



THE NATIONAL FINANCIAL INCLUSION STRATEGY

2018 ANNUAL REPORT



STAKEHOLDER INSTITUTIONS

PROVIDERS:

THE NIGERIAN BANKERS' COMMITTEE



NATIONAL ASSOCIATION OF MICROFINANCE BANKS (NAMB)



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ACKNOWLEDGMENTS

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

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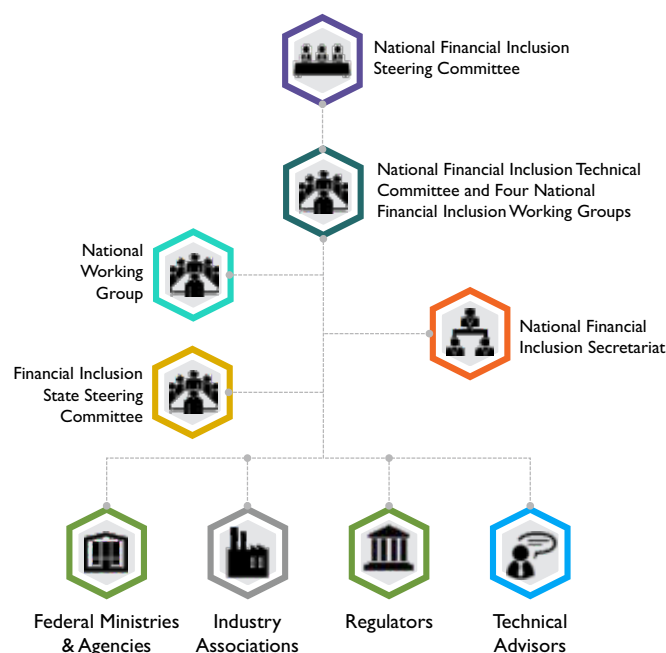
ABOUT

THE NATIONAL FINANCIAL INCLUSION STRATEGY

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

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

Figure A: Governing Structure of NFIS



The **National Financial Inclusion Steering Committee**, chaired by the Central Bank of Nigeria (CBN) Governor, comprises the Heads of relevant Ministries, Departments and Agencies (MDAs), Industry Associations, Regulators and Technical Advisory companies. It provides high-level policy and strategic direction for the implementation process. **The National Financial Inclusion Technical Committee**, chaired by the CBN Deputy Governor, Financial System Stability, comprises CBN Directors as well as equivalents within relevant Ministries, Departments and Agencies, Industry Associations, Regulators and Technical Advisory companies. It provides technical

support and validates data supplied on financial inclusion. **The Technical Committee carries out its operational activities through Working Groups – Products, Channels, Financial Literacy and Special Interventions Working Groups:** The Working Groups develop and implement annual work plans in order to achieve the defined financial inclusion targets by 2020 and monitor implementation of the strategy.

The Financial Inclusion Secretariat

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

Figure B: FIS organogram

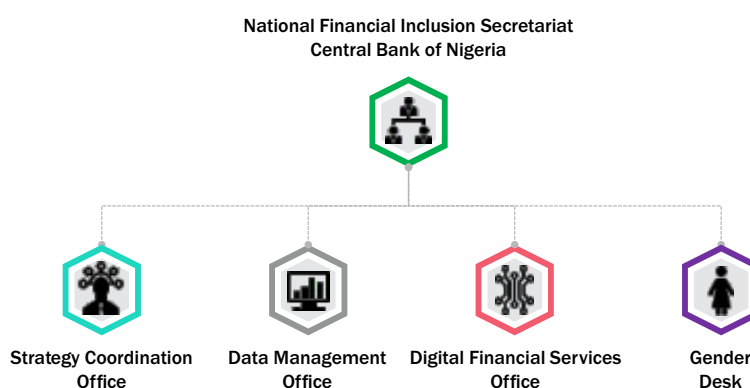


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FOREWORD

Financial inclusion is the provision of a broad range of financial services which are relevant, appropriate and affordable for the entire adult population especially the low income and rural segment of our population. Such services include, but not limited to: savings, credit, insurance, payments, remittances and pensions. People from different segments of the society should have access to the financial institutions and be able to avail themselves of various financial programs being offered by different policy initiatives of the government. The overall objective of financial inclusion is to bring the underserved segment of our population (unbanked population) into the formal financial system by providing them with access to financial services. Improved access to finance is an important factor in accelerating sustainable economic growth, reducing poverty and unemployment, and enhancing the stability of the financial sector.

The importance of an inclusive financial system is widely recognized in the policy circle and has become a priority in many countries including Nigeria. As a central bank, we believe that financial inclusion will help CBN to achieve its core mandate of ensuring price and monetary stability in the economy by increasing the scope of savings, investment and consumption decisions that are made within the formal financial sector. A more inclusive financial system brings financial decision makers within the purview of the central bank and thus enables the monetary authority, monitor, regulate and supervise financial transaction with a view to maintaining financial system stability. It also improves the efficacy of monetary policy interventions. It is indeed encouraging to note that the National Financial Inclusion Strategy (NFIS) being driven by the Bank is yielding positive results. The financial exclusion rate of adults has progressively improved from 46.3 per cent in 2010 to 41.6 per cent in 2016 and 36.8 per cent in 2018 as against the NFIS target of 20.0 per cent by 2020. The improved macroeconomic environment such as stable exchange rate, monetary and financial stability in the recent times has fostered a conducive environment for financial inclusion to thrive, particularly in the underserved segments of the country.

In order to meet the NFIS target of 20.0 per cent financial exclusion for adults by 2020, the strategy has been refocused to explore five priority themes of Youth, Women, Rural areas, Micro Small and Medium Enterprises (MSMEs) and the Northern region. These priority areas are expected to close identified gaps and tremendously advance financial inclusion. Emphasis will also be placed on the use of technological tools in improving access to finance among the underserved. Consequently, a stakeholder-driven implementation approach would give impetus to the achievement of the targeted outcomes. I am optimistic that the fundamental building blocks for incremental growth have already been laid.

I therefore charge all stakeholders to heed this clarion call: work assiduously to attain the financial inclusion target set for 2019 and 2020. I hereby present the 2018 Annual Report of the National Financial Inclusion Strategy for public use.

Thank you.

Godwin I. Emeziele, CON
Governor, Central Bank of Nigeria
Chairman, National Financial Inclusion Steering Committee.





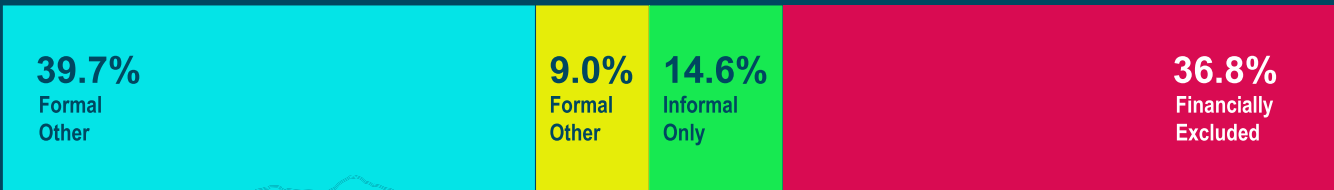
*Financial Inclusion Meeting in Lagos, Nigeria:
Mr. Godwin Emefiele, Governor, CBN with Mr. Bill Gates, Co-Chair – Bill & Melinda Gates Foundation, Mrs. Temitope Akin-Fadeyi –Head, Financial Inclusion Secretariat, CBN and Dr. Paul Basinga – Nigeria Country Director, Bill & Melinda Gates Foundation*



Deputy Governor, Financial System Stability, CBN – Mrs. Aishah Ahmad with Director-General, Financial Stability and Inclusion, Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) – Mr. Ousmane Samba Mamadou during the Financial Inclusion Knowledge Exchange Visit to Nigeria.

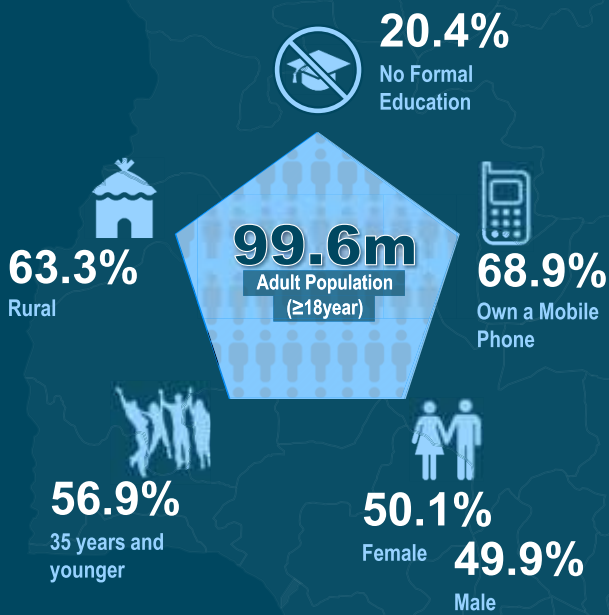
NIGERIA AT A GLANCE

63.3% Financially Served

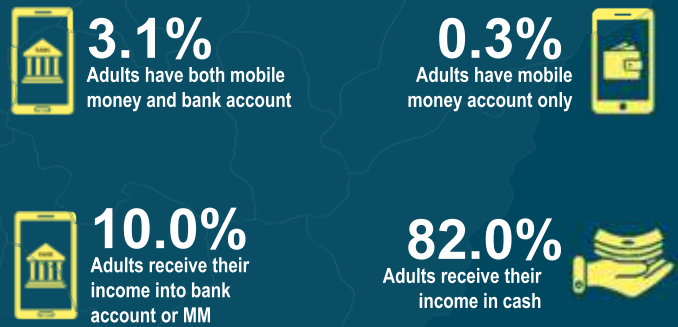


48.7% Formally Included

DEMOGRAPHIC PROFILE



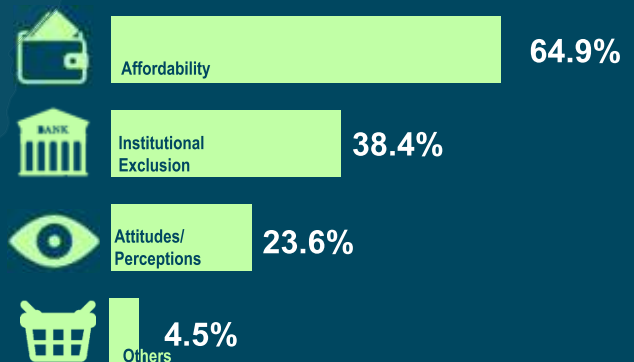
DIGITAL USAGE



FINANCIAL NEEDS OF NIGERIAN ADULTS



BARRIERS TO FINANCIAL INCLUSION



Source: EFINA Access to Financial Services in Nigeria 2018 survey

EXECUTIVE SUMMARY

“ **Financial Inclusion survey numbers shows a marginal increase from 58.4% in 2016 to 63.2% in 2018. Significant improvements recorded in the North West and North East zones, although they still lagged as states with the highest exclusion rates.** ”

“ **As a direct offshoot of the revised strategy, the CBN issued a Payment Service Bank (PSB) Licensing and Regulatory framework, providing a level playing ground for non-traditional players to provide financial services.** ”

“ **A National Microfinance (NIRSAL) Bank with a mandate to leverage the locations of NIPOST in all 774 local government areas to deepen financial inclusion has been licensed. This is intended to fast track access to credits to MSMEs and facilitates inclusive economic growth.** ”

Financial Inclusion rate in Nigeria now 63.2%

After a dip in the financial inclusion headline number in 2016, the biannual financial inclusion survey number shows a marginal increase from 58.4 per cent in year 2016 to 63.2 per cent in 2018. The measurement also disaggregated financial inclusion data on state-by-state level for the first time. While the data showed significant improvement in the in the North West and North East zones, the two zones remained more disproportionately excluded than any other zone at 62 per cent and 55 per cent exclusion rates respectively. The Southwest remained the only region to have surpassed the targeted 20 per cent exclusion rate by 2020, with 19 per cent exclusion rate recorded in 2018.

2018 is a Year of Landmark Financial Inclusion Policies and Initiatives

In addition to being a measurement year, 2018 can be described as a very important year that brought a massive shift in financial inclusion policy approach. First, the National Financial Inclusion Strategy was revised to address changes in the regulatory and technology landscape with a view to accelerate the achievement of the strategic objective of 80 per cent Financial Inclusion by year 2020. The core of the Revised National Financial Inclusion Strategy (NFIS 2.0) focused on a first principle approach with two overarching principles; creating a level playing ground and adopting a risk-based approach and encouraging stakeholders to play in the area of their core strength or comparative advantage. The strategy also seeks to leverage Digital Financial Services (DFS) to drive financial inclusion by enabling Digital ID, expanding agent network, focusing on business cases that would drive Government to People (G2P) and People to Government (P2G) payment amongst other priority area.

As a direct offshoot of the revised strategy, the Central Bank of Nigeria (CBN) Issued a Payment Service Bank (PSB) Licensing and Regulatory framework. In line with the NFIS 2.0 principle of providing a level non-traditional player like the Telco's, Fast Moving Consumer Good companies (FMCGs) and all entities with large distribution network to leverage on their existing structure and provide financial services for the unbanked. According to the policy trust promoters of PSB would have 25% of their presence in the excluded areas.

One issue that has bedeviled the penetration of Financial Services to underserved area is insufficient fixed location agents. To achieve the financial inclusion target of 80% by 2020, Nigeria requires 62 Agents per 100,000 adults of which as at December 2017 only 28.2 agents per 100,000 adults had been recorded. To address this issue; the Body of Bank Chief Executive Officers (CEOs) and the CBN setup the Shared Agent Network Expansion Facility (SANEF), which has amongst other objectives, the mandate to increase agent network by half a million by 2020. Most of these agents would be located in areas with high unbanked population like the North West and North East regions.

In order to ensure the presence of at least one financial services access point in all 774 local government areas in Nigeria, the Central Bank of Nigeria has licensed a National Microfinance Bank (NIRSAL) that would leverage the locations of NIPOST in all 774 Local Government Areas (LGAs) in Nigeria deepen financial inclusion has been proposed. This is intended to fast track access to credits to MSMEs and facilitates inclusive economic growth.

“ Nigeria was recognized on the global stage as the CBN was awarded an AFI Medallion for its lead role in the AFI network as a provider of in-country knowledge exchange on the implementation process of the NFIS. ”

In the same vein, the Alliance for Financial Inclusion (AFI), at its annual Global Policy forum which was held in Sochi Russia in September 2018 issued the Fintech Accord for Financial Inclusion. The Accords seeks to leverage Fintech for Financial Inclusion. Nigeria is a signatory to the Accord. Similarly, Nigeria was recognized on the global stage for its sustained country commitment to financial inclusion. In this regard, the CBN was awarded an AFI Medallion for its lead role in the AFI network as a provider of in-country knowledge exchange on the implementation process of the NFIS.

To improve pension penetration to the informal sector, the National Pension Commission (PENCOM) published the guidelines for the Micro Pension Plan in September 2018.

The major change in the financial services sector occurred in 2018 occurred in the Microfinance sector where a recapitalization exercised occurred. The exercise is focused on strengthening Microfinance Banks and making them more efficient.

The Macroeconomic Environment in 2018 was Favorable to Financial Inclusion

These policies and initiatives were rolled out against the backdrop of a relatively stable macroeconomic environment, steady increase in foreign reserve balance, and the impact of sustained implementation of the Economic Recovery and Growth Plan (ERGP) and social and developmental initiative like the Conditional Cash Transfer Programme, the TraderMoni initiatives, and the Anchor Borrower Programme of the Central Bank of Nigeria. The stable macroeconomic environment together with these activities provided a conducive environment for financial inclusion in year 2018.

Addressing MSME Credit Gap through Development Finance Interventions

Based on the objective of Financial Inclusion in Nigeria, to achieve 80 per cent Financial Inclusion, it is expected that credit penetration should be at 40 per cent by the year 2020. Unfortunately, credit penetration is still at 3 per cent as at 2018. Lack of collateral and high interest rates among under challenges has hindered availability of credits especially to MSMEs. To address this gap, the Bankers Committee in April 2018 launched the Agri-Business Small and Medium Enterprise Investment Scheme (AGSMEIS). The scheme seeks to provide access to credit to MSMEs at a concessionary rate, with no collateral.

Electronic transactions volumes across all digital channels with the exception of NEFT continue to increase. In total electronic transaction volume went up by 38.41 per cent in 2018 compared to 2017. Transaction volume in 2018 also went up by 34 per cent when compared to 2017.

Various Initiatives were embarked on in 2018 to improve Financial Inclusion

One key bottle neck for the implementation of the NFIS strategy is the lack of sufficient funds to carry out major activities. To tackle this challenge, the National Financial Inclusion Steering committee approved the implementation of a Financial Inclusion trust fund. 60 per cent contribution to the funds would come from Regulatory institutions who are members of the Steering committee while 40 per cent would come from other members.

Another major highlight of year 2018 is the approval obtained by the National Identity card Management Commission (NIMC) to commence the ID card ecosystems project. The initiative seeks to decentralize and simplify National ID card capture while consolidating the disparate implementation of various government ID ecosystems in Nigeria. This is a major initiative as digital identification is one of the key priority area of the revised National Financial Inclusion strategy.

“ The stable macroeconomic environment together with these activities provided a conducive environment for financial inclusion in year 2018. ”

“New Working Group Executives were elected to lead the various strategy implementation areas for the next two years.”

The Nigerian Postal Services (NIPOST) has taken major strides to improve the penetration of Financial services during the year under review. In addition to providing physical location in all 774 LGAs in Nigeria to house the NIRSAL Microfinance Bank, the agency also acquired a Super-Agent License to enable them to provide financial services agents around the country.

Based on the Governing arrangement of Financial Inclusion, the tenure of the leadership of the Working Groups came to an end during the period under review. Elections were conducted at the Working Group level and new executives elected to see to the affairs of the working groups for another two years (2019–2020).

2018 Witnessed Increase in overall Financial Inclusion headline number but slow progress along Product and Channel Indicators

The effort of stakeholders in 2018 yielded positive outcomes that was obvious in the overall increase in the financial inclusion headline number of 2018, which puts the current inclusion rate at 63.2% 4.4% up from 56.8% in 2016. This progress notwithstanding, indicators shows that the actual performances across all indicators were below the target for 2018. For instance, the planned target for payments penetration for 2018 was 63.2%, but the actual target is 36.2%. Actual targets were also less than planned target across all products categories. The statics is similar for the channel indicators. Actual achievement of Commercial Bank branches per 100, 000 customers was 4.8, which is 2.7 less than the target of 7.5. Actual achieved for ATMs, POS and Agents are all less than planned.

While total number of registered Bank Verification Number (BVN) increased by 15% when compared to 2017, savings in formal institutions declined by 13.3%.

Overall, a good year for Financial Inclusion

2018 was indeed a good year for Financial Inclusion in Nigeria, not only because of an increase in the financial inclusion rate, but also due to deliberate policies and initiatives that would facilitate better rails, encourage participation of a broader range of stakeholders and better address the need of the financially excluded.

Nigeria remained a priority country for overall financial inclusion rates in Sub-Saharan Africa. The strategy implementation process in the country continued to command appreciable attention and support from both the domestic and international stakeholders.

This report is the 4th edition of the Annual Financial Inclusion report. It presents insights into the implementation of the National Financial Inclusion Strategy in Nigeria in year 2018.

“The effort of stakeholders in 2018 yielded positive outcomes that were obvious in the overall increase in the financial inclusion headline number of 2018, which puts the current inclusion rate at 63.2%”

“Nigeria remained a priority country for overall financial inclusion rates in Sub-Saharan Africa.”

FINANCIAL INCLUSION AWARDS FOR NIGERIA



Innovation in Financial Inclusion Initiatives Award at the New Age Banking Summit



Alliance for Financial Inclusion (AFI) nomination for the Maya Declaration Award and Special Recognition Award/ Medallion for Nigeria's contributions to the global network.



Africa Fintech Summit Award for Excellence in Financial Inclusion Governance and Policy

FINANCIAL INCLUSION DASHBOARD

Status	Implementation Area	Status of Financial Inclusion in Nigeria
Completed	Governance	Refresh of the National Financial inclusion Strategy: The NFIS document was revised as a follow-up to the review report approved in 2017.
		The Governing Committee approved the establishment of the Financial Inclusion Trust Fund with a contribution formula of 60% (shared by CBN, PENCOM, SEC, NIMC and NDIC) and 40% (shared amongst other Steering Committee members).
		Financial Inclusion State Steering Committee (FISSCO) was inauguration in all 36 states of the Federation and FCT.
		Regional capacity building for FISSCO members to facilitate state level implementation of NFIS.
		The Financial Inclusion Trust Fund was approved by the governing committee.
		Approval of the Gender Desk under the Financial Inclusion Secretariat.
	Payment	NCC and CBN signed an MoU to enhance payment systems and drafted a regulatory framework on the use of Unstructured Supplementary Service Data (USSD).
		The NCC concluded a comprehensive study on USSD pricing with an aim to addressing the high and variable USSD cost that affects the financial inclusion drive.
	Pension	The Micro Pension Guideline for the informal sector and self-employed was released.
Monitoring and evaluation	EInA released the report of the 2018 Access to Financial Services Survey. The results showed a moderate improvement in the level of financial inclusion from 58.4 per cent in 2016 to 63.2 per cent in 2018.	
On Track	Payment	The CBN and the Body of Bank Chief Executive Officers (CEOs) unveiled the Shared Agent Network Expansion Facility (SANEF) as a medium term intervention facility to leading CBN-licensed Super Agents and Mobile Money Operators to fund the expansion of a Shared Agent Network and deploy agent banking facilities in underserved and financially excluded locations across the country.
		Release of the Guidelines for Licensing and Regulation of Payment Service Banks by the CBN. The Guidelines enabled selected companies, licensed as PSBs, to provide payment and remittance services, issue debit and prepaid cards.
	Credit	(1) The CBN, in collaboration with Bankers' Committee and the Nigerian Postal Service (NIPOST) established the NIRSAL Microfinance Bank, as a nationally licensed microfinance institution in December, 2018. The MFB will leverage the extensive network of the NIPOST to provide services in the 774 local government areas in the country.

		(2) The Agri-Business Small and Medium Enterprise Investment Scheme (AGSMEIS) was launched by the Bankers' Committee in April 2018. It is a voluntary initiative aimed at supporting the federal government's efforts and policy measures to facilitate easy access to credit for small and medium scale enterprises.
	Financial Literacy	Approval of the Financial Education Strategy for implementation
	Microfinance	The CBN, on October 22, 2018, announced an upward review of the capital requirements of microfinance banks with effect from April 01, 2020.
	Identity	Approval of the National Economic Council (NEC) to commence the implementation of the proposed National ID card Ecosystem programme in Nigeria
At Risk	Insurance	Implementation of the Bancassurance model did not record much traction in 2018.



Dr. M. A. Olaitan - Director, Development Finance Department chairing a Financial Inclusion Stakeholder Engagement

NOTES

1. The adult financial inclusion rate includes any adult who falls under one of the three financial access strands (i) Banked (ii) Formal Other (iii) Informal Only, measured by EFINA in its biennial Access to Financial Services in Nigeria Survey. The formal adult financial inclusion rate includes any adult who falls under one of the two financial access strands (i) Banked and (ii) Formal Other.

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

3. BVN data sourced from the Nigerian Interbank Settlement System Plc. The Bank Verification Number (BVN) was introduced by the CBN in collaboration with commercial banks in February 2014 to ensure unique biometric identification across commercial banks in Nigeria. The BVN was made a mandatory requirement for any customer who would like to open and use a commercial bank account in October 2015. Therefore, the indicator is used as a proxy for the % of the adult population having a commercial bank account, which serves as a payments and savings product, as it can be used to make payments and save.

4. Note that the 2018 figure of insurance penetration was adopted from the EFINA A2F 2018. Industry data from insurance companies fell short of the survey figures. Moreover, Special schemes such as the NHIS and NSITF figures though higher but are not included. Premiums for these later schemes are paid directly by employers and the employees may not use the cover even when the event occurs because he/she may not be aware or have little knowledge of the insurance cover.



Volunteer Corps Member educating her host community on financial inclusion and literacy during her Community Development Service (CDS)

The background of the page features a utility tower with power lines stretching across the sky. Below the tower, a blurred market scene is visible, showing people and colorful umbrellas. A teal square with the number '1.0' is positioned on the left side of the page.

1.0

INTRODUCTION

This year's report of the implementation of the National Financial Inclusion Strategy contains developments in the domestic and International Financial Inclusion landscape and an analysis of its impact on the subsector. It also documents the review and refresh exercise of the National Financial Inclusion Strategy 2.0 (2018 - 2020), as well as a synthesis of periodic reports from relevant stakeholders in the sector.

At the bottom of the page, there are several overlapping geometric shapes in various colors: teal, blue, dark blue, magenta, green, and purple.

“ The current financial inclusion rate is 63.2 per cent, increasing from 58.4 per cent in 2016.”

“ Between 2012 and 2018, a plethora of policy and regulatory changes, reviews and enactments occurred, thus transforming the landscape of access to finance and helping to scale up financial inclusion rate in the country.”

1.1 THE NATIONAL FINANCIAL INCLUSION STRATEGY

The National Financial Inclusion Strategy (NFIS) is an integrated roadmap that provides clarity around set objectives, involves multiple stakeholders and actors, highlights key challenges and gaps in achieving financial inclusion, articulates the priority areas requiring key intervention, and focuses collective action on achieving desired outcomes.

Nigeria made significant progress in 2018 in her quest to take formal financial services to the unbanked and under-banked population. Between 2016 and 2018, banked population increased slightly from 38.3 per cent to 39.6 per cent (which translates to an increase of 1.3 percentage points). Excluded population also dropped slightly from 41.6 per cent in 2016 to 36.8 per cent in 2018 (representing 4.8 percentage point growth)¹.

