobile banking); and the need for short- and long-term planning, budgeting and saving from a young age – probably also within the business context as many of these are MSME owners.

### Segment D: Women farmers and micro-enterprises (10.1 million adults or 10.3% of the adult population)

Segment D has a strong rural bias (75.0 Per cent) and a slight female bias (52.3 per cent). Eight percent are widowed (compared to the national average of 5.8 Per cent), with only Segment F having a higher percentages of widows (12.0 per cent).

Segment D resides primarily in the North-West (23.0 per cent), South-South (20.6 per cent) and North Central (17.5 per cent). Their age distribution is pretty much on par with that of the population. The single most differentiating feature of this segment is that 98.3 per cent have reportedly completed primary education only, i.e. this market segment comprises primarily school drop-outs and poor rural women. Proficiency in English is below the national average (40.0 per cent speak English and 30.0 Per cent read English), although much higher than that of Segments E and F.

Their main sources of income are farming/selling own produce (34.0 per cent) and running an own business (26.0 per cent). As income levels are low, these are presumably mostly subsistence farmers and micro enterprise owners.

Half of this segment is financially excluded with a further 15.0 per cent only using informal financial services. Both loans and savings are below the national average, probably as they have little to save and are also not creditworthy.

Of those that borrowed, only one third indicated that they can afford to borrow more, with 58.0 per cent indicating that they have borrowed to their limit. Also, almost one third indicated that they are keeping up with regular expenses, but it is always a struggle and 6.3 per cent indicated that they have serious financial problems. This segment has the most negative outlook to life with almost 60.0 per cent indicating that life is not close/at all close to their ideal.

Segment D ranks fourth on the overall financial capability score. Numeracy levels are below that of the national average, and 90.8 per cent fall in the lowest level of 'knowledge and awareness.' They also had the second lowest score on confidence in engaging with financial institutions (after Segment F) and the second lowest score on planning (after Segment F).

The main reported needs for financial education are similar to that of Segments A, B and C, although their self-expressed need for information on taking/managing loans at 14.9 per cent is significantly above the national average (10.8 per cent,). Training on mobile payments were not identified as a priority (3.9 per cent compared to the national average of 6.9 Per cent).

Media exposure is significantly below the national average with a quarter indicating no exposure to the listed media sources in the past seven days. However, exposure to radio is still high at 66.1 per cent, and 38.2 per cent indicated that they have watched TV in the past seven days. Newspaper readership is negligible at 4.9 per cent and computer usage just over 1.0 per cent.

Financial education initiatives targeted at this segment need to address the broad spectrum from long- and short-term planning to knowledge and awareness, and should be complemented by numeracy skills. This will have to be conducted primarily through face-to-face/classroom-based training given their low literacy and educational levels, and can be supplemented by radio talk shows and village theatre. Financial institutions will have to position themselves as more welcoming to uneducated rural women farmers and small enterprise owners.

### Segment E: Traditional small-scale male farmers – in control (13.3 million adults or 13.5% of the adult population)

Segment E has the second strongest rural bias after Segment F, and appears to present the traditional small-scale farmer (49.0 per cent) and small enterprise owner. Unlike Segment D, this segment does not have a gender bias and is much older than Segment D (only 17.0 per cent is under the age of 25 compared to the national average of 30.0 per cent). Actually, this segment appears to have the oldest age profile of the six segments. Seventy-two percent are married with a positive bias towards polygamous marriages (21.0 per cent compared to the national average of 15.0 per cent).

This segment has the second lowest educational level (48.0 per cent have no formal education and 37.0 per cent have only completed primary education) after Segment F, and the second lowest English language proficiency after Segment F. Incomes are similar if not slightly higher than their younger counterparts in Segment D.

This group has slightly higher financial inclusion levels than Segment D with 30.0 per cent being formally included and only 36.0 per cent completely excluded. Exactly one third uses informal financial services only – the highest of all segments. With 93.0 per cent of this segment saving, it is on par with Segment A with its much higher income, although the amounts saved will probably be much lower. This group also has the second highest number of borrowers (44.0 per cent) after Segment A, but there does not appear to be any debt stress in this group: they have the second lowest incidence (after Segment A) of the adult population indicating that 'I have borrowed more than I can really afford.' it may be that they borrow for productive/ income-smoothing purposes given the seasonality of farming, rather than for consumer purposes, which appears to be the case with Segment B. They also have a relatively positive outlook on life.

This segment performed poorly on the financial capability index (second last before Segment F) driven essentially by a very low score on knowledge and awareness (99.6 per cent fell into the lowest band). However, 94.2 per cent fell in the middle band on planning. So despite their low incomes and limited knowledge and awareness of financial services and products, this group appears to be settled in an agrarian marital life, financially conservative and in control of their finances.

Their self-identified training needs follow similar patterns to that of the other segments, although they have the highest incidence of all segment for training on planning for retirement (20.6 per cent) and a statistically significant higher incidence than the national average on how to take/manage a loan (13.3 per cent).

Like Segment C, they scored below average on exposure to all media, except for radio-listenership which at 70.0 per cent is at par with the national average. As many as 22.7 per cent have had no exposure to the listed media in the past seven days.

Financial education targeted at this group should be similar to that aimed at Segment D, with emphasise on accessing and managing productive loans for agricultural purposes in particular. Face-to-face/'classroom' based training will have to be used, supplemented by radio talk shows and village theatre.

## Segment F: Impoverished marginalised rural women (16.6 million adults or 16.9% of the adult population)

This segment is of great concern as they have by far the lowest socio-economic profile, lowest financial capability scores, the highest reported debt stress and are the most financially vulnerable. Eighty-four percent are women, and they reside primarily in the North-West (45.0 per cent) and the North-East (21.0 per cent). While the segment comprises more young people than Segment D (25.0 per cent are aged 16-25), they also have the most elderly people with 29.0 per cent over the age of 55.0 per cent. They have the highest percentage of people in polygamous marriages (28.0 per cent) and the highest percentage widows (12.0 per cent). Less than one percent has any form of education.

About a third are dependent on family/ friends for their main source of income, with 40.0 per cent involved in agricultural activity/selling produce (probably of the family farm), and a third are also sole bread winners of their households. They also have the lowest income of all segments.