On the gender gap, female exclusion rate dropped by 5.7 percentage points (46.6 per cent in 2016 versus 40.9 per cent in 2018), while male exclusion rate dropped by 4.3 percentage points (36.8 per cent in 2016 versus 32.5 per cent in 2018). The foregoing statistics are moderate progress the country has made in 2 years.

PROGRESS MADE	2016	2018	CHANGE
Banked population	38.3%	39.6%	+1.3%
Financially excluded population	41.6%	36.8%	-4.8%
Female exclusion rate	46.6%	40.9%	-5.7%
Male exclusion rate	36.8%	32.5%	-4.3%

As at 2012 when Nigeria launched her National Financial Inclusion Strategy, indicators of payments, savings, credit, insurance and pension products showed that Nigeria lags behind her peers in Africa and globally. It was, therefore, imperative, that the NFIS 1.0 would seek ways to scale up access to finance across the various product segments highlighted above. To achieve this, the various actors in the financial inclusion (FI) space were mandated to seek ways to reduce the following barriers to access financial services:

- i. High Cost of obtaining financial services
- ii. Distance of Financial access points
- iii. Low level of financial literacy and education
- iv. Stringent documentation and identification requirements
- v. Lack of trust
- vi. Religious and cultural impediments

To be able to remove the aforementioned barriers, a lot of regulatory changes in the financial services industry were required. Consequently, between 2012 and 2018, a plethora of policy and regulatory reforms, reviews and enactments occurred, thus transforming the landscape of access to finance and helping to deepen access. These policy and regulatory changes are outlined in Fig.1 below:

¹ EFINA Access to Financial Services Survey report, 2018.

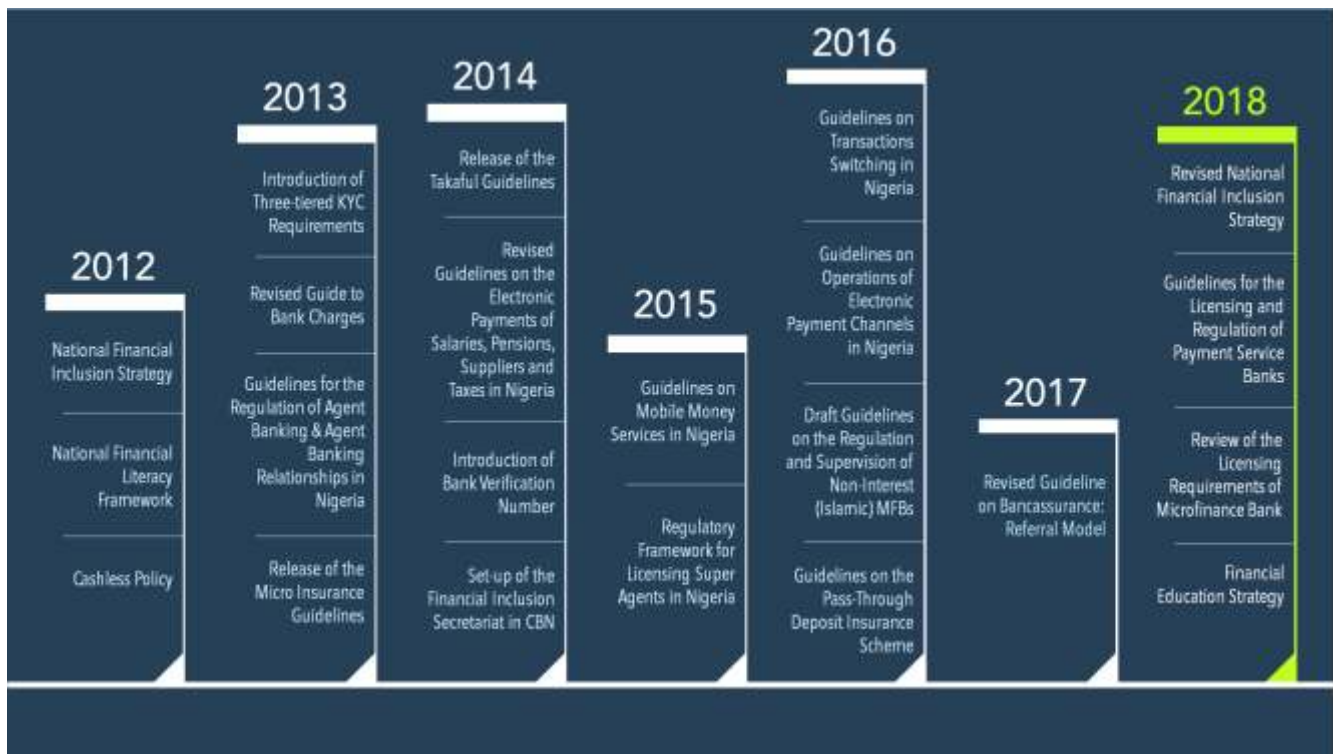


Figure 1: Regulatory Improvements to Deepen Financial Inclusion in Nigeria
Source: CBN, FIS

“The revised strategy is anchored on two over-arching principles: an appropriately regulated level playing field that focuses on activities and actors while adopting a risk-based approach; and, stakeholders' concentration on areas of core strengths or comparative advantage to engender high impact.”

Moderate progress occurred towards achieving financial inclusion objectives between 2012 and 2015. However, the progress achieved during the period was counteracted by various challenges such as the 2016 economic recession, heightened security challenges occasioned by the Boko Haram insurgency in the North East as well as low adoption of Digital Financial Services which constrained the expansion of access to finance. Consequently by 2018, credit, insurance and pension uptake had grown moderately by 2, 2 and 8 per cent, respectively, while payment and savings rates stood at 40 and 24 per cent, respectively. These developments, among others, necessitated the review of the National Financial Inclusion Strategy in 2017.

Unlike the NFIS 1.0 which adopted a broad-based target setting for the various financial service providers (FSPs), the revised strategy is anchored on two over-arching principles: an appropriately regulated level playing field that focuses on activities and actors while adopting a risk-based approach; and stakeholders' concentration on areas of core strengths or comparative advantage to engender high impact.

The reviewed Strategy culminated in the identification of five most financially excluded groups: women, youths between ages 18-25 years, rural dwellers, the informal sector and people living in the Northern region (North East and North West). Consequently, five priority actions emerged as high impact drivers to close the financial exclusion gap across the demographics identified above. These are:

- i. Creating an enabling environment for the expansion of Digital Financial Services (DFS);
- ii. Enabling the rapid growth of agent networks with nationwide reach;
- iii. Harmonizing KYC requirements for opening and operating accounts/mobile wallets on all financial services platforms;
- iv. Creating a conducive environment to serve the most excluded; and
- v. Improving the adoption of cashless payment channels, particularly in Government to People (G2P) and People to Government (P2G).

Similarly, the reviewed Strategy identified the following broad industry-wide initiatives as focal areas for deepening financial inclusion in the current strategy cycle (2019-2020):

- i. Improving regulatory and policy environment;
- ii. Securing private sector understanding and interest in financial inclusion;
- iii. Expanding agent networks to reach underserved areas;
- iv. Scaling up issuance of National Identity and the review of KYC conditionalities to cater for the most excluded;
- v. Expanding Digital Financial Services (DFS);
- vi. Facilitating community lending using the MFI and MFB model;
- vii. Encouraging FSP investment in tailored savings and credit products; and
- viii. Advocating for increased P2G, G2P.
- ix. Increase financial and digital literacy


The revised Strategy formulated is destination-based and focuses on a number of targets for Payments (70%), Savings (60%), Credit (40%), Insurance (40%), Pension (40%), Bank branches (7.6 units per 100,000 adults), Microfinance branches (5.0), ATMs (203.6), POS (850.0), Mobile Money/Bank Agents (476) and KYC ID (100%).


Following this introductory chapter, Chapter Two of the Report describes the implementation environment for the period under review, while Chapter Three discusses the key activities of the various stakeholders in Nigeria's financial inclusion ecosystem. Chapter Four presents the data on strategy implementation progress, while Chapter Five concludes the report with recommendations and the outlook for 2019.





DG, FSS – Mrs. Aishah Ahmad and a cross-section of Directors at the Technical Committee meeting

SNAPSHOT OF THE REVISED NATIONAL FINANCIAL INCLUSION STRATEGY (NFIS 2.0)

 PRIORITY ACTION	<ul style="list-style-type: none"> ▪ Creating an enabling environment for the expansion of DFS
	<ul style="list-style-type: none"> ▪ Enabling the rapid growth of agent networks with nationwide reach
	<ul style="list-style-type: none"> ▪ Harmonizing KYC requirements for opening and operating accounts/mobile wallets on all financial services platforms
	<ul style="list-style-type: none"> ▪ Creating a conducive environment to serve the most excluded
	<ul style="list-style-type: none"> ▪ Improving the adoption of cashless payment channels, particularly in G2P and P2G

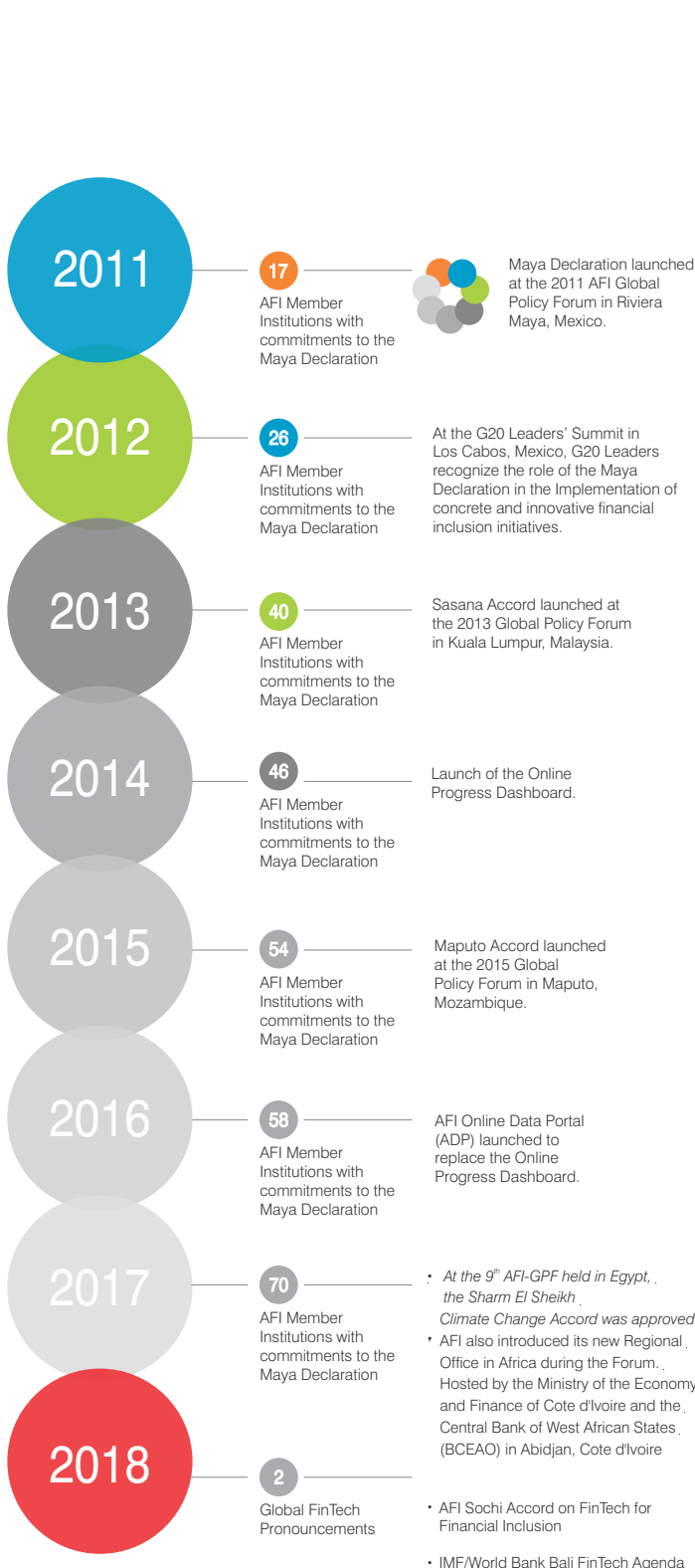
 FOCAL AREAS	<ul style="list-style-type: none"> ▪ Improving regulatory and policy environment
	<ul style="list-style-type: none"> ▪ Securing private sector understanding and interest in FI
	<ul style="list-style-type: none"> ▪ Expanding agent networks to reach underserved areas
	<ul style="list-style-type: none"> ▪ Scaling up issuance of National Identity and the review of KYC conditionalities to cater for the most excluded
	<ul style="list-style-type: none"> ▪ Expanding Digital Financial Services (DFS)
	<ul style="list-style-type: none"> ▪ Facilitating community lending using the MFI and MFB model
	<ul style="list-style-type: none"> ▪ Encouraging FSP investment in tailored savings & credit products
	<ul style="list-style-type: none"> ▪ Advocating for increased P2G, G2P
	<ul style="list-style-type: none"> ▪ Increase financial and digital literacy

 TARGETS	Payment	70%	 TARGETS
	Savings	60%	
	Credit	40%	
	Insurance	40%	
	Pension	40%	
	Bank Branches	7.6 units per 100K adults	
	Microfinance Branches	5.0 units per 100K adults	
	ATM	203.6	
	POS	850	
	Mobile Money / Bank Agents	476	
	KYC ID	100%	

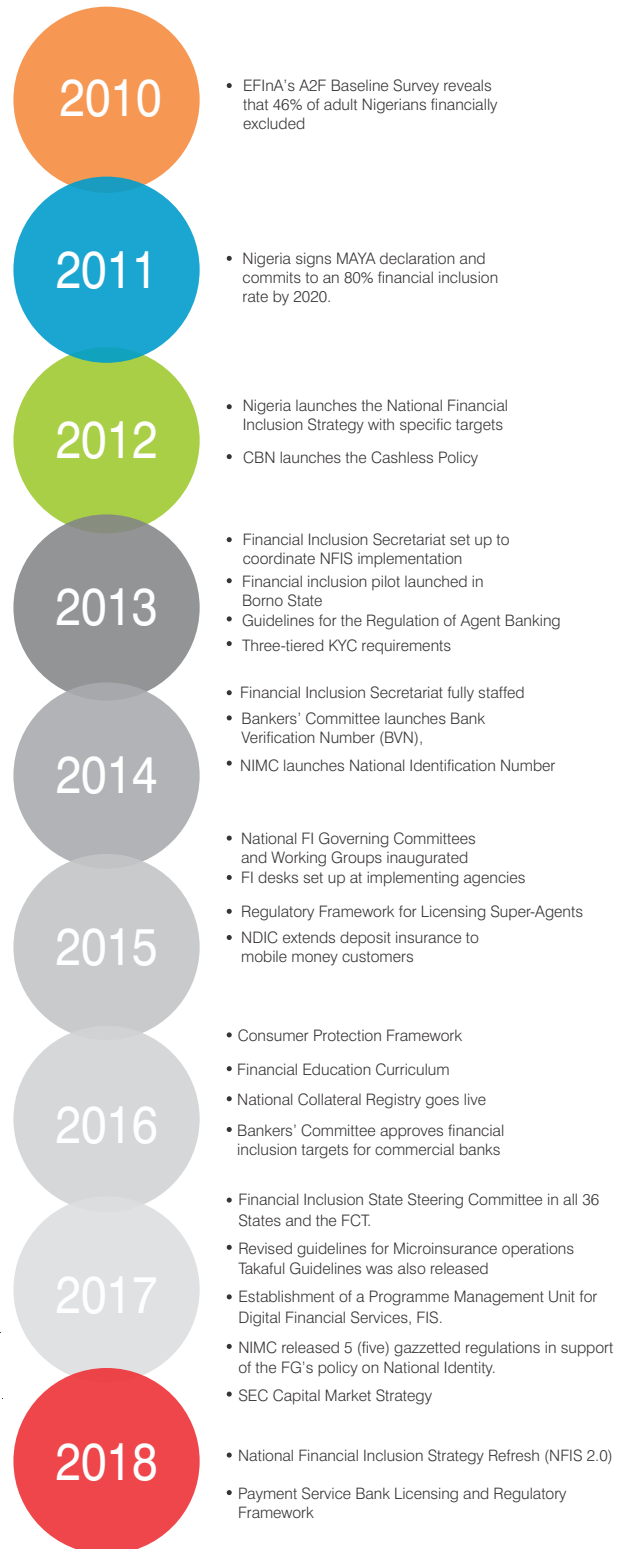


GLOBAL AND NIGERIAN FINANCIAL INCLUSION DEVELOPMENTS SINCE 2010

MAYA DECLARATION TIMELINE



NIGERIAN TIMELINE



Source: Alliance for Financial Inclusion (2016a)



2.0

IMPLEMENTATION ENVIRONMENT

This chapter describes the implementation environment of the National Financial Inclusion Strategy in 2018. It examines the macroeconomic environment as well as analyses relevant sub-sectors of the Nigerian financial industry

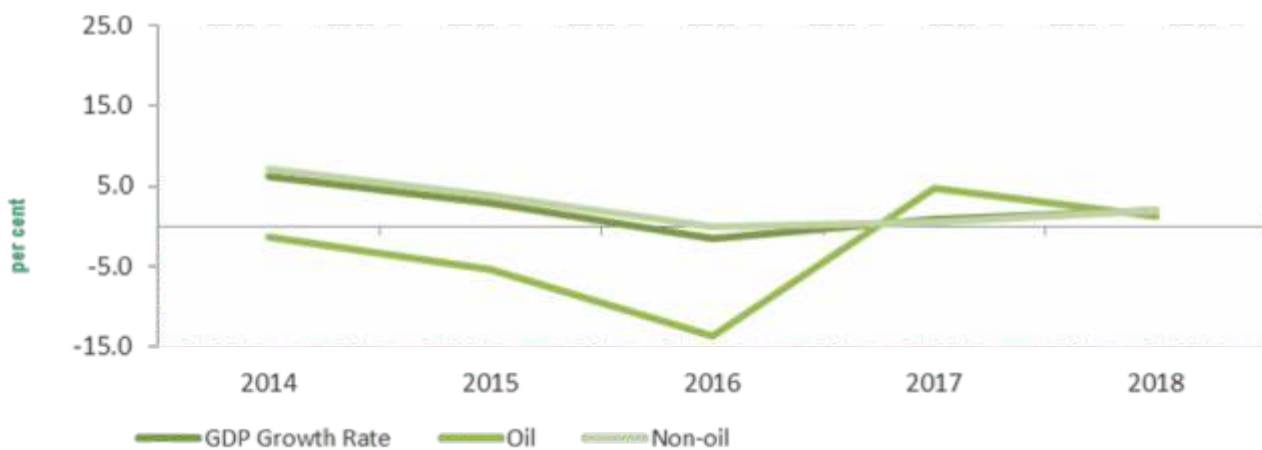
“The impact of sustained implementation of the Economic Recovery and Growth Plan (ERGP) and the developmental and policy interventions of the Central Bank of Nigeria, especially, the Anchor Borrowers Programme, spurred growth in 2018.”

2.1 Macroeconomic Environment

The economy sustained its positive growth rebound in 2018. Growth was spurred by a relatively stable macroeconomic environment, boost in infrastructural spending supported by increased foreign exchange receipts due to higher crude oil production and prices. In addition, the impact of sustained implementation of the Economic Recovery and Growth Plan (ERGP) and the developmental finance interventions of the Central Bank of Nigeria (CBN), especially, the Anchor Borrowers' Programme (ABP), helped drive growth in 2018. The stable macroeconomic environment witnessed within the year provided a conducive environment for financial inclusion activities which led to improvement across most economic indicators compared to the previous year.

Provisional data from the National Bureau of Statistics (NBS) showed that the economy recorded a modest growth of 1.9 per cent, compared with 0.8 per cent in 2017. The growth was driven by the services, agriculture, industry and construction sectors which contributed 1.1, 0.5, 0.3 and 0.1 per cent to the growth rate, respectively, while the trade sector contributed negative growth of 0.11 per cent (see Figure 2.1.1.).

Figure 2.1.1.: Growth Rates of GDP at 2010 Constant Basic Prices, 2014 to 2018 (%)



Source: National Bureau of Statistics (NBS)

In terms of growth rates of individual sectors, the Services sector recorded the highest growth rate of 3.05 per cent, compared with 0.67 per cent contraction recorded in 2017. Furthermore, Construction, Agriculture and Industry sectors grew by 2.33, 2.12, and 1.69 per cent, respectively, while the Trade sector contracted by 0.63 per cent during the year.

The mutually reinforcing nexus between financial inclusion and economic progress was evident during the year, as increase in economic activities supported an increase in the number of people that accessed and used financial services during the year, thus driving growth, especially within the services sector.

Throughout the year, inflation remained above single digit. The rates maintained a seven-month consistent decline ending in July 2018, after which sustained uptick in inflation dominated the remaining months of the year. The persistent decline in inflationary trend during the first seven months of the year was attributed to declining prices in the food and core components of the Consumer Price Index (CPI). However, the rebound in aggregate prices noticed in the remaining months of 2018 has been ascribed to upward inflationary pressures witnessed in the food component of the basket, pass-through effect of exchange rate to

“The Services sector recorded the fastest growth rate of 3.05 per cent compared to a contraction of 0.67 per cent recorded in 2017.”

domestic prices, as well as, structural rigidities which still pervades the economy.

There is an indirect relationship between financial inclusion and inflation, which occurs through the speed with which credit are advanced due to increased inclusion and increased demand for goods and services due to increased credit. However, given the economically disadvantaged segment of the population being targeted in financial inclusion efforts and the tight monetary policy stance of the CBN during the year, there is no evidence that increased financial inclusion promoted inflation in 2018.

Figure 2.1.2.: Trend of Inflation rates, 2018



Source: National Bureau of Statistics

“The level of external reserves could only finance 13.0 months of current import commitments relative to 14.5 months in 2017.”

“Loans and advances decreased by 4.3 per cent from N14.3 trillion at end-December 2017 to N14.1 trillion at end-December 2018.”

The external sector remained resilient during the year under review. This was mainly as a result of sustained reforms in the foreign exchange market, favourable international crude oil price and stable domestic crude oil production. Consequently, an overall balance of payments surplus of N990.49 billion, equivalent to 0.8 per cent of GDP, was recorded in the review period. Similarly, the current account recorded a surplus of 2.3 per cent of GDP. The stock of external reserves at end-December 2018 was US\$42.59 billion, higher than the US\$39.35 billion at end-December 2017. The level of external reserves could finance 13.0 months of current import commitments relative to 14.5 months in 2017. This was higher than both the international benchmark and that of the West African Monetary Zone (WAMZ) convergence criterion of three (3) months. External debt increased by 14.2 per cent, from US\$18.91 billion or 5.0 per cent of GDP at end-December 2017, to US\$21.59 billion or 5.3 per cent of GDP at end-September 2018 but remained within the international threshold of 40.0 per cent of GDP. The exchange rate remained relatively stable, on account of exchange rate management policies by the CBN.

2.2 Banking Sector

The structure of the Nigerian banking sector remained unchanged in the review year, as the number of licensed banks stood at 27. The licensed banks comprised 21 commercial banks, five (5) merchant banks and one (1) non-interest bank. The number of bank branches, however, increased to 5,462 from 5,450 in 2017.

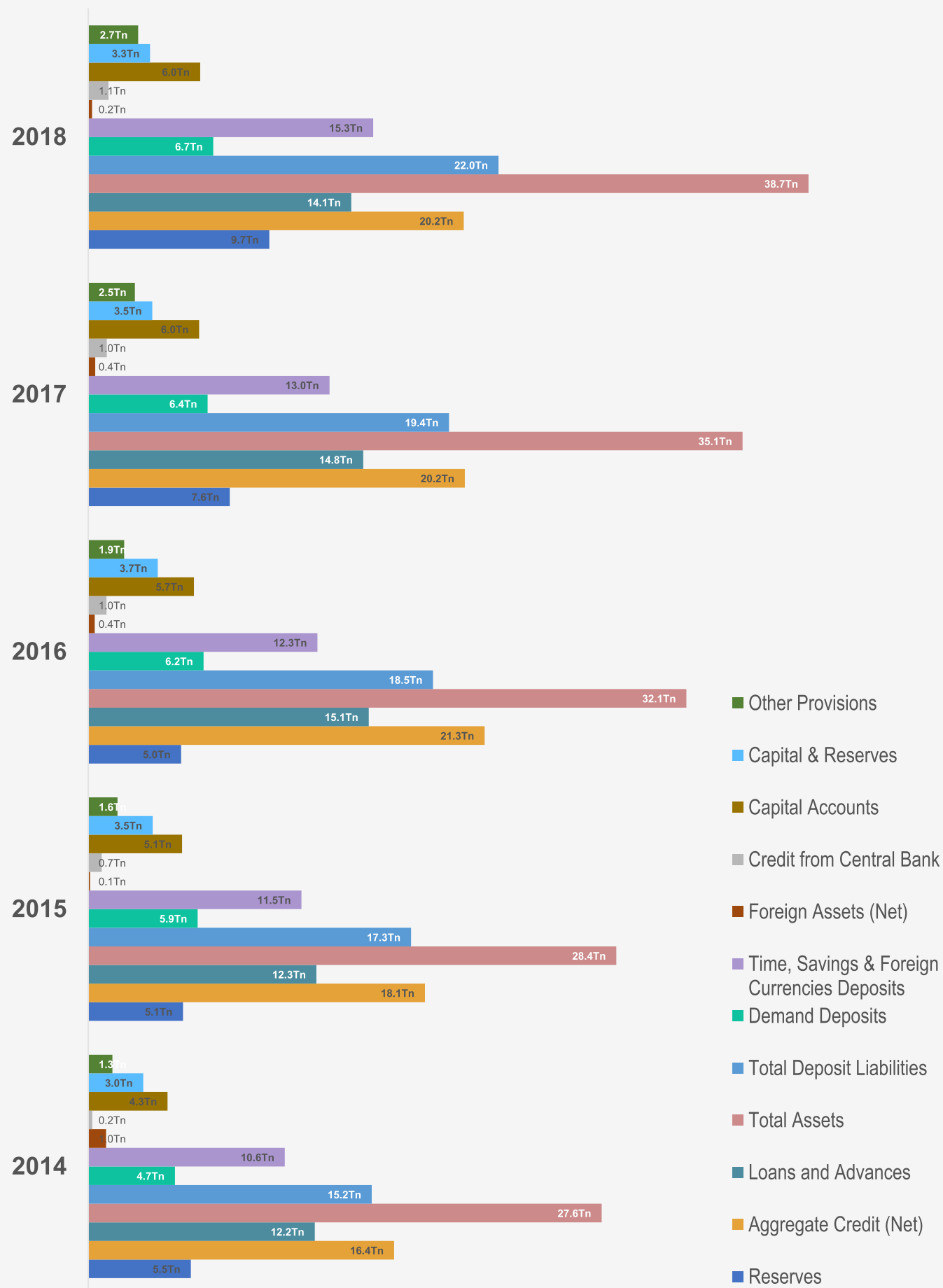
In the other financial institutions (OFIs) sub-sector, there were 5,488 licensed institutions as at end-December 2018, compared with 4,870 institutions in 2017. The total number of OFIs comprised seven (7) DFIs, 35 PMBs, 885 MFBs, 69 FCs and 4,492 BDCs. The increase was as a result of newly licensed OFIs (752 BDCs, 31 MFBs and 18 FCs).