As can be expected, this group is primarily financially excluded (66.6 per cent), with 22.7 per cent using informal financial services only, and only 10.0 per cent formally financially included. They also have the lowest incidence of savers

(74.0 per cent) of all the segments, possibly because they can barely make ends meet. The incidence of borrowers (33.5 per cent) is slightly lower than that of the national average (35.3 per cent) – probably because they do not have access to loans. Among those that borrow, we see serious signs of debt stress with 18.3 per cent reporting that they have borrowed more than they can afford, and 39.0 per cent indicating that keeping up with necessary expenses is 'always a struggle' or that they 'have serious financial problems and have fallen behind in payments.' Almost 50.0 per cent indicated that their lives are not very/at all close to their ideal – the second lowest score after Segment D.

This segment has the lowest incidence on seeking financial advice and those that do seek advice, do so primarily from family/ friends (92.5 per cent), their children (21.7 per cent) or village elders (14.0 per cent).

Segment F has the lowest overall score on financial capability and the lowest scores on all dimensions and capabilities, except for on 'knowledge and awareness' where they scored extremely poorly (97.9 per cent in the lowest band) but slightly higher than Segment E.

This group has the highest incidence of all for wanting to learn more about how to save (20.0 per cent compared to the national average of 16.0 per cent); followed by financial planning for old age (18.3 per cent); how to take/manage a loan (10.9 per cent); and how to provide for dependants and plan for unexpected expenses (9.5 per cent and 8.2 per cent respectively).

Media usage among segment F is low and 38.5 per cent have had no exposure to any of the listed media in the past seven days. TV viewership is as low as 12.0 per cent and only radio has a significant reach at 56.7 per cent.

As with Segments D and E, financial education initiatives will have to be targeted and administered in local languages - preferably in a face-to-face/ 'classroom' environment with the use of audio-visual, given the low literacy and educational levels. The focus should be on budgeting (so that they can manage their meagre incomes better), savings and how to reduce their debt.

## 5.0 Conclusion and Recommendations

The findings of the Baseline survey highlight the main issues to be addressed to improve the level of financial capability in Nigeria. While there are some cross-cutting themes, there are significant differences in current levels of financial capability and financial inclusion in the various regions, between the genders, and between rural and urban communities. There is a strong relationship between levels of financial capability and levels of education, which in turn is largely a function of the socio-economic and geo-political context of an individual. These factors are reflected in the financial capability market segments in section 4 along with guidelines on the types of financial education required and the most effective delivery mechanisms for each segment.

## 5.1. Implications for Financial Education for Adults

The Nigerian adult population can be divided into two broad groups: those that are educated, live primarily in urban areas and are formally employed or run small to medium-sized business; and those in the rural areas that have no/little education and survive from remittances, subsistence farming and micro/survivalist enterprises:

- The first group (Segments A, B and C) can be reached through the formal educational system, employee wellness programmes, seminars, formal financial institutions, mainstream media and the use of technology (computers and mobile phones), and they can also self-educate.
-

  The focus of financial education for this group should be on second tier products, such as pension schemes, investment options (e.g. stocks and bonds), insurance (life, medical, short-term products) and mobile banking. They should also be made aware of their rights and responsibilities, and available recourse options.

  Formal financial institutions can play a major role in supporting financial education targeted at this group, for example, by funding seminars, editorials in newspapers and radio talk shows. Large employers (such as the government and big corporations) should be encouraged to introduce employee wellness programmes. Financial institutions should lead the way by introducing such programmes aimed at their own staff.

  Weekly newspaper inserts on personal financial management could be highly beneficial and it is recommended that journalists receive training on financial terms, products and services. Religious leaders should also be trained on personal financial management. Ideally they should refrain from providing financial advice, but could direct people to the appropriate institution for advice.

- The second group (Segments D, E and F) have poor literacy levels, low levels of English proficiency, limited exposure to mainstream media (beyond radio), are mostly financially excluded or only informally included, and not easily reached at their places of work (subsistence farms and markets/street vendors). Innovative ways are required to reach these segments, such as face-to-face training of small groups, supplemented by radio and village road shows.

A funding strategy will be required to fund financial education targeted at this group (possibly through a public-private-partnership) as this could be extremely costly to design and deliver. Development partners and other donors may also wish to support such initiatives, for example by funding the initial market research and design of content, translations into local languages and training of trainers.

Government ministries and departments, donors and industry associations tasked with providing assistance to micro- and small enterprises and farmers, should be invited to support financial education targeting these market segments. Their existing programmes and structures can also be utilized to facilitate financial education, for example, by embedding financial education content in existing training programmes - a cost-effective way of achieving scale.

The financial sector could also play a major role in facilitating financial education, particularly those with special programmes and products targeting MSMEs and small-scale farmers.

The focus of financial education for this group should be on basic budgeting, planning, saving and credit. In addressing credit, both the benefits and sources of productive credit (e.g. for agricultural and enterprise purposes), and the risks and pitfalls of credit – particularly consumer credit should be emphasized. While Segments D, E and F did not display much interest in learning more about mobile phone payments (this may well be because they know so little about it), rural communities could benefit much from using mobile phones to make payments. These concepts should be introduced particularly to segments D and E, given that there is limited mobile phone usage in Segment F. This group should also be made aware of their rights and responsibilities, and available recourse options.

The impact of financial education will be limited for this group if suitable products are not available or accessible. The financial sector should therefore be encouraged to introduce products such as simple savings accounts with no administrative fees, no minimum balances and positive returns on deposits; productive micro-credit for agriculture and MSMEs;

micro insurance and low-cost housing finance. Furthermore, the government, development partners and other donors could introduce crop insurance rather than subsidised credit.

## 5.2. Implications for Financial Education for Youth

The Nigerian population is young and growing rapidly (55.2 per cent are aged 16 to35 years). It is imperative that financial education should start at a young age when attitudes and values are being formed. The youth can also play a major role in educating their parents, as one in 10 adults consult with their children on financial matters.

Financial education must therefore be embedded in the educational system. There are several countries which have now successfully done so (for example the Netherlands, South Africa and Malaysia) and from which curricula content could possibly be obtained and customised for the Nigerian context. The formal curricula can also be complemented by extra-curricular activities, such as savings clubs. These may be easier to implement and have a more immediate effect than embedding financial education in the curricula throughout all the different stages of the educational system.

While school enrolment has improved in recent years, a vast portion of the youth do not enter the formal educational system or some of those that do, drop-out at an early stage. These are mostly the children of Segments D, E and F and most of these children work on family farms or in the family's micro/survivalist enterprise. As such they are effectively 'minor adults' and will have to be reached through similar means as their parents. A broader form of training is encouraged that will provide these youths with the necessary life skills, such as basic literacy, functional numeracy, personal financial management skills and management of a small enterprise.

As with their parents, it will be costly to reach these youths, and therefore a funding strategy will be required. Government, development partners and other donors tasked with reaching out to these youths should be invited to support such initiatives.

## Annex A: Statistical Methodology for Development of Financial Capability Segments

***Measuring levels of financial capability***

*Determining dimensions of financial capability*

The baseline survey questionnaire measured various aspects of financial capability – each with a different question or set of questions. In order to divide the Nigerian adult population into segments with varying levels of financial capability, it was necessary to:

(i) Identify questions describing the ***broader concepts underlying financial capability*** by aggregation and recoding to ensure the scale directions are comparable.

(ii) Identify the concepts which were most effective in terms of ***differentiating between different segments*** in the Nigerian adult population.

To achieve this, the following analytical approach was followed:

- Variables with high non-response rates were identified and excluded from the analysis. The following variables were identified to be included in the analysis:
  - A10
  - B1, B3, B4, B5, B6, B7
  - C1, C2, C4, C6, C7, C8, C11, C12
  - D1, D4
  - F10
  - K1, K5, K6
  - L1, L2, L3, L4, L5
  - N1, N2, N3, N4

- **Step 1:** Variables measuring the same concept were identified through principle component analysis using SPSS and the varimax rotation methodology. The following constructs were identified:
  - Awareness – A10
  - Knowledge - K5

- Savings attitudes - F10
- Attitudes towards money – L2
- Confidence – L3, L4, L5
- Numeracy - N1, N2, N3, N4
- Short term planning and discipline B1, B3
- Long-term planning and discipline C1, C4, C8, C11, C12, D1, D4
- Keeping track – B5, B6
- Attitude to life – L1
- Information seeking – K1

· **Step 2:** A second round of principle component analysis (using the identified above-mentioned aggregated concept variables) was conducted and combined with reliability analysis techniques in order to identify concepts which were significant in terms of an aggregated measure of financial capability. Once identified these concepts were regarded as the key **dimensions** of financial capability within the Nigerian context. The following dimensions were identified:

| Dimensions of Financial Capability | Aggregated concepts most significant in terms of distinguishing between Nigerian adults | Significantly contributing questions* |
|---|---|---|
| Knowledge/awareness | Knowledge/awareness of financial products/services | Questions A10 -14 A10-16, A10-17, A10-18 |
| | Knowledge/awareness of financial topics/concepts | Questions K5-1, K5-2, K5-3, K5-4, K5-9, K5-10, K5-11 |
| Numeracy | Numeracy skills | Questions N1, N2, N3, N4 |
| Confidence | Confidence in terms of making financial decisions and engaging with financial institutions | Questions L3, L4, L5 |

· **Step 3**: Principle component scores for each identified dimension of financial capability were converted to a 5-point scale in order to enable the comparison of financial capability dimensions of different population segments.

· **Step 4** in the analysis process entailed multivariate regression analysis. This analysis enabled the identification of behaviors related to or associated with the dimensions of financial capability i.e. competencies that would be likely to improve with improved levels of financial capability. The following competencies were identified:

| **Underlying Competencies of Financial Capability** | **Aggregated concepts most significant in terms of distinguishing between Nigerian adult population segments** | **Significantly contributing questions*** |
|---|---|---|
| Planning and discipline | Short-term planning and discipline (budgeting & keeping to budget) | B1, B3 |
| | Long-term planning and discipline (Financial goal setting, having a plan to achieve these goals and reviewing the plan regularly) | C1, C4, C7, C8, C11, C12, D1, D4 |
| Financial awareness/consciousness (keeping track) | Knowledge with regard to amount spent in previous week and amount of money available at a given time | B5, B6 |

### *Segmenting the adult population according to levels of financial capability*

For the purpose of developing an effective intervention strategy to address financial capability shortcomings in the adult population, it is necessary to identify subgroups within the adult population with diverse financial capability characteristics or different levels of financial capability.

Using the dimensions and competencies of financial capability and conducting two-step cluster analysis, the adult population of Nigeria was divided into five segments demonstrating different levels of financial capability. In order to refine the clusters identified, demographic variables were introduced during the clustering process. Only the age of the individual and the level of education achieved contributed significantly to refine the population clusters – six clusters were identified.