LICENSED BANKS	27
Commercial Banks	21
Merchant Banks	5
Non-Interest Banks	1
Bank Branches	5,462
OTHER FINANCIAL INSTITUTIONS	5,488
DFIs	7
PMBs	35
MFBs	885
FCs	69
BDCs	4,492



Financial Inclusion Performance Review with Financial Service Providers (FSPs)

Table 2.2.1. Statistics of the Banking Sector (DMBs) (Naira)



“**Net loans and advances also increased by 13.4 per cent to N216.00 billion at end-December 2018, compared with N190.49 billion at end-December 2017.**”

Available data indicates that total assets of the banking sector increased by 10.1 per cent to reach N38.7 trillion as at end-December 2018 from N35.2 trillion in 2017. Total deposit liabilities also grew by 13.7 per cent from N19.4 trillion as at end-December 2017 to N22.0 trillion by end-December 2018. On the other hand, loans and advances decreased by 4.3 per cent from N14.3 trillion as at end-December 2017 to N14.1 trillion as at end-December 2018. Credit from the Central Bank increased by 9.4 per cent from N1.004 trillion by end-December 2017 to N1.099 trillion as at end-December 2018, while net foreign assets decreased marginally from N386.1 billion to N216.4 billion over same period (see Table 2.2.1.).

2.3 Microfinance Bank Sector

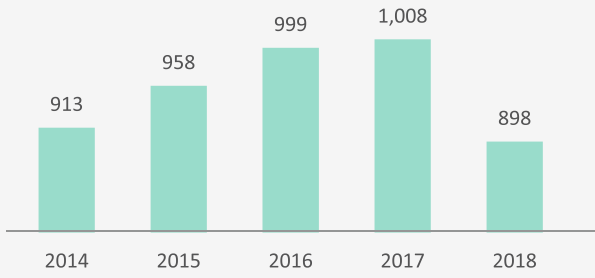
“**Credit from the Central Bank of Nigeria increased by 9.4 per cent from N1.004 trillion by end-December 2017 to N1.099 trillion at end-December 2018.**”

The number of microfinance banks (MFBs) stood at 898 as at end-December 2018, compared with 1,008 MFBs operating as at end-December 2017. This comprised nine (9) National, 107 State and 782 Unit MFBs. Provisional data revealed that the total assets of MFBs stood at N420.42 billion as at end-December 2018, compared with N393.55 billion reported as at end-December 2017. The paid-up capital and reserves of MFBs increased by 10.4 per cent to N99.60 billion compared with the level as at end-December 2017. The development was attributed to modest capital injection, licensing of 31 new MFBs and increase in operating profits during the review period. Net loans and advances also increased by 13.4 per cent to N216.00 billion at end-December 2018, compared with N190.49 billion at end-December 2017. Deposit liabilities rose by 12.6 per cent to N205.03 billion. Investments also increased by 11.3 per cent, to N28.33 billion at end-December 2018, compared with N25.44 billion at end-December 2017.

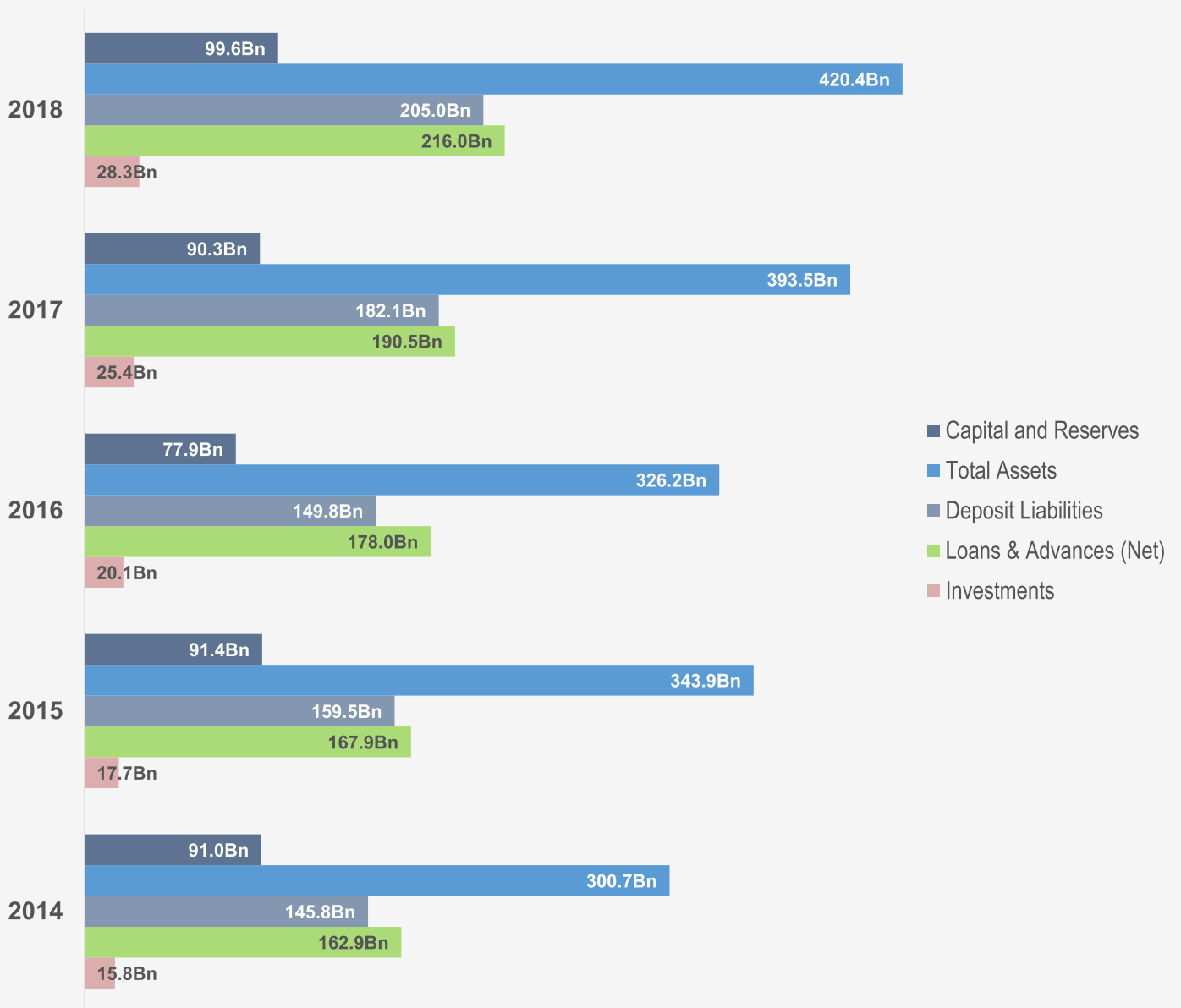
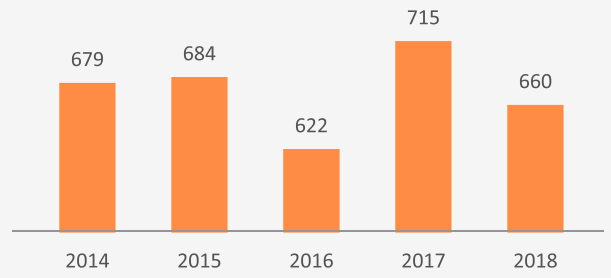


Table 2.3.1. Selected Statistics of Microfinance Sector

Number of Licensed MFBs



Number of Reporting MFBs



“The rise in e-payment transactions was attributed to increased consumer confidence and awareness in the use of the e-payment channels.”

2.4 E-Payments Sector

The volume and value of payment on different channels (comprising ATM, PoS, Mobile and Internet) rose by 25.3 and 15.0 per cent to 1,282.1 million and N10,503.8 billion, respectively, compared with 1,023.6 million and N9,134.0 billion in the preceding year. The rise in e-payment transactions was attributed to increased consumer confidence and awareness in the use of the e-payment channels.

E-PAYMENTS	2016	2017	2018	CHANGE (2017- 2018)
Volume of Electronic Payments (N mln)	715	1,023	1,282	+25%
Value of Electronic Payments (N bln)	6,636	9,134	10,503	+15%

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

Figure 2.4.1: Volume of Electronic Payments, 2016 – 2018

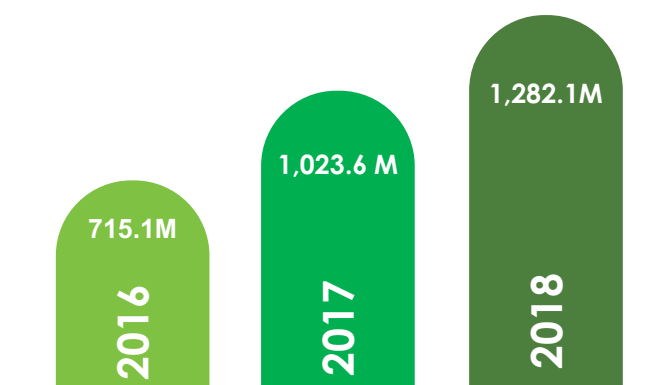
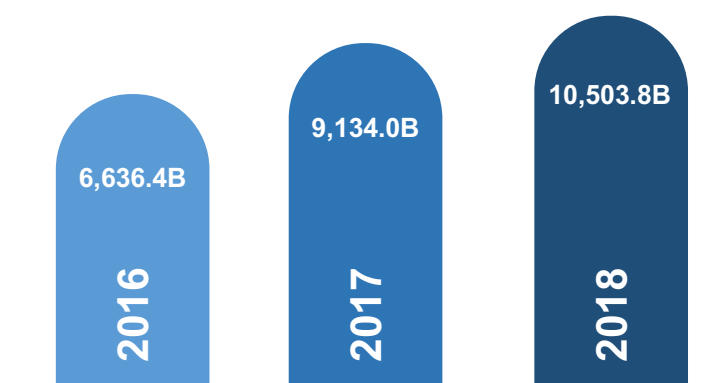


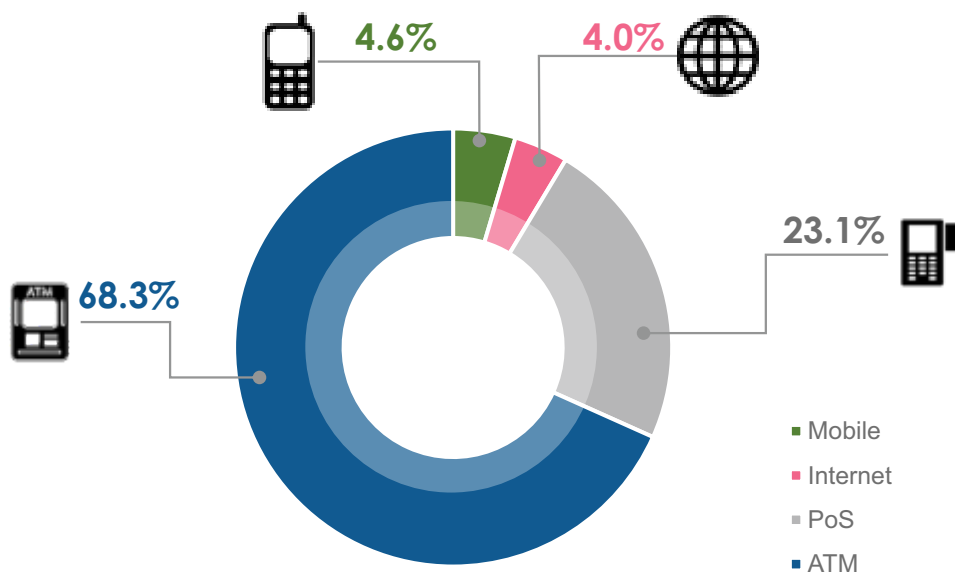
Figure 2.4.2: Volume of Electronic Payments (Naira), 2016-2018



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

A breakdown of e-payment transactions for 2018, indicated that the ATM channel remained the most patronised, accounting for 68.3 per cent, followed by PoS terminals and mobile payments with 23.1 and 4.6 per cent, respectively. The web (internet) was the least patronised and accounted for 4.0 per cent of the total. In terms of value, the ATM accounted for 61.7 per cent, PoS, 22.7 per cent; mobile channels, 11.8 per cent; and web (internet), 3.8 per cent.

Figure 2.4.3: Classification of e-Money Products by Volume, 2018



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

More comprehensively, in terms of volume of electronic transactions, ATMs remained the most frequently used electronic channel in 2018 with 875.5 million transactions being the most dominant channel with a share of 42.8 per cent of total electronic transactions. This was closely followed by NIP which recorded 663.1 million transactions with a share of 32.4 per cent compared to 370.9 million transactions recorded the preceding year (see Table 2.4.1.). Others were POS, mobile money, Internet Banking, Remita, NAPS, NEFT and Central Pay which had respective shares of 14.5, 2.9, 2.5, 2.2, 1.3, 1.3 and 0.06 per cent. Similarly, other less dominant channels such as e-Bills Pay and m-Cash had respective shares of 0.1 and 0.01 per cent, respectively.

In terms of growth in the use of these channels, the five fastest growing channels in 2018 were Central Pay, m-Cash, NAPS, POS and NIP transaction channels which grew by 235.8, 194.6, 130.1, 102.3 and 78.8 per cent respectively compared to their growth rates in the previous year. Others were Internet Banking, Mobile Money, e-Bills Pay, Remita and ATM channels which grew by 75.3, 25.2, 16.3, 12.0 and 9.3 per cent, respectively. NEFT, on the other hand, recorded a 13.8 per cent decline in usage in 2018 compared to 2017.

In terms of nominal value of electronic transactions, NIP remained the channel through which transactions with the highest value in Naira were made in 2018. The value of NIP transactions increased by 43.0 per cent from N56.2 trillion in 2017 to N80.4 trillion in 2018, accounting for 60.5 per cent of the total value of electronic transactions in 2018 (see Table 2.4.2). Remita was the channel with the second highest value in 2018 at N18.5 trillion, as its share in total value of transactions stood at 37 per cent in 2018. The sum of N12.1 trillion was also transacted on NAPS platform in 2018, representing a share of 9 per cent in 2018 compared a share of 5 per cent achieved in the preceding year.

“In terms of volume of electronic transactions, ATMs remained the most frequently used electronic channel in 2018 with 875.5 million transactions”

Table 2.4.1.: Volume (Percent) of Electronic Transactions, 2014 to 2018, by Electronic Transaction Channel.

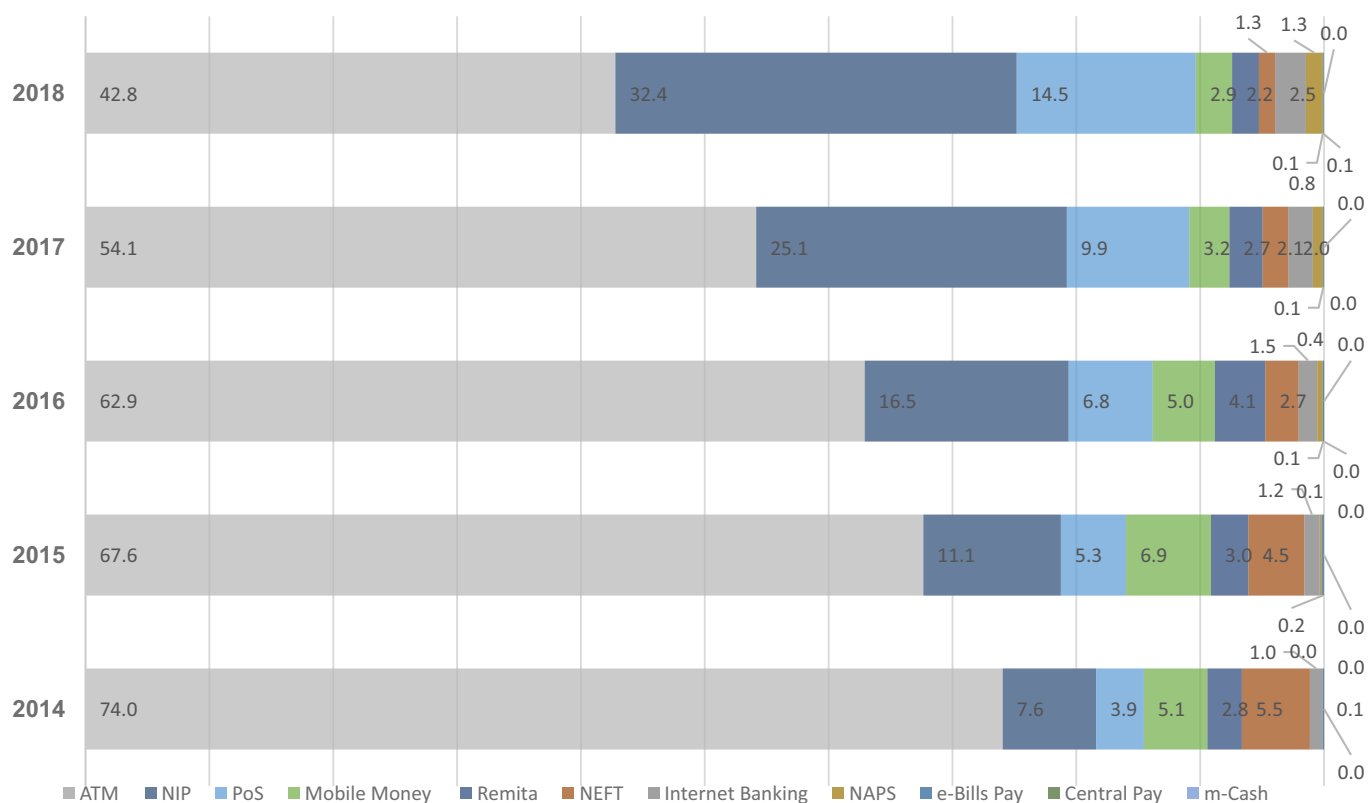
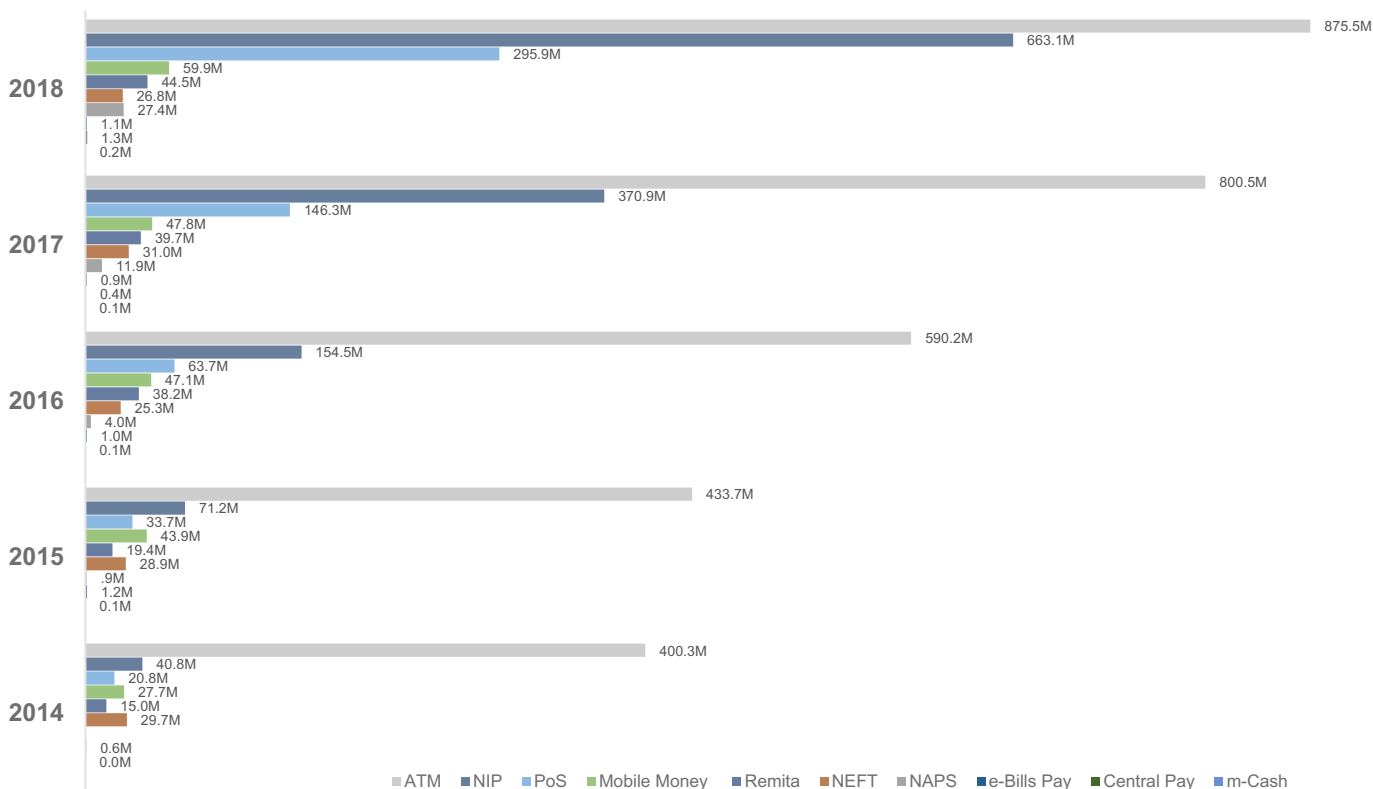


Table 2.4.1.: Volume of Electronic Transactions by Electronic Transaction Channel (Number)



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

Table 2.4.2.: Nominal Value of Electronic Transactions by Electronic Transaction Channel (%)