# Annex B: Segmentation tables

## TABLE B1: FINANCIAL CAPABILITY SEGMENT DEMOGRAPHICS

| | Total | Segment A | Segment B | Segment C | Segment D | Segment E | Segment F |
|---|---|---|---|---|---|---|---|
| Weighted sample | 92,231,170 | 16,606,986 | 16,866,656 | 21,274,270 | 9,460,253 | 12,408,562 | 15,614,443 |
| Percentage of adult population | 100.00% | 18.00% | 18.30% | 23.10% | 10.30% | 13.50% | 16.90% |
| | National average | | | | | | |
| **Zones (Location)** | | | | | | | |
| South-East | 13.40% | 13.80% | 13.10% | 16.00% | 15.30% | 14.30% | 7.90% |
| South-South | 16.40% | 14.80% | 20.10% | 22.20% | 20.60% | 12.00% | 7.00% |
| South-West | 21.90% | 29.10% | 31.80% | 20.70% | 16.80% | 20.80% | 9.30% |
| North-Central | 14.80% | 18.60% | 11.30% | 14.90% | 17.50% | 19.80% | 9.00% |
| North-East | 11.50% | 10.40% | 7.10% | 11.00% | 6.90% | 11.00% | 21.30% |
| North-West | 22.00% | 13.30% | 16.70% | 15.20% | 23.00% | 22.10% | 45.40% |
| **Setting** | | | | | | | |
| Rural | 68.70% | 63.50% | 52.90% | 64.10% | 76.00% | 80.50% | 83.80% |
| Urban | 31.30% | 36.50% | 47.10% | 35.90% | 24.00% | 19.50% | 16.20% |
| **Gender Of Respondent** | | | | | | | |
| Male | 49.70% | 54.70% | 58.90% | 48.10% | 47.70% | 48.60% | 38.90% |
| Female | 50.30% | 45.30% | 41.10% | 51.90% | 52.30% | 51.40% | 61.10% |
| **Age Group – A** | | | | | | | |
| 16-25yrs | 29.94% | 17.20% | 29.20% | 50.80% | 32.70% | 16.90% | 24.70% |
| 26-35yrs | 25.26% | 27.10% | 30.10% | 23.90% | 24.80% | 25.20% | 20.30% |
| 36-45yrs | 17.58% | 22.60% | 17.90% | 14.10% | 16.50% | 21.10% | 14.50% |
| 46-55yrs | 11.78% | 15.50% | 12.20% | 6.20% | 11.80% | 15.70% | 12.00% |
| 56-65yrs | 8.69% | 10.80% | 6.50% | 3.30% | 9.30% | 12.00% | 13.20% |
| 66+ | 6.75% | 6.90% | 4.10% | 1.80% | 4.90% | 9.20% | 15.40% |
| **Marital status** | | | | | | | |
| Single - Never Married | 25.03% | 15.50% | 36.10% | 46.80% | 23.30% | 8.80% | 7.50% |
| Married - Monogamous | 51.25% | 61.50% | 50.00% | 39.50% | 51.70% | 59.10% | 51.10% |
| Married - Polygamous | 15.11% | 14.90% | 8.90% | 8.10% | 13.80% | 21.30% | 27.60% |
| Living with partner but unmarried | 0.42% | 0.20% | 0.40% | 0.80% | 0.60% | 0.20% | 0.20% |
| Widowed | 5.80% | 5.20% | 2.50% | 2.70% | 8.00% | 6.90% | 12.00% |
| Divorced | 0.72% | 0.50% | 0.90% | 0.30% | 0.80% | 1.70% | 0.60% |
| Separated | 1.66% | 2.10% | 1.30% | 1.70% | 1.70% | 2.00% | 1.20% |

## TABLE B2: SOCIO-ECONOMIC PROFILE

| Highest level of education | Nat Average | Segment A | Segment B | Segment C | Segment D | Segment E | Segment F |
|---|---|---|---|---|---|---|---|
| No formal education | 28.78% | 18.90% | 11.00% | 0.00% | 0.00% | 48.00% | 99.80% |
| Completed primary education | 20.58% | 23.60% | 7.10% | 0.00% | 98.30% | 36.70% | 0.00% |
| Completed junior secondary education | 11.42% | 8.70% | 9.20% | 30.50% | 0.00% | 8.50% | 0.00% |
| Completed senior secondary education | 23.25% | 24.70% | 33.20% | 55.20% | 0.00% | 0.00% | 0.00% |
| Completed National Diploma (tertiary) | 3.97% | 6.90% | 9.30% | 2.30% | 0.00% | 3.50% | 0.10% |
| Completed National certificate of education (tertiary) | 2.68% | 4.30% | 6.10% | 2.00% | 0.80% | 1.70% | 0.10% |
| Completed Nursing College Diploma | 0.45% | 0.70% | 1.20% | 0.00% | 0.70% | 0.30% | 0.00% |
| Completed University Degree | 4.71% | 6.90% | 18.00% | 0.00% | 0.10% | 1.10% | 0.00% |
| Completed Post Graduate degree | 0.70% | 1.90% | 1.90% | 0.10% | 0.00% | 0.00% | 0.00% |
| others | 3.45% | 3.30% | 3.10% | 10.00% | 0.00% | 0.00% | 0.00% |
| **Reading and writing skills** | | | | | | | |
| 1. English Languages Spoken | 48.00% | 56.00% | 72.50% | 68.00% | 39.90% | 29.30% | 5.60% |
| 1. English Language Read | 40.30% | 46.70% | 65.40% | 58.60% | 29.30% | 21.90% | 2.30% |
| 2. Hausa Languages Spoken | 39.90% | 31.10% | 28.70% | 31.70% | 38.40% | 44.30% | 69.70% |
| 2. Hausa Languages Read | 17.90% | 15.40% | 15.00% | 15.70% | 21.30% | 20.20% | 22.90% |
| 3. Yoruba Languages Spoken | 22.90% | 31.50% | 32.10% | 20.20% | 18.60% | 22.40% | 10.70% |
| 3. Yoruba Languages Read | 13.60% | 19.70% | 18.10% | 14.60% | 12.00% | 11.70% | 3.40% |
| 4. Igbo Languages Spoken | 17.30% | 17.10% | 18.90% | 20.60% | 19.40% | 17.60% | 9.70% |
| 4. Igbo Languages Read | 7.20% | 8.60% | 7.50% | 9.00% | 8.10% | 7.00% | 2.40% |
| 5. Pidging Languages Spoken | 18.00% | 21.20% | 21.80% | 21.90% | 21.30% | 14.80% | 5.90% |
| 5. Pidging Languages Read | 3.80% | 4.60% | 5.50% | 4.60% | 3.20% | 2.60% | 1.40% |
| **Income Earner** | | | | | | | |
| Sole Breadwinner | 25.06% | 25.90% | 24.90% | 17.00% | 26.40% | 28.00% | 32.00% |
| Co-breadwinner | 74.94% | 74.10% | 75.10% | 83.00% | 73.60% | 72.00% | 68.00% |
| **Highest Source Of Income** | | | | | | | |
| Received Money from spouse/family member/friends | 26.06% | 13.40% | 32.50% | 38.50% | 22.70% | 12.20% | 29.20% |
| Pension | 1.55% | 2.60% | 2.80% | 0.90% | 1.60% | 1.00% | 0.30% |
| Employed in formal sector | 7.70% | 13.40% | 17.10% | 4.70% | 3.90% | 4.50% | 0.20% |
| Employed in the informal Sector | 2.70% | 1.90% | 4.10% | 3.30% | 3.20% | 1.20% | 2.10% |
| Employed on Someone else farm | 0.56% | 0.50% | 0.20% | 0.60% | 1.20% | 0.60% | 0.50% |
| Sub-letting of Land, house, rooms and other building | 0.54% | 0.90% | 0.70% | 0.10% | 0.60% | 0.60% | 0.40% |
| Farming on own Farm, selling own farm produce | 29.37% | 30.50% | 13.50% | 19.60% | 34.10% | 48.40% | 40.40% |
| Agricultural Trading | 4.56% | 5.70% | 2.60% | 3.20% | 5.30% | 6.50% | 5.10% |
| Run own business | 25.74% | 29.80% | 24.40% | 27.70% | 25.90% | 24.70% | 20.70% |
| Others | 1.23% | 1.20% | 1.90% | 1.30% | 1.50% | 0.30% | 1.00% |
| **Household monthly income** | | | | | | | |
| No income | 1.61% | 0.20% | 1.70% | 2.90% | 1.50% | 0.20% | 2.40% |
| Below N1,000 | 1.94% | 0.60% | 2.00% | 1.70% | 2.10% | 1.70% | 3.70% |
| N1,001 - N6,000 | 7.57% | 5.00% | 6.70% | 6.80% | 6.40% | 7.00% | 13.60% |
| N6,001 - N12,000 | 10.75% | 8.90% | 8.10% | 8.50% | 13.70% | 14.20% | 14.10% |
| N12,001 - N18,000 | 11.12% | 10.50% | 7.50% | 10.70% | 11.30% | 14.60% | 13.40% |
| N18,001 - N24,000 | 10.56% | 10.90% | 8.30% | 10.70% | 10.50% | 12.60% | 10.90% |
| N24,001 - N30,000 | 9.08% | 11.10% | 7.70% | 8.60% | 10.20% | 11.20% | 6.80% |
| N30,001 - N40,000 | 7.39% | 10.00% | 9.30% | 7.10% | 5.70% | 7.00% | 4.20% |
| N40,001 - N60,000 | 7.47% | 8.60% | 10.70% | 6.40% | 6.70% | 6.70% | 5.30% |
| N60,001 - N100,000 | 5.61% | 10.50% | 8.30% | 4.70% | 2.70% | 4.30% | 1.60% |
| N100,001 - N200,000 | 2.49% | 4.80% | 4.90% | 1.10% | 0.90% | 2.10% | 0.60% |
| N200,001 or more | 1.11% | 1.80% | 3.30% | 0.40% | 0.40% | 0.30% | 0.10% |
| Uncertain/don't know | 20.29% | 14.60% | 18.70% | 27.40% | 23.30% | 16.50% | 19.60% |
| Refused to answer | 2.99% | 2.40% | 3.00% | 2.90% | 4.60% | 1.60% | 3.80% |

## TABLE B3: FINANCIAL BEHAVIOUR AND CONTEXT

| **Financial inclusion** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Financial Access Strand (FAS)** | **National Average** | **Segment A** | **Segment B** | **Segment C** | **Segment D** | **Segment E** | **Segment F** |
| Banked | 29.93% | 43.50% | 58.90% | 27.40% | 16.10% | 17.60% | 6.00% |
| Formal Other | 8.09% | 10.70% | 7.10% | 5.80% | 10.10% | 12.70% | 4.70% |
| Informal Only | 22.35% | 24.00% | 12.70% | 20.60% | 25.60% | 33.30% | 22.70% |
| Financially Excluded | 39.64% | 21.90% | 21.30% | 46.30% | 48.30% | 36.40% | 66.60% |
| **Monetary savings** | | | | | | | |
| Multiple savings (weighted) | 153,374,478 | 33,205,136 | 30,164,231 | 31,582,152 | 14,042,917 | 21,976,016 | 22,404,026 |
| Savings products per cluster | 166.30% | 199.90% | 178.80% | 148.50% | 148.40% | 177.10% | 143.50% |
| Main savings (single) | 78,166,563 | 15,602,258 | 15,279,235 | 16,578,004 | 7,606,530 | 11,544,074 | 11,556,462 |
| Percentage savers per cluster (main) | 84.80% | 93.90% | 90.60% | 77.90% | 80.40% | 93.00% | 74.00% |
| **Where savings are held (multiple)** | | | | | | | |
| At A Commercial Bank | 29.00% | 43.20% | 58.80% | 27.00% | 15.20% | 16.70% | 2.80% |
| Mobile Phone Bank(CRDB Sim Bank/NMB Sim Bank) | | | | | | | |
| SACCO/MFI/CO-OP | 3.70% | 6.50% | 7.00% | 2.50% | 2.40% | 2.10% | 1.10% |
| Shares/Mutual Funds | 3.20% | 5.10% | 6.30% | 1.70% | 2.00% | 1.90% | 1.40% |
| Informal Society Or Group Saving Schemes | 72.60% | 44.90% | 57.90% | 81.20% | 79.10% | 56.60% | 82.80% |
| Cash At Home/Hiding Place | 43.68% | 49.60% | 37.40% | 39.90% | 45.20% | 54.60% | 39.80% |
| Other | 3.00% | 2.80% | 3.10% | 2.10% | 2.60% | 2.70% | 4.70% |
| **Have a loan/ credit (multiple mentions)** | | | | | | | |
| Loan/credit products per cluster | 47,680,907 | 10,675,289 | 9,165,807 | 7,347,598 | 4,468,021 | 8,171,872 | 7,852,320 |
| Percentage loans per cluster | 51.70% | 64.30% | 54.30% | 34.50% | 47.20% | 65.90% | 50.30% |
| Borrowers per cluster (single mention) | 32,554,394 | 7,491,015 | 5,796,961 | 5,470,034 | 3,067,851 | 5,504,513 | 5,224,020 |
| Percentage borrowers per cluster | 35.30% | 45.10% | 34.40% | 25.70% | 32.40% | 44.40% | 33.50% |
| **Sources of loans (multiple)** | | | | | | | |
| Loan from Commercial Bank | 3.80% | 5.10% | 8.00% | 4.00% | 1.60% | 1.70% | 0.50% |
| Loan from a Microfinance Bank | 3.70% | 4.20% | 5.00% | 3.90% | 4.00% | 3.40% | 1.30% |
| Mortgage | 0.80% | 0.40% | 1.50% | 1.30% | 0.80% | 0.30% | 0.40% |
| Loan from Family and Friends | 53.00% | 43.60% | 49.60% | 54.20% | 53.40% | 54.70% | 67.10% |
| Loan from a savings Group/club, village/community association | 17.00% | 20.70% | 12.00% | 18.70% | 22.90% | 18.90% | 10.20% |
| Loan from Cooperative | 8.00% | 13.70% | 12.40% | 4.80% | 5.90% | 5.40% | 2.50% |
| Loan from a money Lender | 2.80% | 3.10% | 2.60% | 3.40% | 1.90% | 3.70% | 1.30% |
| Loan from Employer | 1.10% | 1.30% | 2.10% | 1.40% | 0.40% | 0.50% | 0.10% |
| Non-Monetary Loan | 8.50% | 6.50% | 5.60% | 6.70% | 7.30% | 10.60% | 14.80% |
| Others | 1.20% | 0.80% | 1.10% | 1.60% | 1.70% | 0.70% | 1.60% |
| **Feelings about amount borrowed** | | | | | | | |
| I could afford to borrow more if I wanted or needed to | 44.20% | 56.10% | 42.20% | 42.20% | 33.20% | 45.40% | 36.70% |
| I have borrowed to my limit and could not afford to borrow m | 45.30% | 38.90% | 41.20% | 48.80% | 57.80% | 48.10% | 45.00% |
| I have borrowed more than I can really afford | 10.50% | 5.00% | 16.60% | 9.00% | 8.90% | 6.50% | 18.30% |
| **Keeping up with necessary expenses** | | | | | | | |
| Keeping up with all regular expenses without difficulties | 12.41% | 17.10% | 17.70% | 10.60% | 9.80% | 8.40% | 9.10% |
| Keeping up with regular expenses but it is a struggle sometimes | 58.07% | 62.50% | 59.00% | 58.10% | 51.80% | 61.70% | 53.20% |
| Keeping up with regular expenses, but it is always a struggle | 24.74% | 18.30% | 18.70% | 25.80% | 32.10% | 26.50% | 31.00% |
| Having serious financial problems and fallen behind with man | 4.78% | 2.20% | 4.60% | 5.60% | 6.30% | 3.50% | 6.70% |