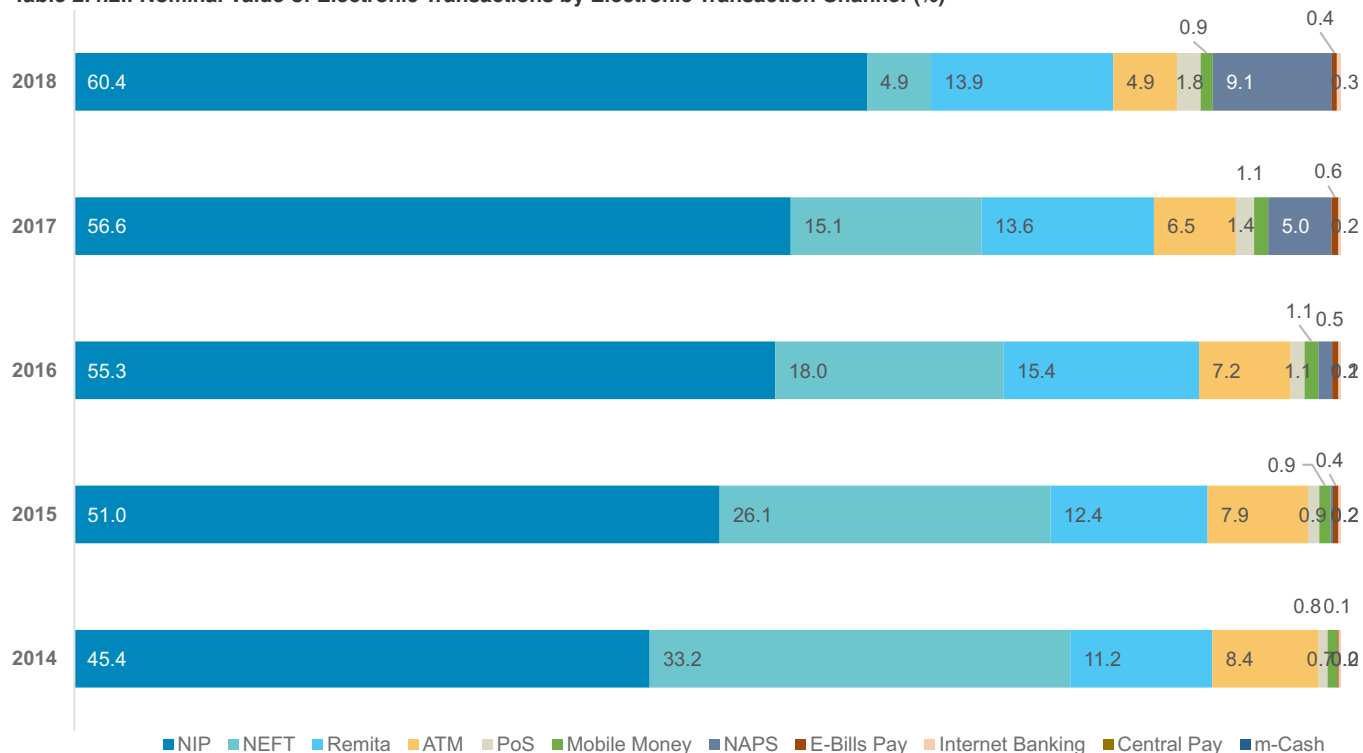
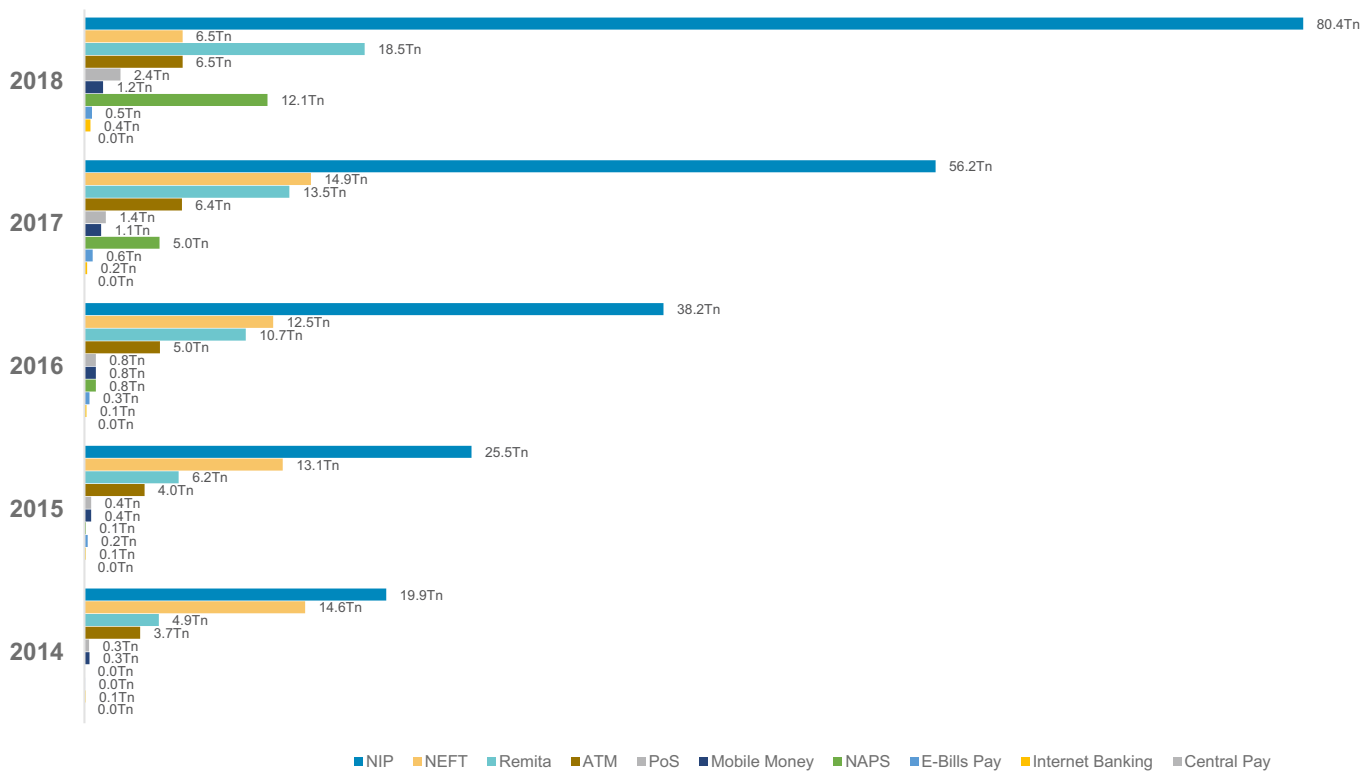


Table 2.4.2.: Nominal Value of Electronic Transactions by Electronic Transaction Channel (Naira)

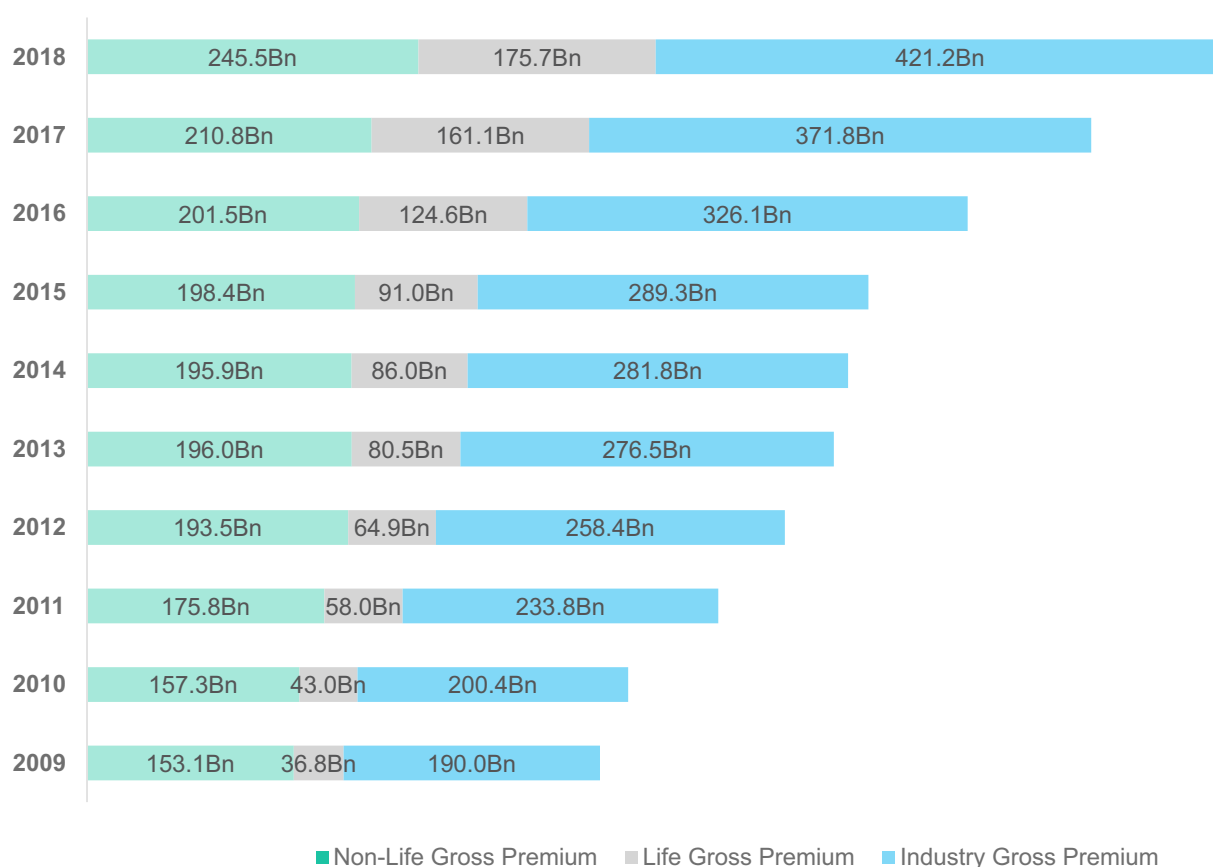


Source: Central Bank of Nigeria, Nigeria Inter-Bank Settlement System

2.5 Insurance Sector

The insurance sector's gross premium grew by 13.3 per cent to N421.2 billion as at end-December 2018, compared with N371.8 billion in 2017. Within the sector, growth in gross premium was witnessed in both sub-sectors, which comprise Non-life (General) and Life Insurance. The gross premium in the non-life sub-sector grew by 16.5 per cent, while the life sub-sector grew by 9.1 per cent during the review year. The respective shares of the non-life and life gross premium of the total industry's gross premium amounted to at 58.3 and 41.7 per cent, respectively, in 2018 (see Table 2.5.1.).

Table 2.5.1.: Industry Gross Premium by Insurance Type and Growth Rate, 2009 to 2018²



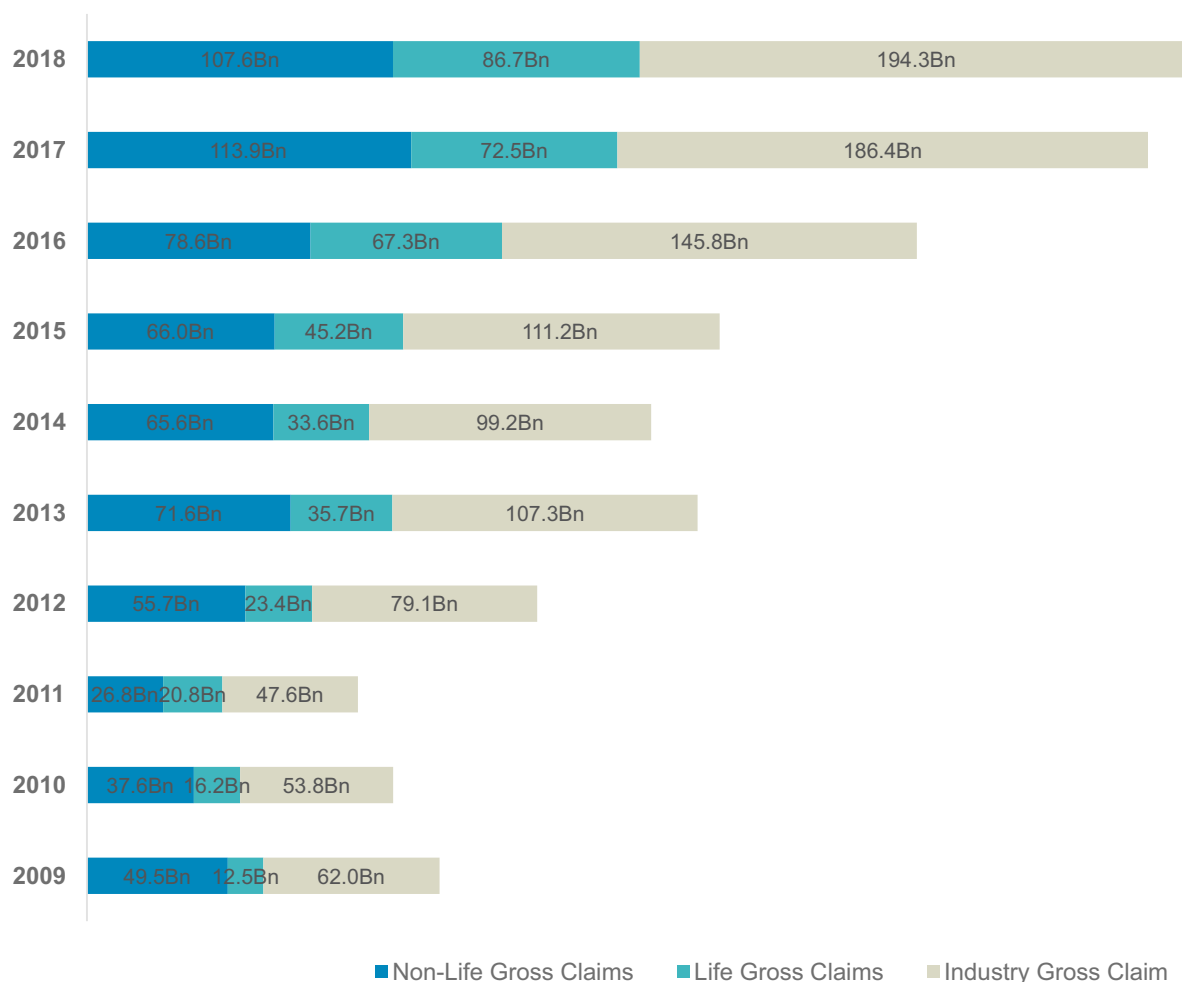
Source: Returns from the National Insurance Commission

“Insurance companies paid out claims worth N194.3 billion in 2018 compared to N186.5 billion paid out in 2017.”

In terms of claims settled by Insurance companies during the year, the companies paid out claims worth N194.3 billion in 2018, compared to N186.5 billion paid out in 2017. This represented a growth of 4.2 per cent, compared to the rate recorded in 2017. The marginal growth recorded during the period was attributed to the lag effects of the economic downturn that accompanied the recession, which ended the preceding year, as well as, increased penetration of the insurance industry driven by increased insurance products and financial inclusion (see Table 2.5.2.).

²Please note that 2018 data is provisional; 2016 and 2017 data has been updated from the 2017 Annual Report.

Table 2.5.2.: Industry Gross Claims Paid, by Insurance Type, and Growth Rate, 2009 to 2018³



Source: Returns from the National Insurance Commission

2.6 Pension Sector

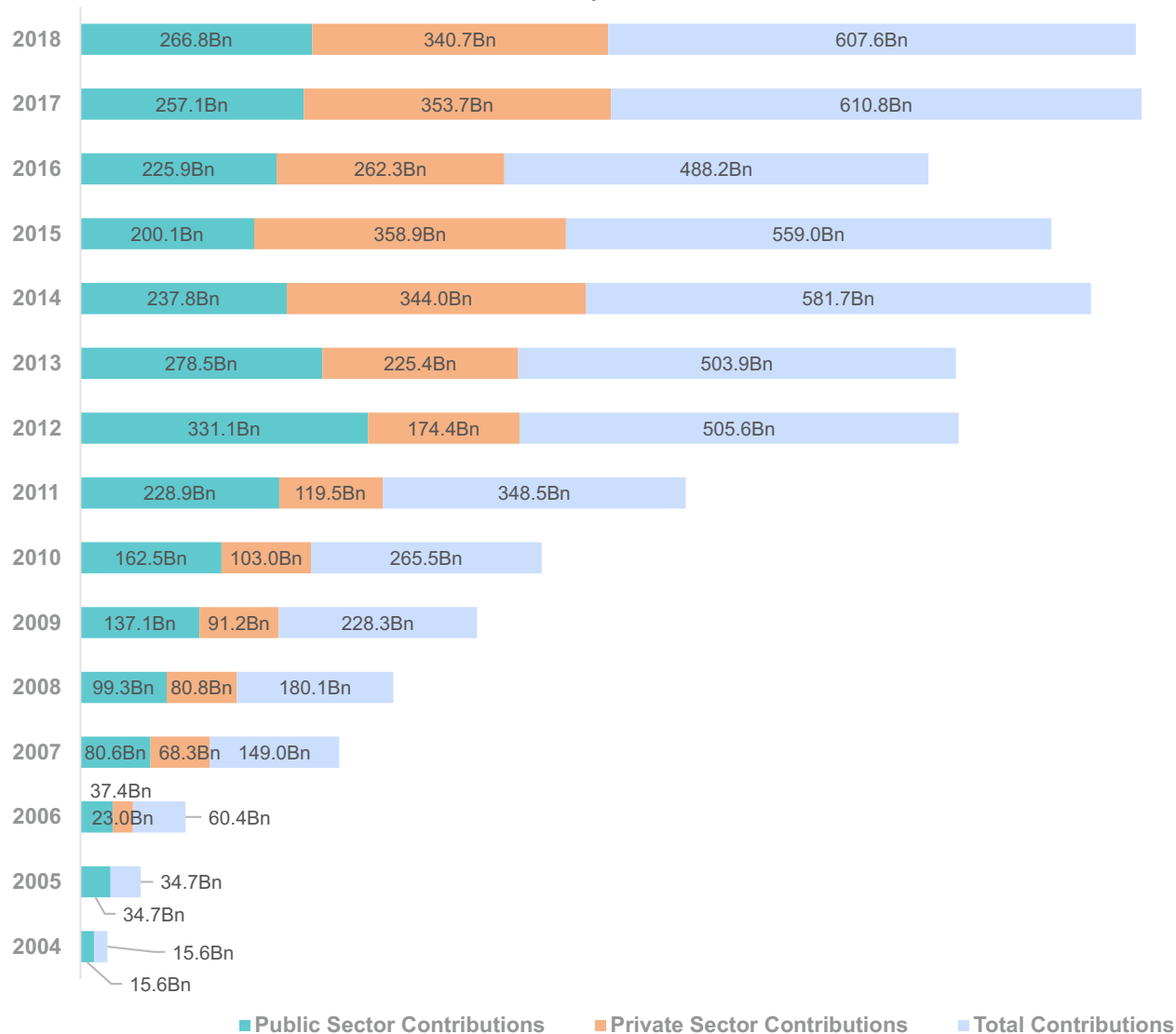
The total annual contributions made into the Contributory Pension Scheme (CPS) by employees and employers from both, the public and private sectors, amounted to N607.56 billion in 2018. This represented a decrease of 11.92 per cent compared to the contributions made in 2017. The decrease was due to a reduction in the volume of contributions made by the private sector which declined by 3.68 per cent in 2018 compared to the previous year. The decline in total contributions occurred despite an increase of 3.78 per cent recorded in public sector contributions during the year. Consequently, the share of public sector contributions to total contributions in 2018 stood at 43.9 per cent compared to 56.1 per cent for the private sector. (see Table 2.6.1.).

“The cumulative volume and value of traded securities were 101.15 billion shares and N1.19 trillion, respectively, in 1,048,776 deals.”

³ Please note that 2017 data is provisional.

⁴ The claims ratio is defined as the share of gross claims paid of gross premium income.

Table 2.6.1.: Annual Pension Contributions from 2004 to 2018, by Sector, in Billion Naira



Source: National Pension Commission

“The aggregate market capitalisation of the 286 listed securities fell by 3.6 per cent to N21.90 trillion, compared with the level in 2017.”

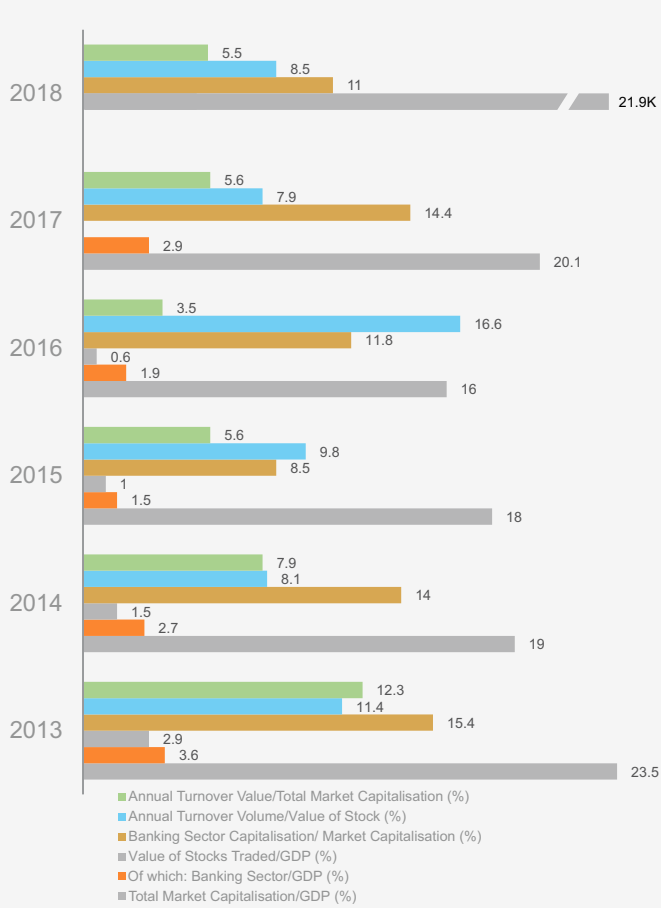
2.7 Capital Market Sector

Major capital market indicators in 2018 were bearish, as these indicators, with the exception of the market turnover volume, trended downward. This was on the account of perceived political risks, volatility in oil prices and rising global yields, which resulted in negative sentiments in the market.

As at end-December 2018, the cumulative volume and value of traded securities were 101.15 billion shares and N1.19 trillion, respectively, in 1,048,776 deals. The total volume of traded securities rose by 0.8 per cent, over the level of 100.31 billion shares in the preceding year, while the total value fell by 6.2 per cent, from N1.27 trillion in 837,421 deals. The bulk of the transactions was in equities, which accounted for 99.9 per cent, apiece, of both volume and value of traded securities, compared with 99.9 per cent and 99.8 per cent, respectively, in 2017.

The aggregate market capitalisation of the 286 listed securities fell by 3.6 per cent to N21.90 trillion, compared with the level in 2017. This reflected a decline in the value of securities across different asset classes (equities and ETF). Similarly, market capitalisation of the 169 listed equities fell by 13.9 per cent, compared with the level in 2017, to N11.73 trillion at end-December 2018.

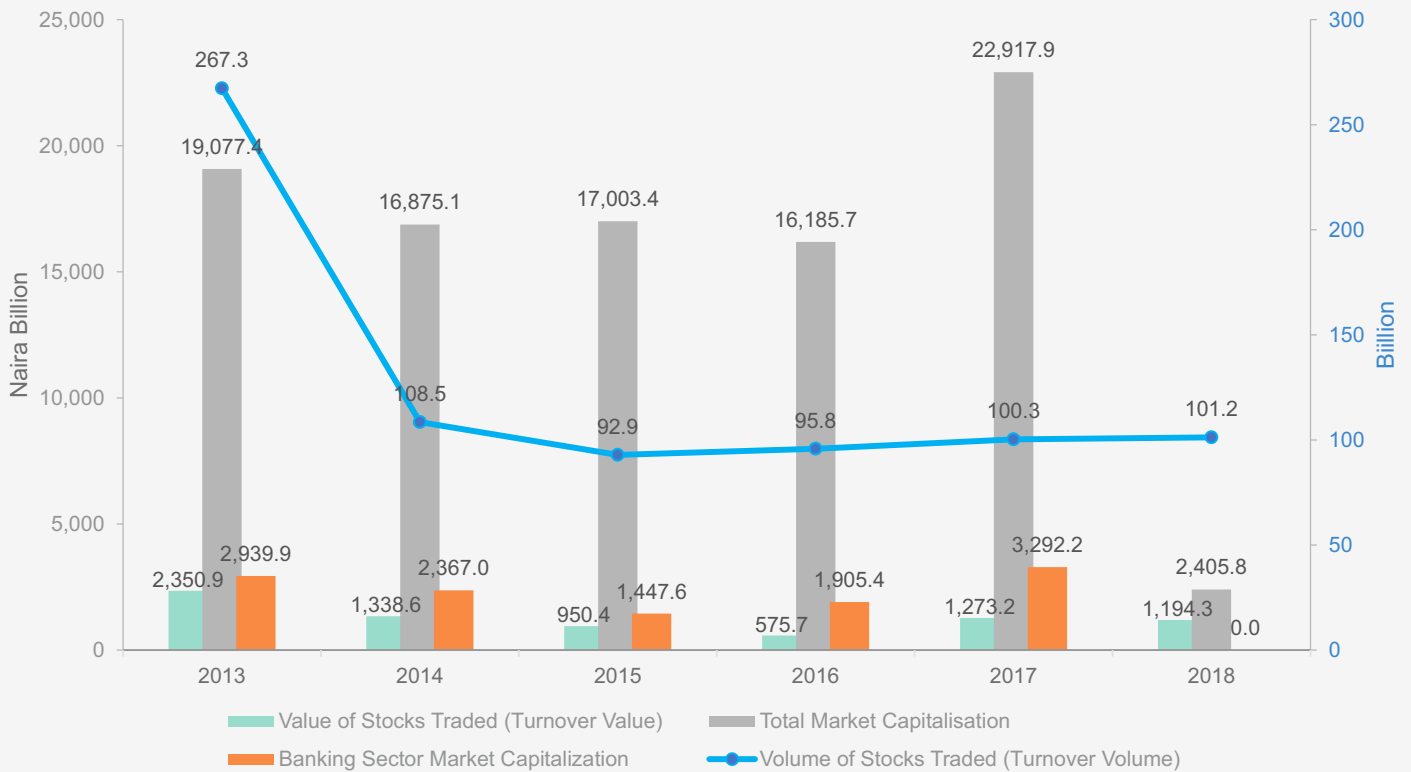
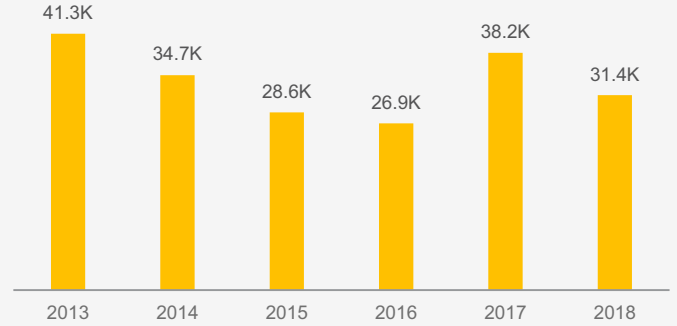
Table 2.7.1.: Indicators of Capital Market Developments in the Nigerian Stock Exchange, 2013 to 2018



Number of Listed Securities



NSE Value Index (1984=100)



Source: Securities & Exchange Commission

2.8. Informal Financial Sector

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

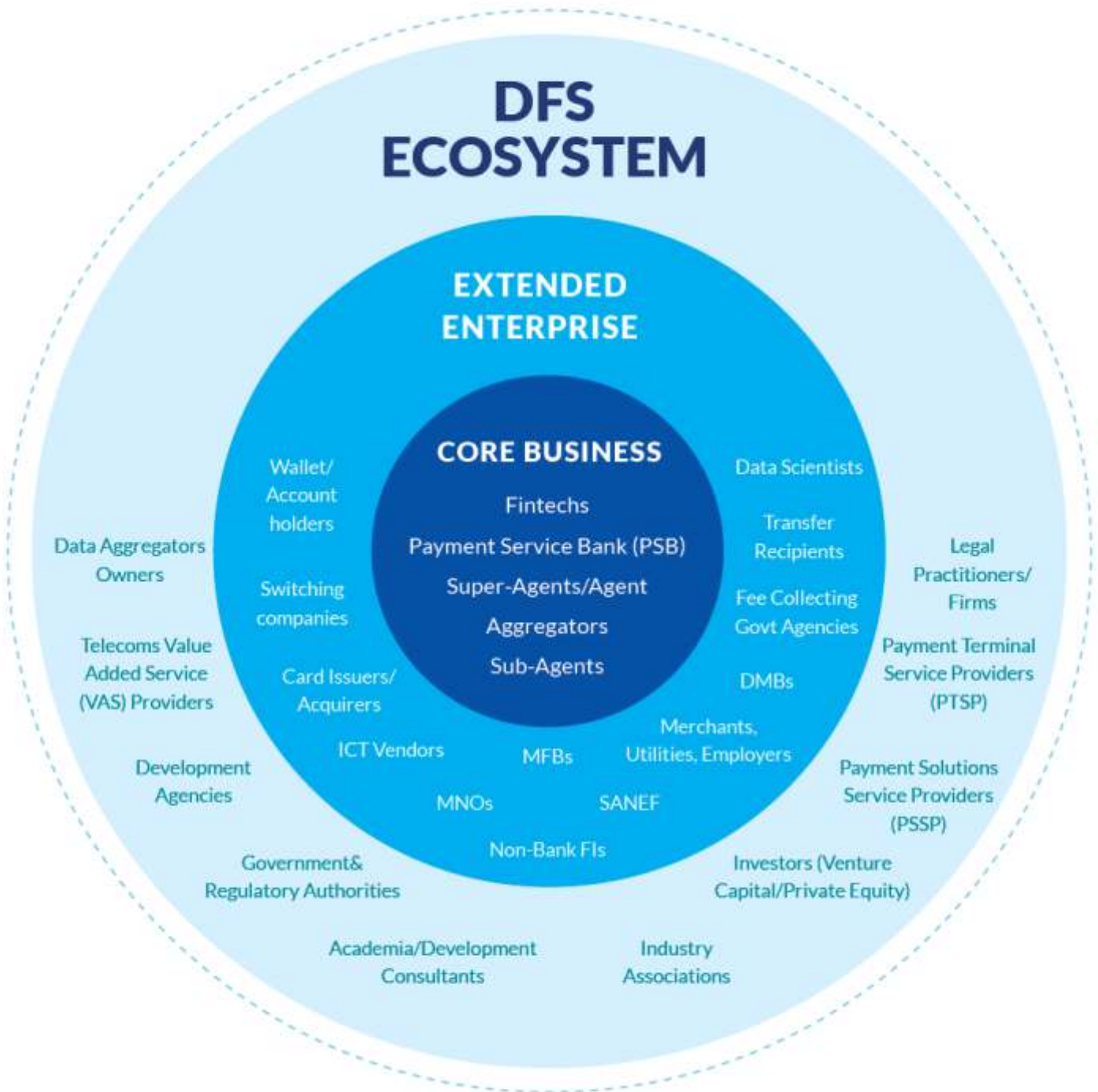
By and large, the informal sector employs the largest proportion of the labour force in Nigeria. Micro and Small businesses such as dress makers, hair dressers, shoe cobblers, small scale traders, car wash services and a host of other services are provided by the informal sector. In 2018, employment opportunity was boosted in the informal sector as the Federal Government implemented the "Tradermoni" empowerment programme, which is a loan given to micro and small traders to boost their economic activities. The Tradermoni scheme plans to extend business finance facility of NGN10,000 to at least 30,000 petty traders in each of the 36 States and the Federal Capital City. Beneficiaries would have access to higher loan values as they repay the initial facility.



Cross section of participants at the Plenary session of the Financial Inclusion Working Group meetings

⁵ IMF (2017) The Potential for growth and Africa's Informal Economy. Available on <https://blogs.imf.org/>

NIGERIA AT A GLANCE



Source: LBS State of the Market Report 2018

FINANCIAL INCLUSION STATE STEERING COMMITTEE (FISSCO) INAUGURATION NATIONWIDE



Dr. Abdul Zubair (Ag. Director-General, SEC) with Mr. Suleyman M. Dabai (Director, FSS2020) and Mr Alaka Kazeem (CBN Branch Controller, Portharcourt) at the South-South Regional Capacity Building for FISSCO members.



CBN Branch Controller, Jigawa with the Secretary to the State Government during the Jigawa FISSCO inauguration



CBN Branch Controller, Delta with some members during the Delta FISSCO inauguration



3.0

STAKEHOLDERS' ACTIVITIES

Financial Inclusion activities are executed through a broad range of stakeholders as articulated in the National Financial Inclusion Strategy. These group of stakeholders include: regulators, apex associations of FSPs, representatives of various financial consumer groups, the civil society and development partners.

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

This chapter highlights the activities of stakeholders and Committees for the reporting period

3.1 National Financial Inclusion Steering Committee (NFISC)

The Committee held its statutory meetings in July and December 2018 for the year under review and the following outcomes were achieved:

At the July 2018 meeting, the Committee considered and approved the following;

“The NFISC approved the publication of the Revised National Financial Inclusion Strategy document for implementation.”

- The 2017 Annual Report of the NFIS Implementation
- The Exposure Draft of the NFIS Refresh document was released for public comments
- Stakeholders charged with developing sector specific implementation plans in order to operationalize the refreshed National Financial Inclusion Strategy (NFIS).
- The Financial Inclusion Secretariat was charged with developing a guidance document to support agencies in the preparation of their NFIS implementation plans.
- The proposed Financial Inclusion Trust Fund should be reviewed for better alignment with the NFIS Refresh and the budget realities of members.

At the December 2018 meeting, the Committee considered and approved the following initiatives;

- The publication of the Revised National Financial Inclusion Strategy document for implementation
- The establishment of the Financial Inclusion Trust Fund with a contribution formula of 60% (shared by CBN, PENCOR, SEC, NIMC and NDIC) and 40% (shared amongst other Steering Committee members).
- The approval to organize the National Financial Literacy Stakeholders Forum in January, 2019.

3.2 National Financial Inclusion Technical Committee (NFITC)

The Committee held its quarterly meetings in March, June, September and November 2018 for the year under review with the following key outcomes:

“Reviewed and updated Terms of Reference of the Committee and its Working Groups and on-boarded new members to enhance Strategy implementation.”

- Reviewed and updated Terms of Reference of the Committee and its Working Groups and on-boarded new members to enhance Strategy implementation.
- Reviewed the outcome of the Exposure Draft of the revised NFIS and convened a Stakeholder Consultative Forum to consider input into the final version of the document.
- Inauguration of Financial Inclusion State Steering Committee (FISSCO) across the 36 states and the Federal Capital Territory to give effect to the approved financial inclusion state level implementation framework.
- The conduct of Regional Capacity Building workshops for the FISSCO members in six geo-political zones to support stakeholder implementation efforts
- Sensitization campaign on the National Collateral Registry in all geopolitical zones.
- Industry collaboration on a comprehensive study on USSD pricing with an aim to addressing the high and variable USSD cost that affects the financial inclusion drive.
- Industry collaboration with the Shared Agent Network Expansion Facility (SANEF) towards massive Agents and Bank Verification Number (BVN) rollout across the country.
- Considered the outcome of the 2018 Alliance for Financial Inclusion (AFI) Global Policy Forum and the Sochi Accord on Fintech for Financial Inclusion. The Committee also approved the convening of a Stakeholder Roundtable on emerging opportunities and risk on Digital Financial Services.

“The FICWG continued in its effort to facilitate engagement to harmonize USSD pricing.”

- Facilitated comprehensive roundtable discussion amongst relevant regulators and actors to address hindrances to the deployment of innovative insurance products.

3.3 National Financial Inclusion Working Groups

The four Working Groups defined and implemented their respective annual work plans. Their meetings held in April, June, September and November 2018. The major achievements of the Working Groups are as follows:

- 3.3.1 **Financial Inclusion Channels Working Group (FICWG):** Notable achievements by member institutions of the Working Group included proposal to CBN management to re-introduce the cashless policy to drive the adoption of digital financial services in Nigeria. Also, the group is sustaining in its efforts to facilitate engagement to harmonize USSD pricing and the use of airtime for payment of insurance premiums and has also presented a guideline for the monitoring and evaluation of SANEF to the CBN Management's approval.
- 3.3.2 **Financial Inclusion Literacy Working Group (FILWG):** Prominent milestones of the Group's activities during the review year included the approval of the Financial Education Strategy for implementation and the proposal for the Financial Literacy Conference scheduled to hold in January 2019. In addition, about 194,434 students were directly impacted by school reach out and mentoring activities, while 124,646 people directly benefited from mass sensitization efforts of member institutions.
- 3.3.3 **Financial Inclusion Products Working Group (FIPWG):** Remarkable achievements of the Working Group included securing approval of the National Economic Council (NEC) to commence the implementation of the proposed National ID card Ecosystem programme in Nigeria by the Nigerian Identity Management Commission and issuance of Super-Agent License to NIPOST.
- 3.3.4 **Financial Inclusion Special Interventions Working Group (FISIWG):** Under the NYSC Peer Educator Programme, 96,000 new accounts were opened with additional 694 Volunteer Corps Members (VCMs) trained in 2018 Batch C stream 1 totaling 3,894 trained VCMs. Also, a sub-committee on gender was set up to develop a framework to guide members in improving access to finance for women, while the Non-Interest Finance Association of Nigeria (NIFAN) was co-opted to help with regional challenges, especially with apathy for conventional financial products and services in the North.

There was a change in the leadership of the Working Groups, and the election of new Executives to lead strategy implementation for 2019 – 2020. The new executives are as follows:

Table 3.3.4.1: Schedule of Leadership for the Working Groups

Working Group	Outgoing Member Institution	Elect Member Institution
Channels	Chairperson: Fund Managers' Association of Nigeria (FMAN) Vice Chairperson: Banking & Payments System Department, CBN	Chairperson: Fund Managers' Association of Nigeria (FMAN) Vice Chairperson: Payment System Management Department CBN

“There was a change in the leadership of the Working Groups, and the election of new Executives to lead strategy implementation for 2019 – 2020.”

Product	Chairperson: Nigeria Deposit Insurance Corporation (NDIC) Vice Chairperson: Association of Licensed Mobile Payment Operators (ALMPO)	Chairperson: Cooperatives Financing Association of Nigeria (CFAN) Vice Chairperson: Financial Policy and Regulations Department (FPRD), CBN
Special Interventions	Chairperson: Enhancing Financial Innovation & Access (EFInA) Vice Chairperson: Bank of Industry (BOI)	Chairperson: Enhancing Financial Innovation & Access (EFInA) Vice Chairperson: Federal Ministry of Youth and Sports Development (FMYSD)
Financial Literacy	Chairperson: Consumer Protection Department, CBN Vice Chairperson: Federal Ministry of Finance (FMF)	Chairperson: Consumer Protection Department, CBN Vice Chairperson: Securities and Exchange Commission (SEC)



Presentation of the SANEF Plan to His Excellency, The Vice President Prof. Yemi Osinbajo

3.5 Providers

3.5.1 The Bankers' Committee

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

i. Shared Agent Network Expansion Facility (SANEF):

In March 2018, the CBN, in collaboration with the Body of Bank Chief Executive Officers (CEOs), unveiled the Shared Agent Network Expansion Facility (SANEF) as a medium-term

“In March 2018, the CBN and the Bankers' Committee unveiled the Shared Agent Network Expansion Facility (SANEF) and as at December 2018, SANEF reported that they had on-boarded over 90,000 agents.”



Cross-section of Nigerian Bank Chief Executive Officers at the formal launch of the Shared Agent Network Expansion Facility (SANEF)

“CFAN implemented its Cooperative Family Feeding Programme (CFFP) in 2018 which allows access to Food through a credit facility aimed at fighting extreme hunger and realizing SDG goals on zero hunger.”

intervention facility to leading CBN-licensed Super Agents and Mobile Money Operators (MMO) to finance the expansion of a Shared Agent Network and deploy agent banking facilities in underserved and financially excluded locations across the country.

The initiative entails the provision of a seed capital of N25,000,000,000 (twenty-five billion naira) by the CBN to facilitate the aggressive roll out of 500,000 shared agents across the 774 Local Governments in Nigeria to offer basic financial services.

SANEF was designed to facilitate access to basic financial services, such as Cash-in-Cash-out (CICO), funds transfer, bills payment, airtime purchase, government disbursements, as well as, remote BVN enrolment to an estimated 40 million Nigerians who are currently under-banked in Nigeria. As at December 2018, SANEF was reported to have on-boarded over 90,000 agents.

ii. Financial Literacy Programmes:

- 2018 Global Money Week: On the 15th March 2018, the Annual Global Money Week was celebrated by financial sector stakeholders across the country. Each bank chose five (5) schools in each of the six (6) geopolitical areas to educate the students on the benefits of a savings culture. The total number of students enrolled in the programme was 74,168 in the 523 schools visited.
- 2018 World Savings Day: The Deposit Money Banks (DMBs) along with all other financial sector stakeholders celebrated the 2018 Global World Savings Day on October 31, 2018. The aim of the celebrations was to reduce financial illiteracy and enable students develop skills necessary to make smart financial decisions throughout life. Approximately 53,000 students participated in the programme.

iii. Innovative Outreach Centers:

Deposit Money Banks established cluster markets across campuses and rural neighborhoods to help drive financial inclusion through campaigns in densely populated areas and in major markets nationwide. Target groups included traders, students, farmers, artisans, amongst others. In addition, financial inclusion centers were established to provide account opening services, credit access information and other financial services to women and unbanked communities.

“The CBN released the Payment Service Banks (PSBs) guidelines during the year under review”

“ The CBN, in collaboration with Bankers' Committee and the Nigerian Postal Service (NIPOST) established the NIRSAL Microfinance Bank ”

3.5.2 The National Association of Microfinance Banks (NAMB):

In line with the KYC policy of the Bank, MFBs across the country were scaled up to facilitate their participation in the ongoing BVN capturing exercise. During the year under review, over 400 BVN capturing devices were acquired by MFBs with support from CBN.

3.5.3 The National Co-operative Financing Agency of Nigeria (CFAN):

The Agency implemented its Cooperative Family Feeding Programme (CFFP) in 2018, which allowed access to food through a credit facility targeted at tackling extreme hunger and realization of the SDG goal on zero hunger. The programme was designed to enhance the agricultural value chain starting with cultivation, processing, packaging, marketing, distribution and consumption. The Agency also provided education finance, in form of school fees loans, to parents, school working capital to owners of schools and loans to workers of schools.

3.5.4 Fund Managers Association of Nigeria (FMAN):

In 2018, the Association received approval to improve distribution channels for capital market products and services in the country. It also conducted awareness sessions with stakeholders within the sector to present details of the retail initiative and operational guidelines.

3.6 Enablers

3.6.1 Central Bank of Nigeria

During the year under review, the Central Bank of Nigeria embarked on various initiatives and policies geared towards accelerating financial inclusion in the country. Some of the major initiatives included:

3.6.1.1 Release of the Guidelines for Licensing and Regulation of Payment Service Banks:

In a bid to leverage mobile and digital platforms to deepen financial inclusion in the country, the CBN released the Payment Service Banks (PSBs) guidelines during the year under review. The Guidelines enabled selected companies, licensed as PSBs, to provide payment and remittance services, issue debit and prepaid cards, invest in Federal Government and CBN's securities and provide deposit products to micro, small businesses and low income households, as well as, perform any other eligible activities as may be stipulated in the Guidelines for the licensed PSBs.

3.6.1.2 Establishment of the NIRSAL Microfinance Bank

In order to ensure the presence of at least one financial service access point in all local governments across the country, so as to deepen access to finance for smallholder farmers and MSMEs, the CBN, in collaboration with Bankers' Committee and the Nigerian Postal Service (NIPOST), established the NIRSAL Microfinance Bank, as a nationally licensed microfinance bank in December, 2018. The MFB will leverage the extensive network of NIPOST to provide financial services in the 774 local government areas of the country.

3.6.1.3 The Launch of Agri-Business Small & Medium Enterprise Investment Scheme

The Agri-Business Small and Medium Enterprise Investment Scheme (AGSMEIS) was launched as a voluntary financing initiative of the Bankers' Committee in April 2018. It is aimed at supporting the federal government's efforts and policy measures to facilitate access to low-cost credit by micro, small and medium enterprises (MSMEs).

It requires all banks to set aside 5 per cent of their profit after tax (PAT) annually. The amount investible in any enterprise shall be limited to a maximum of N2 billion.

3.6.1.4 Recapitalization of Microfinance Banks

To further strengthen the microfinance sub-sector and reposition microfinance banks (MFBs)

“ The Agri-Business Small and Medium Enterprise Investment Scheme (AGSMEIS) was launched by the Bankers' Committee in April 2018. ”

towards improved performance and ultimately promote a sound financial system, the CBN, on October 22, 2018, announced an upward review of the capital requirements of microfinance banks with effect from April 01, 2020.

Details of the review are provided in table... below

Table 3.6.1: Capital base Requirement for MFBs

MINIMUM CAPITAL REQUIREMENTS (N MLN)				
	PREVIOUSLY	FROM 04/2020	FROM 04/ 2020	FROM 04/2021
		<i>Announced in 10/18</i>	<i>Announced in 03/19</i>	<i>Announced in 03/19</i>
Unit	20	100	Tier 2: 35	Tier 2: 50
			Tier 1: 100	Ter 1: 200
State	100	1,000	500	1,000
National	2,000	5,000	3,500	5,000

Source: CBN

3.6.1.5 The Geospatial Mapping of Financial Access Points

The Geospatial Mapping Survey of financial access points was undertaken in Nigeria to provide a visual representation of the financial services landscape, by identifying where active and inactive financial access points are located across the country, so that financial institutions can make more evidence-based decisions on where to situate or locate their services. The interactive map helped identify gaps in access to financial services, assist in designing financial inclusion policy and to inform decision making.

3.6.2 National Pension Commission

In September 2018, the National Pension Commission (PENCOM) released the guidelines for the Micro Pension Plan. The Plan provides a framework for the participation of the self-employed and persons operating in the informal sector in the pension scheme which was previously not allowed.

Accordingly, a micro pension contributor is expected to open a Retirement Savings Account (RSA) with any pension fund administrator (PFA), make contributions into their RSA (in accordance with the guidelines) and make contingent withdrawals, amongst others.

Additionally, the PENCOM engaged various tertiary institutions to introduce Pension Administration courses in order to educate students on pension management. In furtherance of this, the Commission signed Memorandum of Understanding (MoU) with Ahmadu Bello University, Zaria and the University of Lagos on the introduction of a Pension Administration course in their respective academic curriculum to be implemented in 2019.

3.6.3 National Insurance Commission

In its bid to improve insurance service delivery in the country, the National Insurance Commission (NAICOM) conducted interactive sessions with major consumers of insurance products during the year under review. The sessions aimed to improve the level of financial literacy especially on the benefits of insurance.

“In September, 2018, the National Pension Commission (PENCOM) released the guidelines for the Micro Pension Plan.”

“NCC signed an MoU with CBN to boost mobile money service penetration in the country”

Similarly, in September 2018, NAICOM facilitated a capacity building workshop in FCT, Abuja, on the Implementation of the Islamic Finance Services Board (IFSB) Standards and effective supervision and regulation of Takaful Insurance Industry.

Furthermore, the Commission, in conjunction with Almond Productions Limited, convened the 2018 edition of Insurance Consumers Forum (ICF) in November 2018. The ICF provided a platform for interaction between Insurers and consumers on issues bothering on customer service delivery.

3.6.4 Securities and Exchange Commission

The Securities and Exchange Commission (SEC), during the year under review, conducted investors' sensitization programmes as part of its commitment towards achieving 80 per cent financial inclusion by year 2020. The sensitization programmes were aimed at commemorating the 'World Investor Week' (WIW) - a global event initiated by the International Organization of Securities Commission (IOSCO) to educate and enlighten investors, particularly, the low-income population.

Furthermore, to inculcate the culture of financial literacy and deepen awareness of the capital market, the SEC engaged the Nigerian Educational Research and Development Council (NERDC) to develop a stand-alone Capital Market Studies (CMS) curriculum for infusion into basic and senior secondary schools as part of its 10-year Capital Market Master Plan. In furtherance to this, the SEC conducted a workshop on Content Selection in 2018.

3.6.5 The Nigerian Communications Commission

Some of the financial inclusion activities of the Nigerian Communications Commission (NCC) in 2018 included:

- The signing of MoU with CBN to boost mobile money service penetration in the country.
- Conclusion of a study on Mobile Termination Rate to determine the cost of Unstructured Supplementary Service Data (USSD) in Nigeria.

3.6.6 Nigeria Deposit Insurance Corporation

The Nigeria Deposit Insurance Corporation (NDIC), in December 2018, was granted full membership of the Islamic Financial Services Board (IFSB) by its Council. The membership will improve the Corporation's capacity to supervise and regulate the operators of non-interest banking and finance in Nigeria.

The Corporation also conducted a workshop themed 'Financial Inclusion, Consumer Protection and Evolution of Virtual Currencies in Nigeria' for financial journalists and business editors to deliberate on ways to protect consumers and ensure confidence in the financial system.

3.6.7 National Identity Management Commission

A major milestone for the NIMC during the year under review was the approval of the implementation of its Strategic Roadmap for Digital Identity Ecosystem in Nigeria by the Federal Executive Council (FEC). As identified in the National Financial Inclusion Strategy, low penetration of national identity remains a key barrier to financial inclusion. The Roadmap was set to harmonize existing capabilities and infrastructure of government agencies and private sector to enroll citizens and legal residents nationwide into the national ID database. With the approval of the Roadmap, NIMC will have the powers to enforce the use of National Identity Number (NIN).

“A major milestone for the NIMC during the year under review was the approval for the implementation of its Strategic Roadmap for Digital Identity Ecosystem in Nigeria by the Federal Executive Council (FEC).”

“From inception till date, a total of 3,894 Volunteer Corp Members (VCM) have been trained under the National Peer Group Educator Programme (NAPGEP) on Financial Inclusion.”

3.6.8 Federal Ministry of Youth and Sports Development

In collaboration with the National Youth Service Corps (NYSC), the Ministry's National Peer Group Educator Programme (NAPGEP) on Financial Inclusion for Volunteer Corp Members (VCM) opened 96,000 new accounts with additional 694 VCMs trained in 2018. From inception till date, a total of 3,894 VCMs have been trained under the programme.

The NAPGEP on Financial Inclusion for VCMs was designed to enable the Corp Members reach out to their peers, MSMEs and farmers, through education, sensitization and advocacy programmes during their Community Development Service days.

3.6.9 Nigeria Postal Service

During the year under review, NIPOST conducted the following activities towards the achievement of the National Financial Inclusion Target:

- Deployment of ATMs and POS: NIPOST has commenced mounting of ATMs in major post office locations to enable people in underserved areas have access to financial services and also encourage cashless transactions.
- Approval- in -principle to operate as a Super-Agent: NIPOST has been granted approval-in-principle to operate as a super-agent by the CBN. With the approval, NIPOST can offer cash-in-cash-out (CICO) services at their agent locations.
- Partnership on Establishment of NIRSAL Microfinance Bank: NIPOST signed an MoU with the Bankers' Committee and CBN to leverage their presence in 774 local governments to host the NIRSAL Microfinance Bank.

“NIPOST has been granted approval-in-principle to operate as a super-agent by the CBN.”

3.7 Supporting Institutions

3.7.1 The Alliance for Financial Inclusion (AFI)

AFI and the Bank of Russia co-hosted the 2018 Global Policy Forum (GPF) in Sochi, Russia from the 5th - 7th September 2018. The event, which marked the 10th Anniversary of AFI as an organization as well as the 10th GPF edition was themed **“Innovation, Inclusion, Impact”**.

During the Forum, the AFI's Membership Council endorsed the Sochi Accord on FinTech for Financial Inclusion. The CBN was nominated for the Maya Declaration Award and also received a Special Recognition Award, an AFI Medallion for its contributions to the global network as host of Financial Inclusion Knowledge Exchange programmes.

“The CBN was nominated for the Maya Declaration Award and also received a Special Recognition Award, an AFI Medallion for its contributions to the global network as host of Financial Inclusion Knowledge Exchange programmes.”

3.7.2 Enhancing Financial Innovation & Access (EFInA)

EFInA, a financial sector deepening agency in Nigeria that conducts biennial surveys to determine, measure, benchmark, and profile levels of access to financial services by all Nigerian adults.

The organization released the results of its 2018 Access to Financial Services (A2F) survey in Nigeria, which showed a moderate improvement in the level of financial inclusion from 58.4 per cent in 2016 to 63.2 per cent in 2018.

3.7.3 Deutsche Gesellschaft Fuer Internationale Zusammenarbeit (GIZ)

During the year, GIZ collaborated with the CBN and other stakeholders to review the content of various financial education materials being used to drive financial literacy, and initiated the development of an eLearning platform on financial literacy for trainers and multipliers. GIZ has

“EFInA released the results of the 2018 Access to Financial Services (A2F) survey. The result showed a moderate improvement in the level of financial inclusion from 58.4 per cent in 2016 to 63.2 per cent in 2018.”

been supporting the Federal Ministry of Youth and Sports Development, CBN and other stakeholders to develop an implementation strategy for the NAPGEP. The capacity of 28 public, private and civil-society agencies was built to provide financial literacy trainings to 52,790 beneficiaries. The eLearning course SMEsabi was developed and piloted to strengthen the entrepreneurial capacity of (micro-)businesses. GIZ also supported the Bank of Industry in a review of their agriculture mechanization loan.