### TABLE B4: ATTITUDES TO LIFE AND MONEY

| | National average | Segment A | Segment B | Segment C | Segment D | Segment E | Segment F |
|---|---|---|---|---|---|---|---|
| **Determine own financial destiny: "*I cannot control my own finances, it is in the hands of God*"** | | | | | | | |
| Disagree | 57.3% | 59.9% | 53.6% | 57.2% | 53.7% | 57.0% | 60.8% |
| Agree | 42.7% | 40.1% | 46.4% | 42.8% | 46.3% | 43.0% | 39.2% |
| **Attitudes to life** | | | | | | | |
| Your life is very close to the way you would like it to be | 20.1% | 28.7% | 22.4% | 18.4% | 12.2% | 19.1% | 16.6% |
| Your life is fairly close to the way you would like it to be | 34.8% | 39.9% | 35.4% | 31.7% | 28.7% | 38.8% | 33.3% |
| Your life is not very close to the way you would like it to | 32.7% | 25.2% | 32.0% | 35.2% | 42.6% | 30.5% | 33.7% |
| Your life is not at all close to the way you would like it t | 12.4% | 6.2% | 10.2% | 14.7% | 16.5% | 11.5% | 16.4% |

### TABLE B5: SEEKING FINANCIAL ADVICE AND SOURCES OF ADVICE

| **Seeking financial advice** | National average | Segment A | Segment B | Segment C | Segment D | Segment E | Segment F |
|---|---|---|---|---|---|---|---|
| Often (1) | 8.04% | 12.7% | 9.4% | 6.4% | 6.4% | 9.2% | 4.1% |
| Sometimes (2) | 41.4% | 49.2% | 42.3% | 37.7% | 36.2% | 47.6% | 35.5% |
| Rarely (3) | 9.4% | 7.9% | 7.4% | 9.6% | 9.6% | 11.7% | 10.9% |
| Never (4) | 41.1% | 30.2% | 40.9% | 46.3% | 47.8% | 31.5% | 49.6% |
| **Sources of advice** | | | | | | | |
| Family/Friends | 92.5% | 89.8% | 89.9% | 95.5% | 94.1% | 93.9% | 92.5% |
| Bank/Other Financial Institutions | 4.9% | 7.5% | 10.4% | 3.4% | 1.1% | 2.5% | 0.9% |
| Village Elder/Someone Is Senior In Community | 11.2% | 11.4% | 6.7% | 9.0% | 11.6% | 15.5% | 14.6% |
| Church/ Temple/Mosque Leader | 14.2% | 17.9% | 13.6% | 11.9% | 11.3% | 17.2% | 11.3% |
| My Children | 14.6% | 16.3% | 12.3% | 8.5% | 13.4% | 17.6% | 21.7% |
| Village/town show/concert/festival | 0.4% | 0.8% | 0.4% | 0.0% | 0.4% | 0.3% | 0.2% |
| Colleague/Boss | 10.7% | 13.6% | 12.5% | 9.0% | 6.1% | 7.4% | 12.7% |
| Personal Financial/Tax Advisor | 0.7% | 1.6% | 0.8% | 0.3% | 0.6% | 0.4% | 0.2% |
| Website of financial institution | 0.9% | 1.7% | 2.4% | 0.2% | 0.4% | 0.1% | 0.0% |
| Other | 0.9% | 1.0% | 0.9% | 1.1% | 1.0% | 0.2% | 1.0% |
| None Of These | 8.8% | 10.8% | 13.0% | 7.8% | 2.2% | 8.0% | 8.3% |

**TABLE B6: SOURCES OF FINANCIAL INFORMATION**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Family/friends | 92.4% | 89.8% | 89.9% | 95.5% | 94.1% | 93.9% | 92.5% |
| Banks/other financial institutions | 4.9% | 7.5% | 10.4% | 3.4% | 1.1% | 2.5% | 0.9% |
| Village Elders | 11.1% | 11.4% | 6.7% | 9.0% | 11.6% | 15.5% | 14.6% |
| Religious Leaders | 14.2% | 17.9% | 13.6% | 11.9% | 11.3% | 17.2% | 11.3% |
| Your children | 14.6% | 16.3% | 12.3% | 8.5% | 13.4% | 17.6% | 21.7% |
| Your colleague/boss at your workplace | 10.6% | 13.6% | 12.5% | 9.0% | 6.1% | 7.4% | 12.7% |
| You have your own personal financial and tax advisor | 0.7% | 1.6% | 0.8% | 0.3% | 0.6% | 0.4% | 0.2% |
| A village concert/road show/town festival | 0.4% | 0.8% | 0.4% | 0.0% | 0.4% | 0.3% | 0.2% |
| Website of financial Institution | 0.9% | 1.7% | 2.4% | 0.2% | 0.4% | 0.1% | 0.0% |
| Others | 0.9% | 1.0% | 0.9% | 1.1% | 1.0% | 0.2% | 1.0% |
| None | 8.8% | 10.8% | 13.0% | 7.8% | 2.2% | 8.0% | 8.3% |

**B7: MEDIA USAGE**

| Media usage last 7 days (L7D) (READ OUT, MULTIPLE RESPONSES) | Total | A | B | C | D | E | F |
|---|---|---|---|---|---|---|---|
| Total (Autobase) | 100.0% | 18.0% | 18.3% | 23.1% | 10.3% | 13.5% | 16.8% |
| Listened to radio | 72.4% | 80.7% | 82.0% | 73.4% | 66.1% | 70.6% | 56.7% |
| Watched TV | 48.7% | 60.6% | 71.3% | 60.2% | 38.2% | 36.1% | 12.0% |
| Received an advertisement on cell/mobile phone | 22.6% | 28.1% | 43.4% | 23.5% | 16.9% | 12.8% | 3.8% |
| Read a newspaper | 16.0% | 22.1% | 40.6% | 14.1% | 4.9% | 5.4% | 0.7% |
| Accessed the internet | 9.2% | 10.9% | 27.0% | 8.6% | 0.8% | 1.5% | 0.2% |
| Read a magazine | 8.7% | 10.6% | 24.8% | 7.2% | 1.5% | 2,2% | 0.6% |
| Used a computer | 7.6% | 9.7% | 21.2% | 5.4% | 1.1% | 1.1% | 3.1% |
| Sent or received e-mail | 6.9% | 8.5% | 20.9% | 4.6% | 1.2% | 0.9% | 1.0% |
| None | 18.5% | 11.5% | 6.8% | 13.1% | 25.9% | 22.7% | 38.5% |

**B8: WOULD MOST LIKE TRAINING ON**

| Would most like training on (SINGLE MENTION) | National (Autobase) | A | B | C | D | E | F |
|---|---|---|---|---|---|---|---|
| Total (Autobase) Row % | 100.0% | 18.0% | 18.2% | 23.2% | 10.3% | 13.5% | 16.8% |
| Financial planning for old age | 18.8% | 19.2% | 16.2% | 19.2% | 20.4% | 20.6% | 18.3% |
| How to save | 16.0% | 12.6% | 15.3% | 15.7% | 16.7% | 16.3% | 20.0% |
| How to take/manage a loan | 10.8% | 10.9% | 7.2% | 10.1% | 14.9% | 13.3% | 10.9% |
| Planning for the financial security of dependants | 8.4% | 8.6% | 7.2% | 8.6% | 6.7% | 9.1% | 9.5% |
| Planning for unexpected expenses | 8.0% | 8.2% | 8.3% | 7.1% | 8.2% | 9.7% | 8.2% |
| Paying with/spending money through a mobile phone | 6.9% | 9.2% | 10.5% | 9.8% | 3.9% | 8.8% | 0.8% |
| Planning and budgeting for daily expenses | 6.2% | 5.0% | 4.4% | 6.7% | 7.2% | 3.7% | 7.6% |
| How to buy/sell insurance | 4.2% | 5.0% | 8.4% | 5.0% | 1.6% | 6.6% | 1.0% |
| How to choose a financial product or service provider | 4.0% | 5.3% | 3.8% | 3.8% | 3.9% | 2.3% | 2.2% |
| How to obtain insurance | 2.7% | 3.6% | 4.7% | 2.2% | 2.8% | 4.9% | 0.9% |
| How to calculate interest rates | 2.4% | 4.0% | 2.1% | 2.8% | 2.1% | 1.5% | 1.3% |
| Other | 1.7% | 0.5% | 1.9% | 1.3% | 0.7% | 1.5% | 3.8% |
| None | 10.0% | 7.9% | 9.9% | 7.8% | 10.9% | 1.8% | 15.4% |

QUESTIONNAIRE NUMBER:

**CONFIDENTIAL**

# Nigeria Financial Literacy Baseline Survey QUESTIONNAIRE

## RA: HOUSEHOLD IDENTIFICATION

| | | | | |
|---|---|---|---|---|
| 1. State Code | 5. Sector | 1. Urban | | 2. Rural |
| 2. LGA Code | 6. HH Number on List | | | |
| 3. EA Code | 7. HH in (1 = Original sample, 2 = Substitute sample) | | | |
| 4. EA Name | 8. HH Head Name | | | |
| 9. RIC | | | | |

## RB: INTERVIEW AND INTERVIEWER DETAILS

1. Interviewer Name — 2. Interviewer Code

| INTERVIEW VISITS | Date | Month | Mon | Tue | Wed | Thur | Fri | Sat | Sun | HRS | MIN |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Days of the Week | | | | | | | Time of Visit | |
| 3. First Visit | | | | | | | | | | | |
| 4. Second Visit | | | | | | | | | | | |
| 5. Third Visit | | | | | | | | | | | |
| 6. No. of Visits | | | | | | | | | | | |

| | First Visit | Second Visit | Third Visit |
|---|---|---|---|
| 7. Interview completed | | | |

SUBSTITUTION

8. Selected Respondent is deaf or dumb or couldn't speak in the language of the interview

9. Refused to be interviewed

10. Other Specify: ____________________________

**Interviewer Confirmation:** I confirm that I have conducted this interview as specified in the briefing and the training manual I was given

Signature:

## RC: SUPERVISOR DETAILS

Supervisor's Name:

| | B/Checker Code | Type of Back check | | Date | Outcome of Back check | |
|---|---|---|---|---|---|---|
| **QC** | | 1. Phone | 2. FtF | | 1. OK | 2. Cancelled |
| **Supervisor** | | 1. Phone | 2. FtF | | 1. OK | 2. Cancelled |

## RD: CODING AND DATA ENTRY

| | |
|---|---|
| Data Entry Supervisor | Data Entry Operator ID |

A. DEMOGRAPHICS AND LIVELIHOOD STRATEGY — INCOME

## B. SHORT-TERM PLANNING AND BUDGETING

## C. LONG TERM PLANNING

### SETTING LONG TERM GOALS AND PLANS

[illegible]

### PLANNING FOR OLD AGE

[illegible]

C11. IF RESPONDENT IS AGED 60 YEARS OR OLDER, ASK: To what extent is this plan/strategy or are these plans/strategies covering your expenses? READ OUT, SINGLE RESPONSE - THEN GO TO C13

1. Completely 2. To a large extent 3. To some extent 4. Not at all

C12. IF RESPONDENT IS AGED LESS THAN 60 YEARS, ASK: To what extent do you expect that this plan/ these plans will cover your expenses once you stop work, or start working less due to old age? READ OUT, SINGLE RESPONSE.