3.8 Financial Inclusion State Steering Committee (FISSCO)

The FISSCOs, which are the financial inclusion governing committee at the state level, were inaugurated in January 2018 to coordinate activities of financial inclusion stakeholders. Since inauguration, the FISSCOs have carried out some activities towards deepening financial inclusion considering the peculiarities of their states. A summary of their key activities is presented in the appendices.



Cross section of participants at the Plenary session of the Financial Inclusion Working Group meetings

AFI INCOUNTRY PEER ADVISORY VISIT ON FINANCIAL INCLUSION TO NIGERIA.



Decoration of the AFI Capacity Building Manager as a Financial Inclusion Champion



Field visit to LAPO Microfinance Bank



Field Visit to Teasy Mobile

STAKEHOLDER WORKSHOPS



Stakeholder Workshop

STAKEHOLDER WORKSHOPS



STAKEHOLDER WORKSHOPS



STAKEHOLDER ENGAGEMENTS



Financial Inclusion Outreach programme



Launch of the AGSMEIS to enhance access to Credit



CBN Governor and Management staff at the official launch of the Agric-Business Small and Medium Enterprise Investment Scheme (AGSMEIS)

GOVERNING COMMITTEE MEETINGS



Mr. Godwin Emefiele - CBN Governor, Mrs. Aishah Ahmad - Deputy Governor, Financial System Stability (CBN), and Prince Aghatise Erediauja - Executive Director, Operations (NDIC) at the 6th Steering Committee meeting in Abuja.



Director General, NIMC - Engr. Aliyu Aziz, Permanent Secretary Federal Ministry of Youth and Sport Development - Mr Olusade Adesola, Deputy Director, NDIC - K. O. Nwaigwe and other members at the 7th Steering Committee meeting.



DG, FSS - Mrs. Aishah Ahmad and a cross-section of Directors at the 15th Technical Committee meeting

NYSC Peer Educator Programme on Financial Inclusion



Volunteer Corps Members educating their host communities on financial inclusion and literacy during their Community Development Service (CDS)

NYSC Peer Educator Programme on Financial Inclusion



Volunteer Corps Members educating their host communities on financial inclusion and literacy during their Community Development Service (CDS)



4.0

STRATEGY IMPLEMENTATION PROCESS

This chapter presents the statistical measure of progress made during the year under review. The measurement is presented under three sub-headings, namely: Products, Channels and Enablers. Two major data sources were used. The first is the demand-side data source which draws heavily from the Access to financial services survey conducted by EFINA every 2 years

The 2018 edition of the EFlNA Access to financial services in Nigeria survey was published in December 2018 although data collection exercise held from June to September of the same year. The second data source was the supply-side data derived from the statutory returns submitted by service providers to their respective regulatory agencies.

4.1 PRODUCT INDICATORS

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

4.1.1 Electronic Payments

Key activities in 2018

In 2018, the Central Bank of Nigeria released the guidelines for licensing and regulation of Payments Service Banks in Nigeria. The PSBs are expected to leverage on mobile and digital services to enhance financial inclusion and stimulate economic activities at the grassroots through the provision of financial services.

Status and Trends in 2018

The demand-side data shows a marginal improvement in the proportion of adult Nigerians who used electronic payment products from 38% in 2016 to 40% in 2018. The 2018 A2F reports reveal that about 16% of the adult Nigerian population made at least one digital payment for goods and services, up by 3.3% from 2016. Similarly, a growth in the registered users of Mobile Money between 2016 and 2018 from 0.8% to 1.7% reflects a deepening rather than an expansion as the uptake of Mobile Money services remains amongst already banked populations.

On the other hand, the supply-side shows the proportion of adults who owned a regulated financial product that can be used for electronic payment rose to 36.2% (36.1 million) from 31.3% (31.0 million) in 2017. The actual volume and value of electronic transactions was 217 million and NGN13.7 trillion respectively which is an increase of 10% and 15% over the 2017 figures.

Further analysis reveals the highest volumes of transactions were done mostly through Point of Sale (POS), Automated Teller Machines (ATMs), NIBSS Instant Payment (NIP), Electronic Bills Payment (E-Bills), Mobile Money and Web Payment.

From both sources of data, Nigeria lags behind the 2018 targets of 63.2% for electronic payments despite significant progress made in policy changes.

“The 2018 A2F reports reveal that about 16% of the adult Nigerian population made at least one digital payment for goods and services, up by 3.3% from 2016.”

⁶ EFlNA Access to Financial Services Survey, 2018.

⁷ EFlNA survey holds every 2 years. There was no survey in 2017.

Figure 4.1: Status of the Channel Key performance indicators as at December 2018

Definition of Indicator	Baseline 2010	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Target 2018	Trend 2017 - 18	Status	Target 2020
Payment % of adult population having a payment product with a formal financial institution	22.0%	24.0% (23.0m Adults)	23.6% (22.6m Adults)	28.0% (27.2m Adults)	31.3% (31.0m Adults)	36.2% (36.1m Adults)	63.2% (64m Adults)	↑		70.0% (74.1m Adults)
Savings % of adult population having a savings product with a formal financial institution	24.0%	15.0% (14.0m Adults)	23.6% (22.6m Adults)	28.0% (27.2m Adults)	31.3% (31.0m Adults)	36.2% (36.1m Adults)	52.8% (53.5m Adults)	↑		70.0% (63.5m Adults)
Credit % of adult population having borrowed or paid back a loan through a regulated financial institution over the last 12 months	2.0%	1.1% (1.0m Adults)	3%* (2.2m Adults)	1.8% (1.7m Adults)	5.4% (5.4m Adults)	5.5% (5.5m Adults)	34.4% (34.8m Adults)	↑		40.0% (42.3m Adults)
Insurance % of adult population covered by a regulated insurance policy	1.0%	1.0% (6.6m Adults)	1%* (7.2m Adults)	1.8% (1.7m Adults)	1.1% (1.2m Adults)	2.0% (2.15m Adults)	32.4% (32.8m Adults)	↑		40.0% (42.3m Adults)
Pensions % of adult population registered with a regulated pension scheme	5.0%	6.8% (6.4m Adults)	7.5% (7.2m Adults)	7.9% (7.6m Adults)	8.4% (8.4m Adults)	8.5% (8.5m Adults)	32.4% (33.2m Adults)	↑		40.0% (42.3m Adults)

Based on the 2018 Biennial Access to Financial Services in Nigeria Survey by EFINA

Way forward and Future outlook

“There was however a rise in informal savings – In 2018, 42.7% of respondents saved with informal savings groups, higher than 31.4% in 2016.”

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

4.1.2 Savings

The 2018 demand-side survey data showed an overall decline of 13.3% in savings with formal institutions (Banks) from 40.7% in 2016 to 38.3% in 2018. Other formal (non-bank) savings also declined from 12.3% to 9.7% in the period under review. There was, however, a rise in informal savings – In 2018, 42.7% of respondents saved with informal savings groups, higher than 31.4% in 2016. Overall, savings declined to 24% in 2018 from 36% in 2016 (EFInA2F 2018).

“Total number of BVN registered as at December 2018 was 36.2 million out of which 14.9 million were owned by female (18 years and above).”

PRODUCT INDICATORS	2016	2017	2018	CHANGE (2017-18)
Current accounts – total no. held by DMBs/MFBs ('000)	12,670	16,157	15,856	-2%
Savings accounts - total no. held by DMBs/MFBs ('000)	75,329	87,146	97,710	+12%
BVN registered in Nigeria - men	2,781	18,733	21,218	+13%
BVN registered in Nigeria – women	1,940	12,679	14,951	+18%
Credit Accounts – total no. held by DMBs/MFBs ('000)	5,808	5,333	5,437	+2%

⁸ Any other form of payment other than cash was considered as electronic. For example, use of Cheques, NEFT, ATM, POS, Internet, mobile NIP, m-cash, EBillsPAY, Remita, NAPS and Central-pay channels were all considered.

⁹ (NIBSS E-Payment channels in the Nigerian Banking Sector 2018)

¹⁰ This was estimated by the number unique adults who own a deposit account in a regulated financial institution such as commercial and microfinance banks. People who own mobile wallet only are excluded from this figure.

“The number of Nigerians contribution to the Pension scheme, supervised by the National Pension Commission stood at 8.47 million.

”

The proportion of adults who owned savings products also increased to 36.2% in 2018 (36.1 million) from 31.3% (31.0 million) in 2017. As at December 2018, the banking industry reported a total of 123 million accounts in commercial and microfinance banks (15.1 million of these accounts are held by microfinance banks). Total number of BVN registered as at December 2018 was 36.2 million out of which 14.9 million were owned by female (18 years and above).

Way forward and Future outlook

Access to formal savings represents the first point of contact for the unbanked to enter the formal financial system. Looking to the 2020 targets, at least 16.5 previously unbanked Nigerians need to be formally included in the financial system to achieve 80% financial inclusion. Of this number, 8.3 million adults are expected to open accounts and start saving in 2019.

Total number of accounts held by DMBs and MFBs

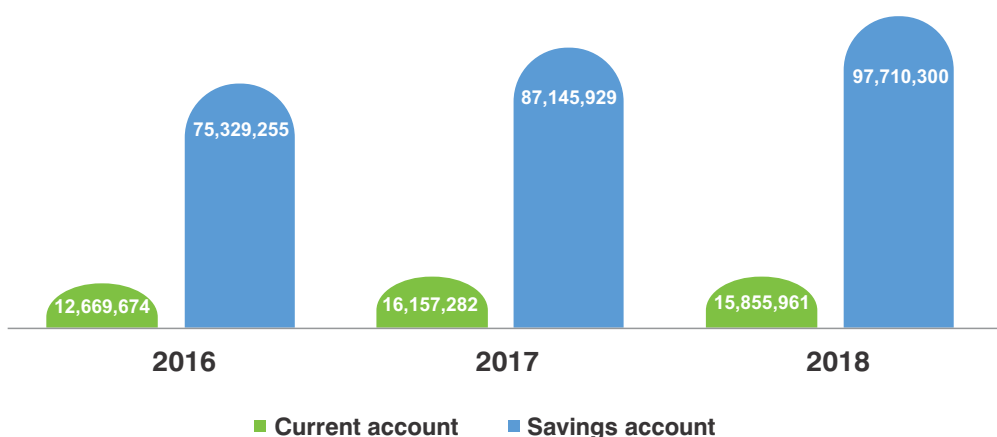


Figure 4.1: Total number of savings and current accounts in Nigeria. Source: CBN

Total number of BVN registered in Nigeria

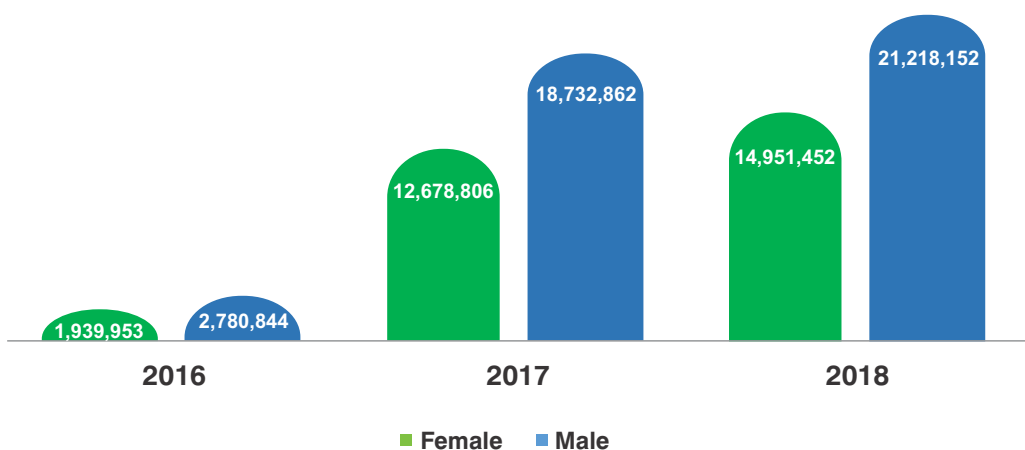


Figure 4.2: Total number of BVN registered in Nigeria. Source: NIBSS, Lagos.

“ In 2018, 69% of the adult population reported not borrowing within the year.”

4.1.3 Credit

Key activities in 2018

Several interventions/schemes by the Central Bank of Nigeria in 2018 supported increased access to affordable loans to MSMEs at affordable rates. The Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS) launched in 2017 granted credit to 509 enterprises in 2018 with a total of N414,926,386 disbursed.

Status and Trends in 2018

The lack of access to credit remains a huge barrier for many entrepreneurs looking to grow their businesses sustainably. In 2018, 69% of the adult population reported not borrowing within the year. Of those who did borrow, 4.3% took loans from the bank, 4% from other formal financial institutions, 23.2% from informal financial services providers and 77.7% from family and friends. (EFInAA2F 2018).

“ Non-performing loans in the banking sector as a percentage of total loans granted in the fourth (4th) quarter, 2018 was 11.6% down from 14.81% in the corresponding period of the previous year.”

Supply-side data on access to loans shows that banking sector credit to private sector declined year-on-year by 3.85% between Q4 2017 and Q4 2018. Data also showed that non-performing loans in the banking sector as a percentage of total loans granted in the fourth (4th) quarter, 2018 was 11.6% down from 14.81% in the corresponding period of the previous year.

From the industry data, the total number of credit accounts recorded in 2018 was 5.43 million accounts made up of 1.7 million accounts in DMBs and 3.72 million accounts in MFBs. This is estimated to be about 5.5% of total adult population. The Strategy planned to achieve a 34.4% Credit target in 2018. This progress made in the review period shows that the country lags behind the year's target.

Way Forward and Future Outlook

In order to facilitate improved access to credit to the unbanked, interventions must focus specifically on the vulnerable segments identified in the revised NFIS. Women, youth, rural dwellers, indigenes of the North East and North West and MSMEs must be given priority and specifically mentioned in guidelines of schemes and interventions to support improved uptake of credit by these groups.

Total number of Credit accounts held in DMBs and MFBs

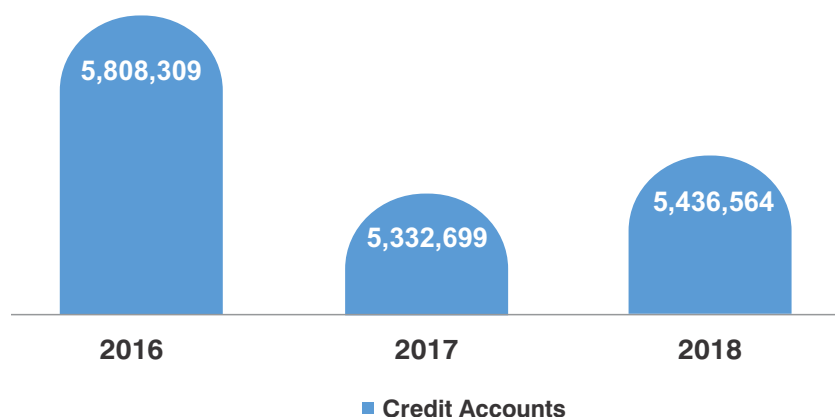


Figure 4.3: Total number of Credit accounts held in DMBs and MFBs

¹¹ (Selected Banking Sector Data, NBS 2018)

¹² It is assumed that there is a one-on-one correspondence between number of credit accounts and number of individuals who own the accounts.

“Insurance penetration remains significantly subpar as only 2% of the Nigerian adult population had access to Insurance in 2018.”

“The total number of adults issued with a National Identity Number (NIN) as at December, 2018 stood at 33.7million.”

“According to the EFINA access to Financial Services Survey, in December 2018, there were 5.3 Bank branches per 100,000 adults in 2018.”

4.1.4 Insurance

Insurance penetration remains significantly subpar, as only 2% of the Nigerian adult population had access to Insurance in 2018. In absolute terms, as at June 2018, the number of insurance policies stood at 794,960 up by only 15.7% from December of the preceding year with 686,957 corporate insurance policies. Non-corporate insurance policies declined from 1,153,502 in December 2017 to 119,121 as at June 2018. The variance of 38% between the 2018 insurance penetration of 2% and the 2020 target of 40% presents an opportunity for intensified efforts by insurance operators to innovate and develop appropriate products and services.

4.1.5 Pension

In the period under review, the number of Nigerians contributing to the Pension scheme, supervised by the National Pension Commission, stood at 8.47 million. Further analysis of the contributors showed 2.47 million female contributors and 5.93 million male contributors. Breakdown of the contributions by product reveals that the Retirement Savings Account (RSA) had the highest contribution at 8.41 million while the closed Pension Fund Administrators (CPFA) had 23,332 and Approved Existing Scheme (AES) stood at 40,951.

4.2 Channels


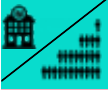



4.2.1 Bank Branches

As at December 2018, the total number of Commercial Banks stood at 24, one less than the corresponding period of the preceding year. The total number of active branches was 4,752 in 2018 up from 4,763 in 2017, while the number of cash centers remained 712 in 2018 from 686 in the previous year. According to the EFINA access to Financial Services Survey, in December 2018, there were 5.3 bank branches per 100,000 adults in 2018. This number increased marginally from 5.1 in 2016.

4.2.2 Microfinance Bank Branches

The advent of Digital Financial Services (DFS) provides the impetus for deemphasizing the increase in the number of branches. As at December 2018, the number of Microfinance Banks decreased to 898 from 1,002 in December 2017. Similarly, the total number of MFB branches also decreased from 2,271 in December 2017 to 2,044 in December 2018. The number of MFB branches per 100,000 adults in 2018 stood at 2.0 as opposed to 2.3 per 100,000 adults in 2017. The recapitalization exercise embarked upon will support the banks in meeting the critical targets set out in the Microfinance Policy and as well, support the achievement of the targets in the NFIS 2.0.

Figure 4.6: Key performance indicators for Channels of distribution

Definition of Indicator	Baseline 2010	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Target 2018	%Achieved 2018	Trend 2017 - 18	Status	Target 2020
 Commercial Bank Branches per 100,000 Adults	6.8	5.9 (5,508 Branches)	5.7 (5,462 Branches)	5.6 (5,446 Branches)	5.5 (5,470 Branches)	4.8 (4,752 Branches)	7.5	73%	↓	Red	7.6 (8,000 Branches)
 Microfinance Bank Branches per 100,000 Adults	2.9	2.2 (2,107 Branches)	2.3 (2,227 Branches)	2.3 (2,197 Branches)	2.3 (2,231 Branches)	0.9 (898 Branches)	4.7	49%	↓	Red	5.0 (5,300 Branches)
 ATMs per 100,000 Adults	11.8	17.0 (15,935 ATMs)	17.2 (16,452 ATMs)	18.0 (17,440 ATMs)	18.2 (18,060 ATMs)	19.0 (18,910 ATMs)	49.5	37%	↑	Red	59.6 (63,000 ATMs)
 PoS Devices per 100,000 Adults	13.3	87.9 (82,540 PoS)	122.4 (116,868 PoS)	116.3 (112,847 PoS)	153.0 (151,786 PoS)	218.0 (217,283 PoS)	605.6	25%	↑	Red	850.0 (899,000 PoS)
 Agents per 100,000 Adults	0.0	N/A	N/A	18.8 (18,228 Agents)	28.2 (27,978 Agents)	38.6 (38,416 Agents)	43.4	65%	↑	Red	62.0 (65,600 Agents)

Based on Industry Data as at December 2018

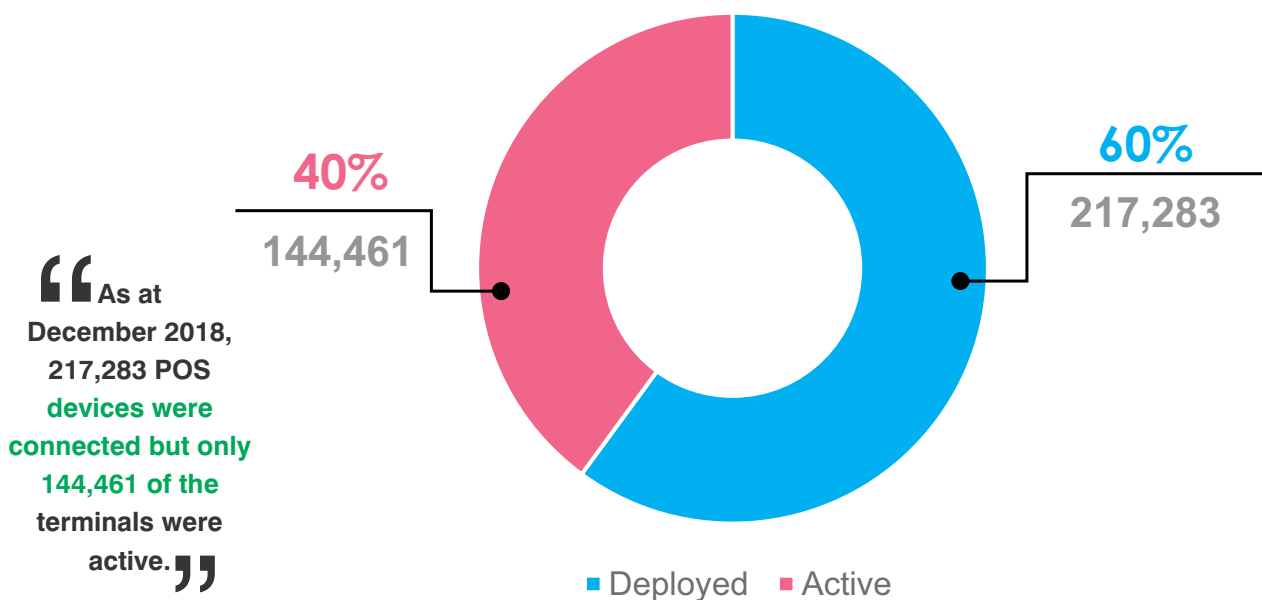
“As at December, 2018 the number of Microfinance Banks decreased to 898 from 1,002 in December 2017.”

4.2.3 ATM and POS

ATMs: As at December 2018, the number of ATMs deployed across the country in absolute terms stood at 18,615, down by 1.56% from the preceding month of November with 18,910 deployed. However, the number deployed in absolute terms increased year-on-year from 18,060 in 2017. Despite this positive trend, however, only 34.7% per cent of the 2018 target of 52.9 ATMs per 100,000 adults was achieved.

POS: As at December 2018, 217,283 POS devices were connected but only 144,461 of the terminals were active. The number of deployed devices increased from 151,786 in 2017, representing a 43.1% increase between 2017 and 2018. This trend aligns with the increase in the number of POS' per 100,000 adults, as 214.4 POS per 100,000 adults were deployed in 2018 as against 184.5 per 100,000 adults in 2017.

Figure 4.7: Number of Point of Sale machines deployed in 2018



“As at December 2018, 217,283 POS devices were connected but only 144,461 of the terminals were active.”



Head, Business Development and Commercial Services, NIMC—Ms. Carolyn Folami and a cross-section of participants at the interactive session on the National Identity Card Ecosystem

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

Table 4.2: Number of ATM and POS devices

Total As at Month	2018 ACQUIRING DEVICES			2017 ACQUIRING DEVICES			% Increase in 2018 over 2017 figures		
	ATMs	POS Terminals		ATMs	POS Terminals		ATMs	POS Terminals	
	Deployed	Connected	Active	Deployed	Connected	Active	Deployed	Connected	Active
January	17,512	159,579	104,744	17,468	113,510	72,569	0.25%	41%	44%
February	17,656	164,607	110,748	17,504	115,044	76,135	0.87%	43%	45%
March	17,808	170,306	116,933	17,594	109,916	78,615	1.22%	55%	49%
April	17,947	177,045	118,677	17,647	115,097	82,202	1.70%	54%	44%
May	18,035	183,003	120,618	17,632	121,807	88,515	2.29%	50%	36%
June	18,052	185,026	118,707	17,712	125,608	89,516	1.92%	47%	33%
July	18,143	187,621	124,249	17,792	128,603	92,912	1.97%	46%	34%
August	18,296	193,306	128,955	16,967	141,531	96,392	7.83%	37%	34%
September	18,321	198,802	132,751	17,051	140,448	99,550	7.45%	42%	33%
October	18,791	200,239	138,697	17,234	145,350	101,038	9.03%	38%	37%
November	18,910	208,611	142,148	17,356	150,650	103,618	8.95%	38%	37%
December	18,615	217,283	144,461	17,449	155,462	105,118	6.68%	40%	37%
ANNUAL AVERAGE	18,174	187,119	125,141	17,451	130,252	90,515	4.15%	44%	38%

Figure 4.8: Active POS terminals across Nigeria

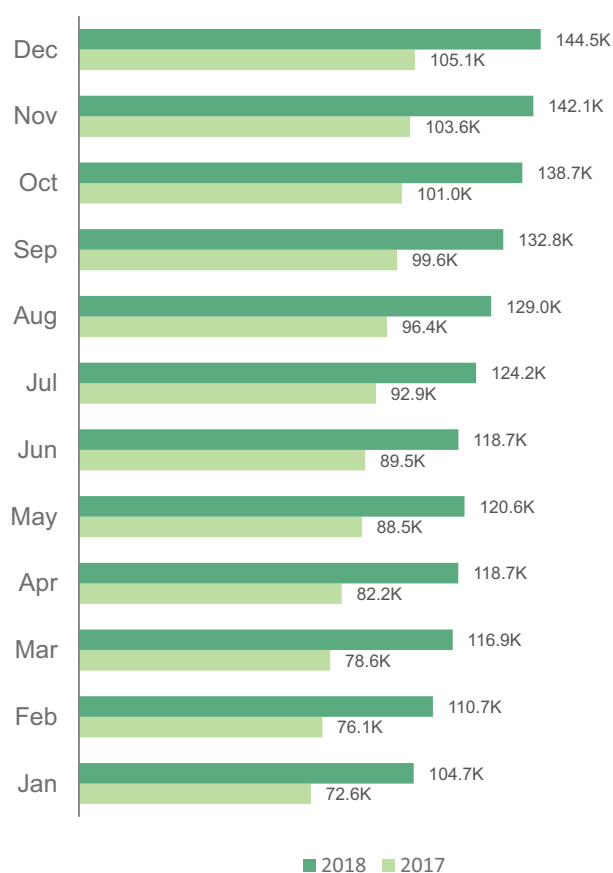
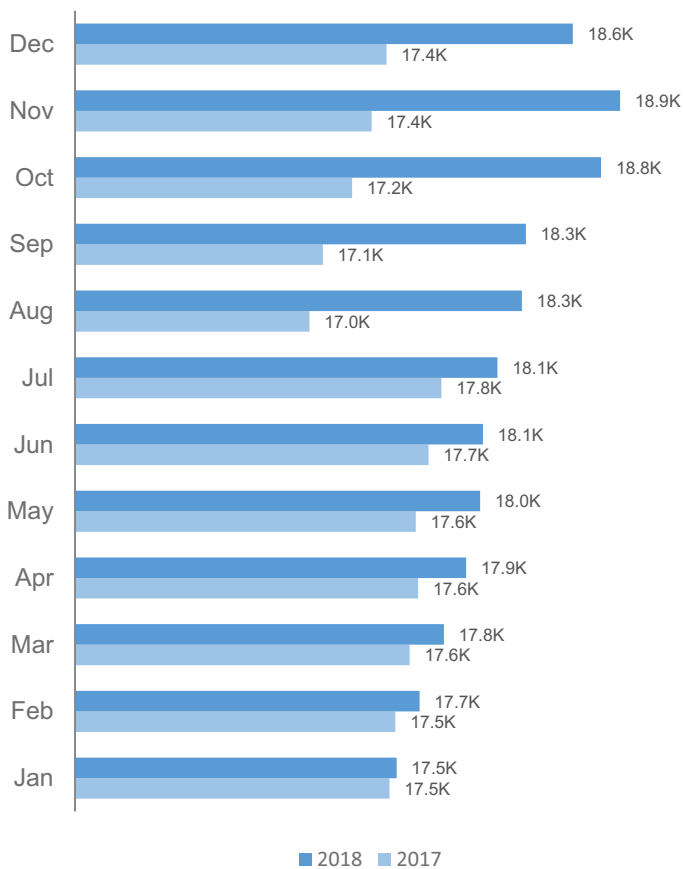


Figure 4.9: Deployed ATM terminals across Nigeria



4.2.5 Agents

In absolute terms, the number of Mobile Money agents surged from 11,104 in 2017 to 38,416 in 2018, representing 246 per cent increase. About 18 per cent of these agents are located in 2 States and the FCT, namely Lagos (5,100 agents), Kano (479 agents) and FCT (1,322 agents).

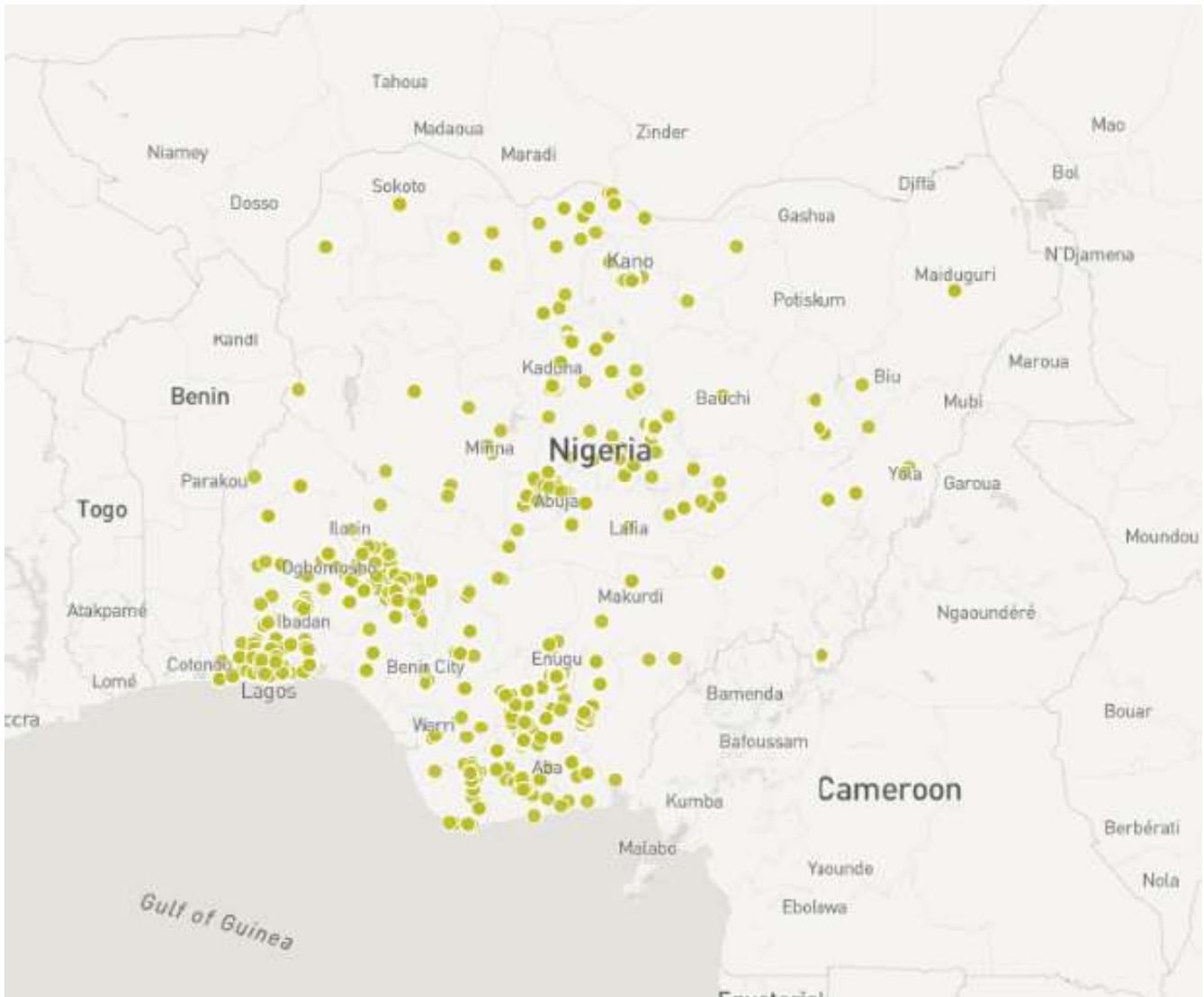


Figure 4.5: Geographical spread of mobile money Agents in Nigeria. Source: Nigeria Financial Services Maps 2018

“The number of Mobile Money agents surged from 11,104 in 2017 to 38,416 in 2018 representing.”

“The total number of adults issued with a National Identity Number (NIN) as at December, 2018 stood at 33.7million.”

“NIN registration was skewed by gender with 20,087,367 male Nigerians registered and 13,581,827 female Nigerians registered.”

“One key outlook for financial literacy is the digitization of procedures to enable financial educators and trainers' access e-content to be used to train end beneficiaries.”

4.3. ENABLERS

4.3.1 Know Your Customer (KYC)/ ID

Key activities in 2018

In 2018, the Digital Identity Ecosystem Strategic Roadmap was approved by the Federal Executive Council. The major objective of the framework was to leverage existing capabilities and infrastructure of disparate or distinct government agencies and private sector organizations or operators to carry out enrolment of Nigerians and foreign legal residents to them by providing digitally enabled identity known as the National Identification Number (NIN).

Status and Trends in 2018

The total number of adults issued with a National Identity Number (NIN) as at December 2018 stood at 33.7million. This number increased from 27.7million in 2017, representing a 21.7% increase year-on-year. Of the total NIN registered in 2018, only 1,609,443 were issued e-IDs by the National Identity Management Commission (NIMC), representing 4.78% of registered NIN holders.

Further analysis showed NIN registration was skewed by gender with 20,087,367 male Nigerians registered compared with 13,581,827 female Nigerians registered. In addition, the highest registration for NIN was found within adults aged 34 – 45, followed by ages 26 – 33. Nigerians aged 18 and below had the lowest number of NIN issued with only 260,688. The Issuance of e-IDs as at December 2018 revealed similar trends with NIN issuance. In 2018, 973,427 e-IDs were issued to males and 636,016 issued to females.

Way Forward and Future Outlook

The Federal Government's directive on the mandatory use of the NIN is set to commence in 2019. This has the potential of ensuring that all Nigerians register and acquire their NIN, which will in turn be used as a valid form of identification for the provision of financial services. To this end, the NIMC has been mandated to register all Nigerians and legal residents or at least 95 per cent by the year 2022.

4.3.2 Financial Literacy

Key Activities in 2018

The nation-wide sensitization programme of the Central Bank of Nigeria provides the avenue for the Bank to provide financial literacy and awareness to rural and urban communities across the nation. In 2018, eight (8) states were visited, namely Ondo, Oyo, Imo, Delta, Dutse, Gombe, Kaduna and Katsina. In addition, the Financial Inclusion National Peer Group Educator Programme (NAPGEP) was held across 16 states in the year under review.

Status and Trends in 2018

As at end 2018, 3,894 Volunteer NYSC Corps members were trained across 16 states to provide end-beneficiary financial education to rural communities in their respective States. 98,800 new bank accounts opened within the year were attributed to the NAPGEP programme.

In addition, the nation-wide sensitization provided the opportunity for participants to become more financially literate with 1418 beneficiaries in Delta State, 1678 in Imo State, 1909 in Oyo State, 2240 in Ondo state with similar numbers in Bauchi, Gombe, Kaduna and Katsina States.

Way Forward and Future Outlook

The delivery of financial education remains critical to improving financial literacy of unbanked populations in order to empower them with the capabilities to make informed decisions. One key outlook for financial literacy is the digitization of procedures to enable financial educators and trainers' access e-content to be used to train end beneficiaries. In line with this, an e-Learning portal is being conceptualized to be developed and piloted in 2019 to ensure standardization of financial literacy content, as well as, reduce cost of in-person training of trainers.

4.3.3 Women Initiatives

Key Activities in 2018

In 2018, the Gender Gap persisted with financial access skewed towards male adults as 40.9 per cent of women remained financially excluded compared to 32.5 per cent of men (EFInA, 2018). The Financial Inclusion Special Interventions Working Group (FISIWG) intensified efforts to identify peculiar challenges faced by women in accessing financial products and services in Nigeria. A series of engagements occurred through the course of the year to map out strategies to advance financial inclusion amongst women and 13 recommendations were proposed.

“The Financial Exclusion rate for women stood at 40.9% (20.5m) as against 32.5% (16.2m) for men”

S/N	RECOMMENDATION
1	That focus be placed on innovative micro loan products that can drive Financial Inclusion for people at the bottom of the pyramid. Examples include: the product developed by Jaiz Bank.
2	That FIS increase sensitization of Financial Service Providers (FSPs) on the need to improve access to finance for women. It is recommended that the FIS considers holding a multi Stakeholder forum to discuss issues on access to finance for women.
3	That ongoing financial education/literacy programmes be conducted Strictly for women in partnership with the FMoWA&SD.
4	That in disbursing loans to women particularly in the hinterlands, workshops be held for the “men behind the women” to ensure that the funds are not cornered by husbands.
5	To drive uptake of Digital Financial Services (DFS), Banks should be encouraged to develop a product that enables women to purchase phones as a tool for financial inclusion.
6	That Banks/Financial Service Providers be incentivized for improving access to finance for women and going to the hinterland to provide financial services. Such incentives could free capacity building and knowledge exchanges for banks that do well on women finance, reduced corporate tax for women owned enterprises, amongst others.
7	That FIS consider organizing awards for financial institutions that excel in providing access to financial services (savings, credit, insurance etc) for women.
8	That a comprehensive list of female owned cooperatives be updated on the Federal Ministry of Women Affairs website, so that possible suppliers of access to finance have a verifiable list to employ for the disbursement of loans.
9	That the FIS facilitate the linkages between trained women entrepreneurs (MSMEs) and financial services providers. For instance, link up organizations such as NCWD, FMoWA&SD with suppliers like DBN, Bank of Industry (BOI).
10	That CBN encourages banks to develop more women friendly financial products under the auspices of Bankers' Committee and monitor implementation.
11	That Federal and State Governments explore the possibility of initiating programmes that will assist women to participate in relevant entrepreneurship development activities to build their business management capacities and better their welfare
12	That Banks reporting templates to CBN be modified such that it is gender specific. This way, submissions from Banks can be sifted such that analysis can be done based on gender to inform women finance policies and decisions.
13	That a comprehensive framework that provides a guide and blue print for women finance is developed to sustainably address women access to finance issues in Nigeria.

ENGAGEMENTS ON CLOSING THE FINANCIAL INCLUSION GENDER GAP



Financial Inclusion Secretariat at the Federal Ministry of Women Affairs and Social Development



Financial Inclusion Secretariat at the Development Bank of Nigeria



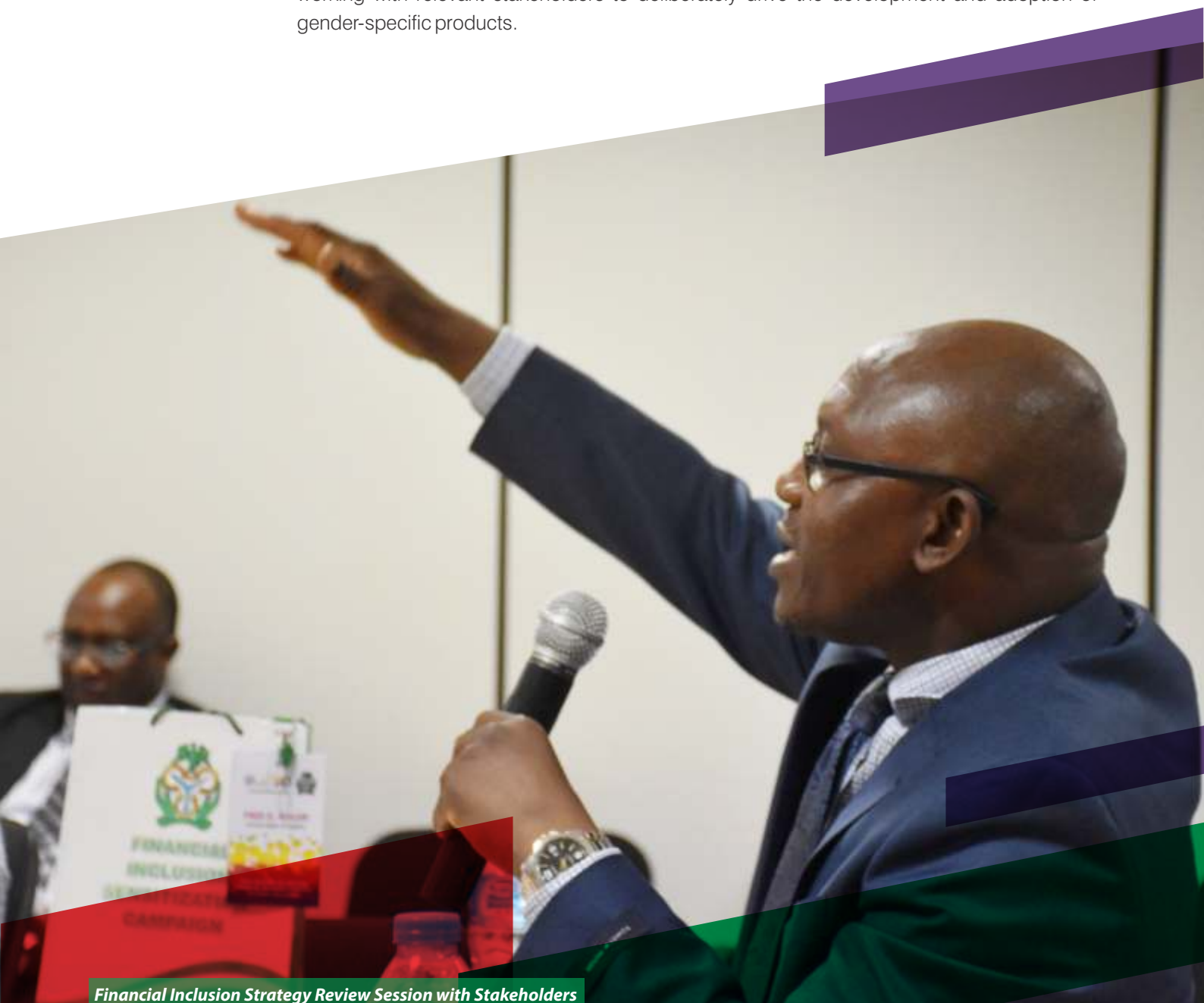
Financial Inclusion Secretariat at the National Centre for Women Development

Status and Trends in 2018

According to the Enhancing Financial Innovation and Access (EFInA) access to finance survey report 2018, the financial exclusion rate for women stood at 40.9 per cent (20.5 million) as against 32.5 per cent (16.2 million) for men, meaning that the financial inclusion gender gap in Nigeria stood at 8.4 per cent as at 2018, a slight improvement from 9.8 per cent in 2016.

Way Forward and future Outlook

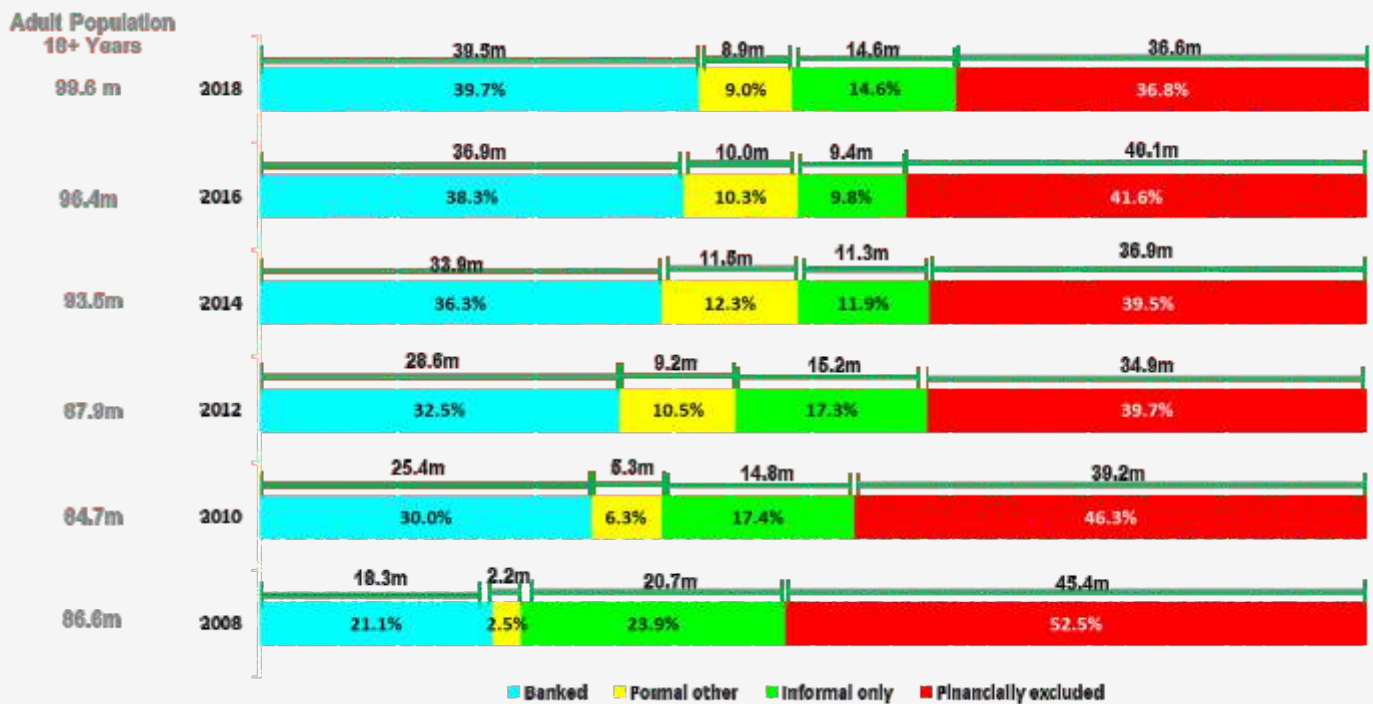
The Denarau action plan developed in 2016 recommends amongst others that member countries incorporate gender considerations in their activities, with the working groups to promote peer learning and develop appropriate knowledge products relating to gender and women's financial inclusion. Considerations for the establishment of a gender desk focused on driving increased access to finance for women have commenced and would take effect in 2019. This desk, within the Financial Inclusion Secretariat, will be primarily responsible for working with relevant stakeholders to deliberately drive the development and adoption of gender-specific products.



Financial Inclusion Strategy Review Session with Stakeholders

NIGERIA AT A GLANCE

TRENDS IN FINANCIAL ACCESS STRAND (2008 – 2018)



FIVE PRIORITY DEMOGRAPHICS

GENDER GAP



40.9%
Exclusion

Financial Inclusion rates are lower among women than men. However, informal inclusion is higher for women than men

REGIONAL GAP



North-West

62%
Exclusion

Only ~33% of adults in the NE and NW (combined) are financially included



North-East

55%
Exclusion

AGE GAP

47.0%
Exclusion



The 18-25 group is the least included age group

FORMALITY GAP



Higher
Exclusion

Total DMBs credit to MSMEs as a percentage credit to private sector in 2016 was 0.07%

RURAL GAP

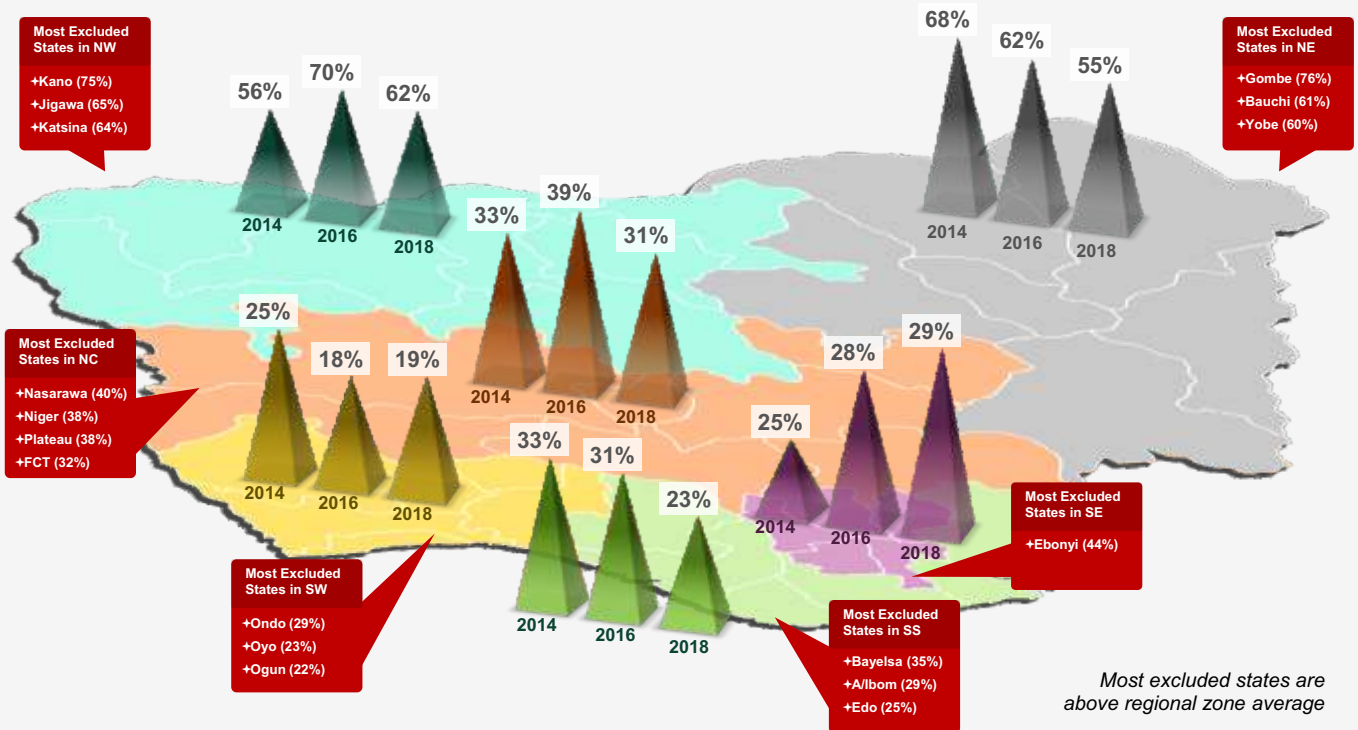
45.6%
Exclusion



FI rates are much lower in rural areas than in urban areas. However informal inclusion is higher in rural than urban areas