1. Completely 2. To a large extent 3. To some extent 4. Not at all

C13. ASK ALL. At what AGE do you think people should begin to make a financial plan for their old age?

## PLANNING FOR CHILDREN

I would now like to ask you some questions about planning for children for whom you are financially responsible. This/these may be your own child/children or that/those of a family member or friend.

C14. Do you have any children or other minor dependants for whom you are financially responsible?

1. YES 2. NO IF NO, GO TO SECTION D

C15. Have you planned or are you planning for your child/ children's future should something happen to you or should you lose your income?

1. YES 2. NO IF NO, GO TO C19

C16. In what way(s) have you planned or are you planning for your children's future?

READ OUT. ROTATE STATEMENTS AND MARK FIRST ONE. MULTIPLE MENTIONS POSSIBLE

IF ONE RESPONSE IN C16, TICK CORRESPONDING BLOCK IN C17 AND THEN GO TO C18.

C17. Which of these would you say is your main strategy or plan? READ ALL MENTIONED IN C16. SINGLE RESPONSE.

| | MULTIPLE C16 | SINGLE C17 |
|---|---|---|
| 1. Financial help/support from family, village or clan | | |
| 2. Savings in cash | | |
| 3. Savings or investments with a financial institution (s) (such as a bank, MFI, Co-Operative) | | |
| 4. Investments (such as shares, stocks, bonds): | | |
| 5. Farm or agricultural business that your children may: | | |
| 6. Investments in property (other than farm): | | |
| 7. Business they will inherit (non-agriculture) | | |
| 8. Children's Education: | | |
| 9. Other (PLEASE SPECIFY): | | |

C18. To what extent do you think these plans will cover your children's future needs should something happen to you or should you lose your income? READ OUT, SINGLE RESPONSE.

1. Completely 2. To a large extent 3. To some extent 4. Not sure

C19. Are you worried about being able to cover your child(ren)'s future expenses? Are you...... READ OUT, SINGLE RESPONSE.

1. Not worried at all 2. A bit worried 3. Fairly worried 4. Very worried

## D. UNEXPECTED MAJOR EXPENSES/ RISK MANAGEMENT

## E. FINANCIAL ASSISTANCE OUTSIDE THE HOUSEHOLD (EXTERNAL SUPPORT PROVIDED)

## D. UNEXPECTED MAJOR EXPENSES/ RISK MANAGEMENT

## E. FINANCIAL ASSISTANCE OUTSIDE THE HOUSEHOLD (EXTERNAL SUPPORT PROVIDED)

BUSINESS / FARM MONEY MANAGEMENT

ASK ALL: CONSUMER PROTECTION AND RECOURSE

## ATTITUDES TO LIFE AND MONEY

## LITERACY

## DEMOGRAPHICS

| Q11 WATER SUPPLY | PLEASE TICK ONE |
|---|---|
| 1. Treated Bore-hole | |
| 2. Verified Piped Bore-hole | |
| 3. Pipe-borne Water | |
| 4. Well (with pump) | |
| 5. Well (without pump) | |
| 6. Communal Tap | |
| 7. Buying Water | |
| 8. Stream | |
| 9. None | |

| Q12 TOILET | PLEASE TICK ONE |
|---|---|
| 1. Flush Toilet (In-house) 4+ | |
| 2. Flush Toilet (In-house) 2-3 | |
| 3. Flush Toilet (In-house)1 | |
| 4. Non-Functioning Flush Toilet | |
| 5. Pit Latrine | |
| 6. Mobile Toilet | |
| 7. None | |

| Q13 TELEVISION | PLEASE TICK ONE |
|---|---|
| 1. LCD/PLASMA: Over 46" (2+) | |
| 2. Over 40-46" | |
| 3. Less than 40" | |
| 4. COLOURED: Over 59" | |
| 5. -59" | |
| 6. Over 21"-28" | |
| 7. Over 17"-20" | |
| 8. Big fairly used | |
| 9. Over 12"-15" | |
| 10. Black &White | |
| 11. None | |

| Q14 PERSONAL COMPUTER | PLEASE TICK ONE |
|---|---|
| 1. New Laptop | |
| 2. New Desktop | |
| 3. Used Laptop | |
| 4. Used Desktop | |
| 5. None | |

| Q15 REFRIGERATORS | PLEASE TICK ONE |
|---|---|
| 1. Giant Refrigerator 2+ | |
| 2. Giant Refrigerator | |
| 3. Double Door | |
| 4. Single Door | |
| 5. None | |

| Q16 GENERATOR | PLEASE TICK ONE |
|---|---|
| 1. Over 100 KVA | |
| 2. Less than 60 -100 KVA | |
| 3. Less than 35 - 59 KVA | |
| 4. Less than 15 -34 KVA | |
| 5. Less than 6 -14 KVA | |
| 6. Less than 2 -5 KVA | |
| 7. Less than 2KVA | |
| 8. None | |

| Q17 MODERN EQUIPMENT | PLEASE TICK ONE |
|---|---|
| 1. Laundry Machine with Dryer | |
| 2. Laundry Machine without Dryer | |
| 3. Dish Washer with Dryer | |
| 4. Dish Washer without Dryer | |
| 5. Deep Fryer | |
| 6. Pressure Cooker | |
| 7. None | |

## HOME OWNERSHIP, STRUCTURE AND DWELLING LOCATION

[illegible]

## M. CLOSING

[illegible]

**CENTRAL BANK OF NIGERIA**