NIGERIA AT A GLANCE

FINANCIAL EXCLUSION RATES ACROSS GEOPOLITICAL ZONES

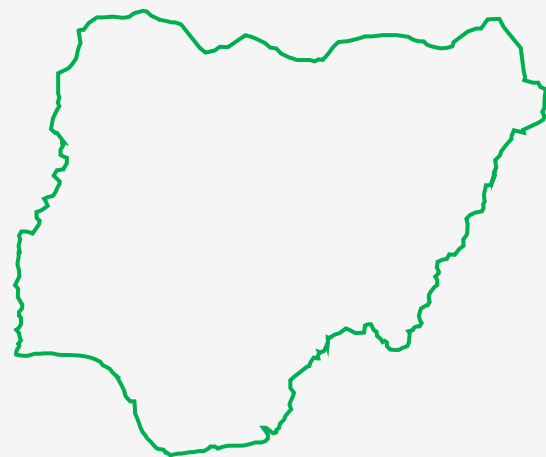
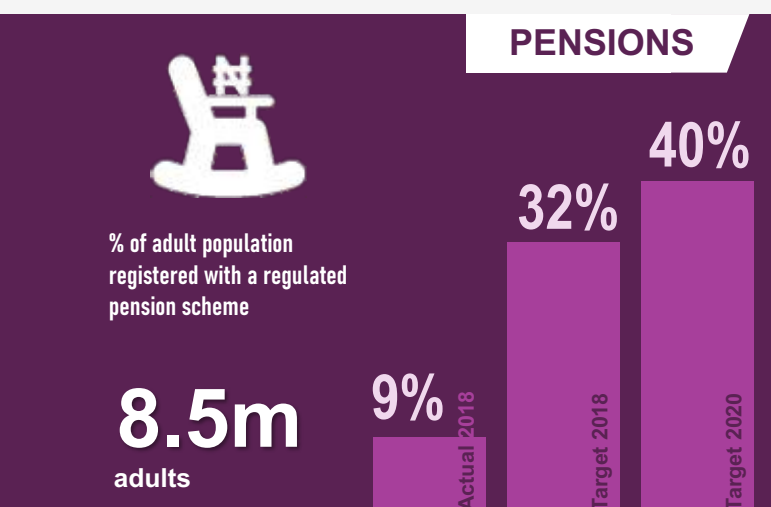
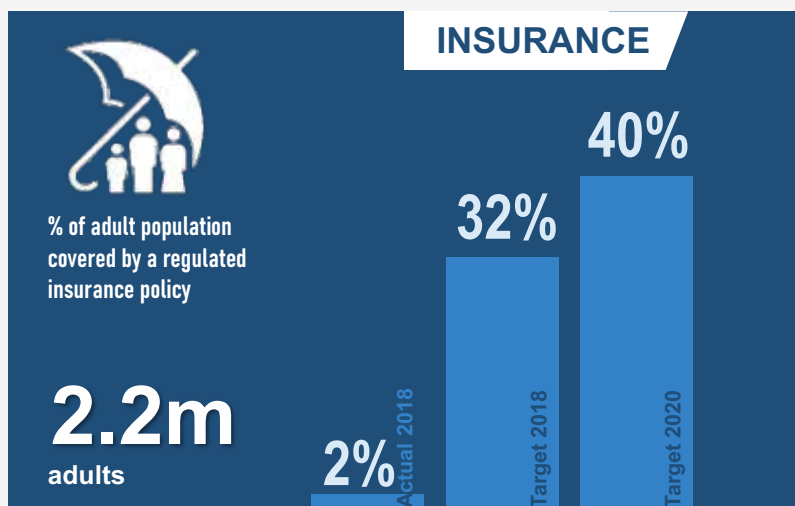
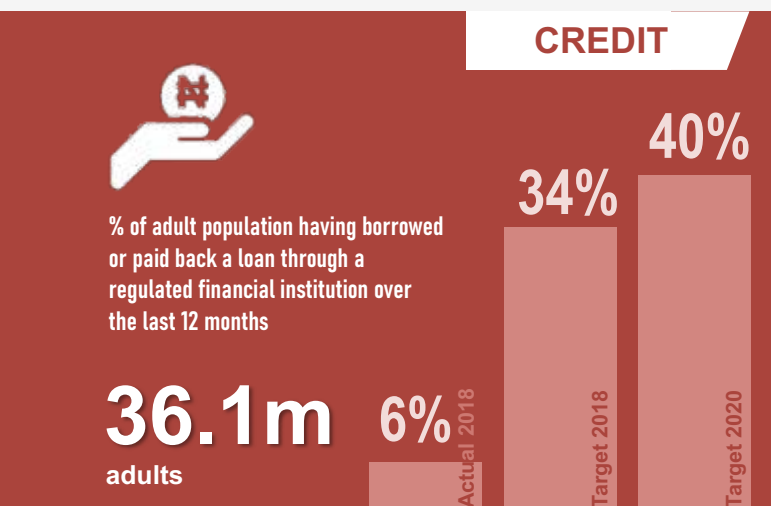
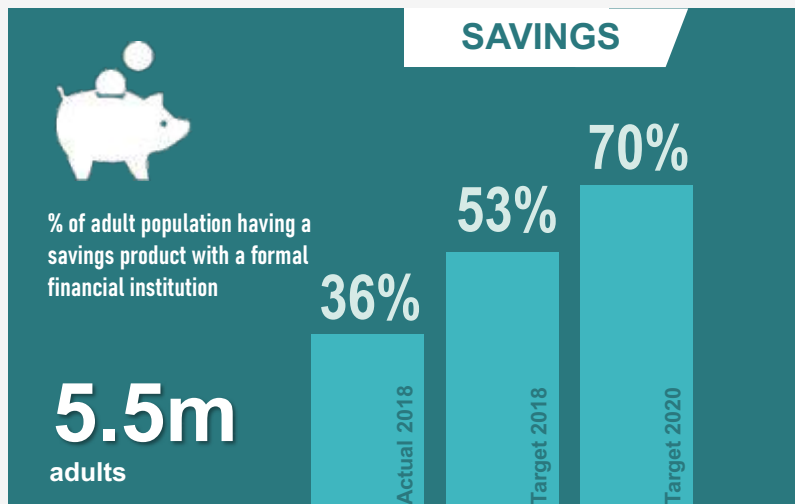
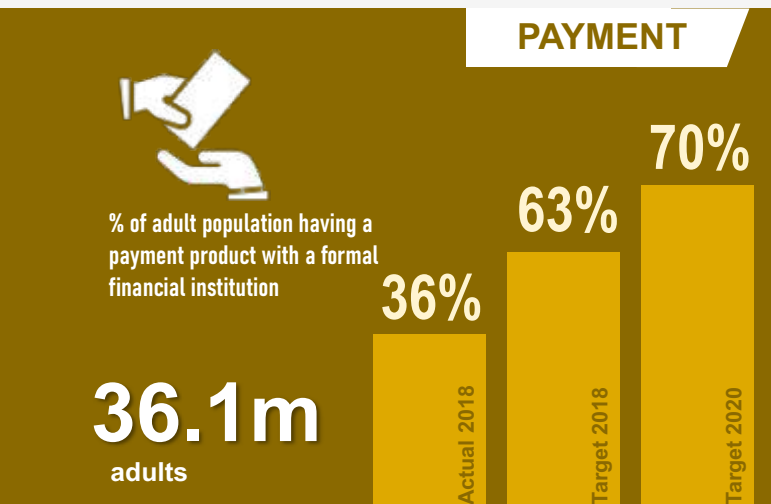


Source: 2018 Biennial Access to Financial Services in Nigeria Survey by EFINA



Volunteer Corps Member educating their host community on financial inclusion and literacy during their Community Development Service (CDS)

PRODUCT INDICATORS



Based on the 2018 Biennial Access to Financial Services in Nigeria Survey by EFInA

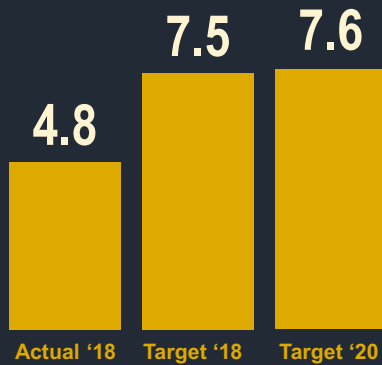
CHANNELS INDICATORS

4,752

Commercial Bank branches in 2018



Branches per 100,000 Adults >

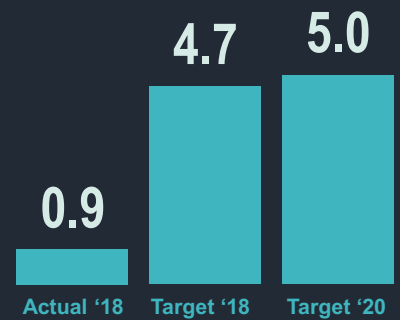


898

Microfinance Bank branches in 2018



Branches per 100,000 Adults >

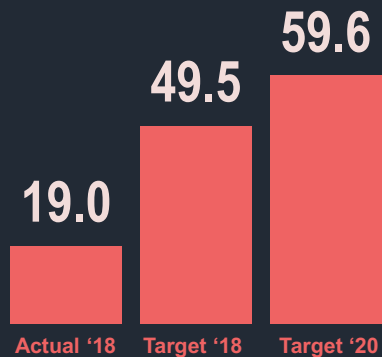


18,910

Automatic Teller Machines in 2018



ATMs per 100,000 Adults >

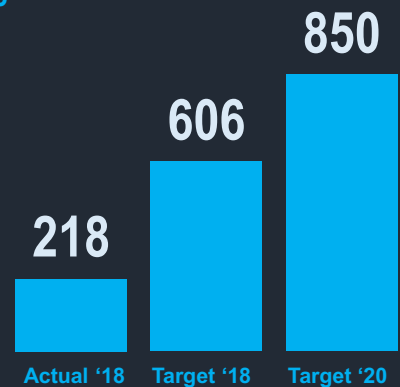


217,283

PoS Devices in 2018



Devices per 100,000 Adults >

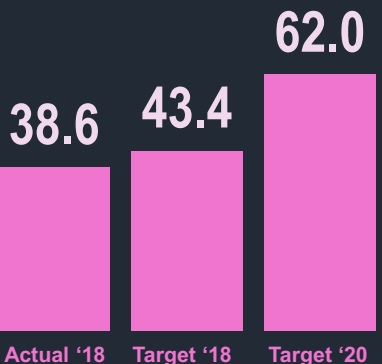


38,416

Agents in 2018



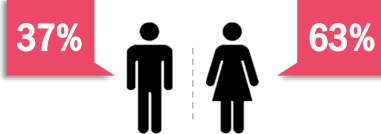
Agents per 100,000 Adults >



Based on Industry Data as at December 2018

GLOBAL SEGMENTATION FRAMEWORK

Vulnerable Believers



Lower middle-class to poor, religious, predominantly rural, with limited education. They use financial services infrequently and struggle to pay their bills. They have the lowest aspirations for the future, and are less open and consider themselves less dependable.

Impulsive; less open than average, also seeing financial services as complex – reflecting their low usage levels

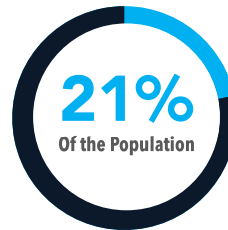
Save and borrow less frequently; and the least likely to have a bank account; Struggle to pay household bills

Given their struggles, the most striking aspiration is to be immediately secure and ease their situation

HOW MIGHT WE:

- Leverage religious institutions as a channel for financial information and support?
- Develop agricultural programs that allow this group to take control of their financial lives?

Resilient Savers



Primarily men, across all socio-economic groups, who are responsible for household financial decisions. Frequent savers through friends, family, and groups, they use their savings to manage emergencies. They are more impulsive than average.

Tend to be similar to the Nigerian average across psychometrics; high levels of respect for authority; above average religious activity

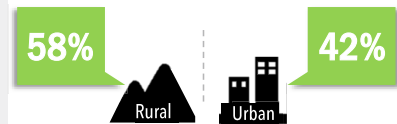
Enjoy diversified income; Save frequently – using banks more than average; more likely than average to plan how to manage their expenses.

Relatively low future expectations; more likely than average to save a windfall in a bank, invest it, or keep it to pay a future expense.

HOW MIGHT WE:

- Develop products that have similar accessibility to cash-based saving, but are more secure?
- Develop credit scoring techniques that capture the segment's strong financial behavior?

Dependent Individualists



Lower middle class, mostly female, with the second lowest level of education of all segments. The least impulsive segment, they rely on others to make financial decisions and for support during emergencies, yet have lower than average trust in both banks and social networks

Strong belief in their own capabilities; low levels of trust in banks; Lowest impulsivity and less reluctant to borrow than average

Most likely to depend on others as the primary source of their income; Among the least likely to save/borrow with formal and informal services

They look to invest in their community when they can; would allocate more of a windfall to sharing with friends and family than others; have an average view of the future

HOW MIGHT WE:

- Use their high livestock ownership as collateral for agricultural financing?
- Develop or extend agent networks sustainably that provide better access to formal financial services for the segment?

OVERVIEW

PSYCHOMETRICS

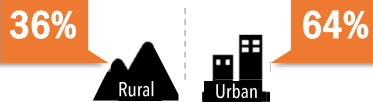
BEHAVIOUR

ASPIRATION

DESIGN PRINCIPLES INSPIRATION

GLOBAL SEGMENTATION FRAMEWORK

Digital Youth



Young, well educated, urban, and frequent users of digital technology. They are the wealthiest segment, but have high income volatility. They are most likely to perceive their community as unequal, and believe they can trust their community but not rely on the community to invest in their business

Confident in their future with high self-esteem; Untrusting of banks but have high account ownership; trusting of people

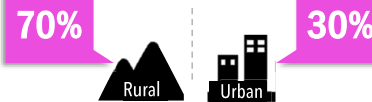
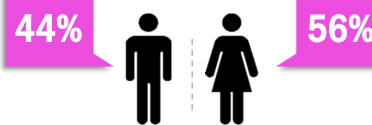
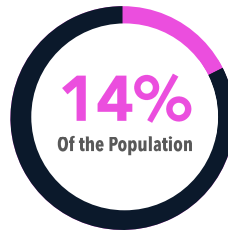
Technology enthusiasts; 75% own bank accounts; save more frequently with banks than all; least likely to borrow, second least likely to save

With high confidence in the future and self-esteem, they plan forward; low self-efficacy may constrain them in reaching their goals

HOW MIGHT WE:

- Develop and target products that help them lock away savings despite their volatile incomes?
- Develop smartphone based financial tools, and effectively market them to the segment

Confident Optimists



Middle to upper class, younger, well educated, and urban, with high self-esteem and a positive view of the past and future. Confident Optimists are the most deliberate and open segment, with strong trust and belief in their community, and are the largest users of mobile money

Have the highest confidence in the future, the highest self-esteem and the most openness to new experiences; highly dependable

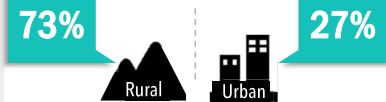
Frequent users of new technology; use the broadest range of savings channels, high level of bank account ownership; use informal saving often

Have strongest belief in their future, and with strong internal locus of control, confident optimists look forward to the future with optimism.

HOW MIGHT WE:

- Develop marketing messages that speak to their hopes and belief in themselves?
- Leverage their openness, comfort with technology and wide social networks to use them as early adopters?

Skeptical Cultivators



Lower-middle class rural, and older than average. They are the least trusting of banks, and most likely to trust only those they've had long relationships with; they have the lowest self-esteem among segments but the highest self-confidence and sense of control. They struggle with planning but excel at savings

Believe, more than others, in their ability to handle challenges strongly-focused internal locus of control, their self-esteem is the lowest

Typically financial decisions for their household as a whole; save more frequently than average; own livestock and land.

They show overall low levels of trust, they nevertheless invest in their social networks; have a large number of people to fall back on

HOW MIGHT WE:

- How might we develop a group-based insurance product that integrates social interactions?
- How might we reach them through agricultural channels?

BCEAO Financial Inclusion Knowledge Exchange visit to Nigeria



DG, FSS (CBN) and DG (BCEAO) with the CBN staff and Delegates to Nigeria



DG, NIMC welcoming the BCEAO delegation to NIMC

BCEAO Financial Inclusion Knowledge Exchange visit to Nigeria



DG, NIMC and DG (BCEAO) with a cross section of participants during the field visit to NIMC



DG, BCEAO and CEO, NIBSS with a cross-section of participants during the field visit to NIBSS



Director, Development Finance Department, CBN team and the BCEAO Delegates

AFI Incountry Peer Advisory visit on Financial Inclusion



Dr. M. A. Olaitan, Director, Development Finance Department - CBN; Madhurantika Moulick, Capacity Building Manager - AFI; Mr. Salisu Rabeh, Director, Branch Operations Department - CBN; and Mrs. Temitope Akin-Fadeyi, Head of Financial Inclusion Secretariat - CBN



Cultural displays to welcome the BCEAO delegates to Nigeria



Cross-section of BCEAO delegates and participants during the Plenary session of the Financial Inclusion Working Group



5.0

FUTURE OUTLOOK

This Chapter presents a highlight of the direction of financial inclusion in Nigeria for the year 2019, based on the progress and plan of the reporting year.

5.1 Recap of 2018

The year 2018 witnessed major policy milestones aimed at enabling financial inclusion. Specifically, the National Financial Inclusion Strategy was revised to reflect changes in the financial and technology landscape, and the need to leverage innovation for developing service offerings that will better serve the needs of the unbanked. The principle-based strategy provides a roadmap to improve agent network and digital identification to extend financial services to the hitherto underserved.

The Strategy also sought to unlock high potential models through leveraging Digital Financial Services (DFS) and broadening and deepening financial inclusion through financial and digital literacy and facilitating Government to People (G2P) payment to drive transaction volumes and DFS adoption in the economy.

Another key milestone recorded in 2018 was the approval of the Licensing and Regulation Guidelines for Payment Service Banks (PSBs), which seeks to provide a level playing ground and expanding the financial services space for non-traditional players with extensive distribution networks. Telecommunication firms (Telcos) and Fast-Moving Consumer Goods (FMCGs) can now set up subsidiaries to be licensed as PSBs and take advantage of the expanded ecosystem to drive financial inclusion and grow new clientele base, particularly in the underserved areas of the country, scaling up the drive for 80% inclusion by 2020.

Other key initiatives approved in the year 2018 included the Shared Agent Network Expansion Facility (SANEF) and the Agri-Business Small and Medium Enterprise Investment Scheme (AGSMEIS). The details of these initiative have been provided under the relevant stakeholder section in chapter 3.

The year 2018 was incidentally a measurement year for financial inclusion which saw the financial exclusion rate reduce from 40.1 million adults in 2016 to 36.6 million adults in 2018. This means that 63.2 per cent Nigerians are now included compared to 58.4 per cent in 2016.

5.2 Projections for 2019

5.2.1 More Focus on Stakeholder Innovation

Though financial inclusion numbers improved in 2018, effective implementation of the strategy was constrained as it did not give room for innovation and changes in the financial services landscape. Given the review of the NFIS in 2018 which provides for a principle-based approach to implementation, thereby allowing FSPs to create innovative products and services to deepen financial inclusion, it is expected that regulators and FSPs will be more innovative in designing and implementing programmes that will accelerate the pace of financial inclusion in 2019.

5.2.2 Increased deployment of Fintech for Financial inclusion

One key feature of the revised National Financial Inclusion Strategy is the recommendation to leverage DFS and technological innovation to drive financial inclusion in underserved areas. In the same vein, the Alliance for Financial Inclusion (AFI), highlighted the value that technology-based financial innovations can bring to addressing financial inclusion, issued the Sochi Accord for Fintech. In this sense, implementation in 2019 will focus on domesticating the Sochi Accord in Nigeria, thereby unlocking the potential for Fintechs to drive financial inclusion in Nigeria. It is also expected that there would be increased stakeholder engagements with the Fintech communities in 2019 and beyond.

5.2.3 Increased Stakeholder Collaboration

Several stakeholders are involved in providing policy direction, services and funding for financial inclusion activities. While these efforts have been helpful over the years, there is a need to streamline and focus the various resources towards achieving optimal results. The NFIS implementation in 2019 will therefore focus on intensifying and enriching collaboration across various levels of financial inclusion stakeholders in such a way that it would improve the progress towards achieving financial inclusion objectives in a cost-effective manner. This effort commenced in 2018 by expanding Financial Inclusion Working Group membership to include important players and developing a proposal for a Financial Inclusion Trust Fund. These efforts will be sustained in 2019 with special focus on encouraging shared-services so as to reduce the cost of providing financial services to the underserved areas by FSPs.

5.2.4 Deeping Financial Inclusion Channels

Given the launch and implementation of SANEF in 2018, with its target of deploying 500,000 agents by 2020, it is projected that an additional 200,000 agents would be deployed nationwide to deliver financial services to the underserved segments of the society.

5.2.5 Licensing of PSBs

Following the release of the Guidelines for Licensing and Regulation of Payment Service Banks in November 2018, prospective promoters have expressed interest in participation and commenced the process of obtaining operational license from the Bank. It is expected that operational licenses will be obtained by FSPs in 2019, thereby facilitating their commencement of operation as payment service banks.

5.2.6 Roll Out of NIRSAL Microfinance Bank (NMFB) Branches

Following the approval of the NIRSAL MFB to start operation in 2019 as a nationally licensed MFB, it is expected that an aggressive roll out of branches will be undertaken by the bank in 2019. This is expected to expand financial access points in under-served areas.

5.2.7 Increased Focus on Financial literacy and Consumer Protection

The year, 2018, witnessed the introduction of several policies that would lead to changes in how financial services are delivered to the financially excluded segments of the society. Innovative delivery channels that rely on the increased use of technology would help deliver DFS to these segments of the population. There is the need, therefore, for consumer protection awareness and digital literacy which would complement the development of new redress mechanisms necessary to facilitate the adoption of these initiatives. Consequently, it is expected that in 2019, financial literacy and education programmes will be intensified, so as to sensitize consumers on the benefits of the programmes especially DFS. Also, increased awareness on customer redress mechanisms would be carried out during the year.

In conclusion, we believe that the achievements of 2018 and the policies and initiatives implemented within the year will yield further results as we kick-off the implementation of the revised National Financial inclusion Strategy in 2019. This is anticipated to move us much closer to achieving the financial inclusion target for 2020, setting Nigeria on a pedestal to achieve sustained economic development and inclusive growth.

**“NIRSAL
MFB to start
operation in 2019
as a nationally
licensed MFB”**

**“Financial
Literacy and
Education
programmes will
be intensified so as
to sensitize
consumers on the
benefits of the
programmes
especially
DFS.”**

FINANCIAL INCLUSION STATE STEERING COMMITTEE (FISSCO) REGIONAL CAPACITY BUILDING PROGRAMME



Training Faculty members for the North-West Region (Kano), led by Mrs. Ameena Pindar Abubakar (CBN Branch Controller, Kano)



Representative of the Executive Vice-Chairman, NCC - Mrs. Josephine Amuwa, (Director, Policy, Competition & Economic Analysis) delivering the Opening Remarks at the South-East Region (Enugu)

APPENDIX

Table 1: Activities of FISSCOs in 2018

South West Zone	Lagos, Ogun, Oyo, Osun, Ondo and Ekiti State
Grassroot Outreach	<ul style="list-style-type: none"> ▪ Compilation of the database of cooperatives in Osun State. Sensitization and Awareness ▪ Campaigns to markets in urban and rural areas in Osun State. Markets visited include: O lufi market, Obada market and urban day market in Illefe.
Advocacy	<ul style="list-style-type: none"> ▪ Strategic engagement with the Federation of Informal Workers Organization of Nigeria (FIWON) during their monthly meetings. ▪ Courtesy visits to Permanent Secretaries, Secretary to the State Governments' and Commissioners in the states to get their buy -in and support for Financial Inclusion. ▪ Meetings with the state executives of the National Association of Microfinance Banks on the importance of providing accurate statistics on new accounts opened in their institutions.
Digital Financial Services	<ul style="list-style-type: none"> ▪ Collaborated with Wema Bank in conjunction with NIPOST and launched Agency Banking in Oyo town.
South East Zone	Anambra, Enugu, Ebonyi, Imo and Abia State
Sensitization and Awareness	<ul style="list-style-type: none"> ▪ Sensitized the National Orientation Agency (NOA) in Abia State on FISSCO objectives and programmes by the Outreach Working Group ▪ Sensitized private business owners, Non -Governmental Organizations (NGOs), trade unions and informal groups to encourage them to key - in to Pension Scheme. ▪ Sensitized small business owners and entrepreneurs to encourage them to procure Point of Sale (POS) machines for financial transactions.
Digital Financial Services	<ul style="list-style-type: none"> ▪ Facilitated the installation of 2 ATM Points by Microfinance Banks in Enugu and the deepening of Financial Inclusion by the NIPOST through the provision of POS machines during trade fairs and other exhibitions.
South-South Zone	Edo, Delta, Rivers, Bayelsa, Cross-River and Akwa-Ibom State
Sensitization and Awareness/Account opening	<ul style="list-style-type: none"> ▪ Successfully conducted a "FISSCO week" in Cross River and Akwa Ibom states in the third quarter of 2018 which involved massive sensitization on financial inclusion across the states. ▪ In collaboration with Wetland MFB, a financial inclusion awareness programme was conducted in a pilot Local Government Agency (LGA) which led to the opening of 4,994 accounts in Delta state.
Digital Financial Services	<ul style="list-style-type: none"> ▪ Inaugurated the Bayelsa State chapter of Agent Bankers Network Executives which led to the state's achievement of 92% of their planned target for Agent Banking ▪ Collaborated with the Nigerian Police Force and other security agencies in Bayelsa state which led to improved security conditions for mobile money agents in doing business.

North East Zone	Borno, Adamawa, Yobe, Bauchi, Gombe and Taraba
Sensitization and Awareness	<ul style="list-style-type: none"> ▪ Commenced monthly Working Group meetings in Adamawa state. ▪ Introduced financial inclusion jingles in Hausa language in some states in the zone.
BNV Registration	<ul style="list-style-type: none"> ▪ Facilitated the opening of tier-1 KYC accounts for Internally Displaced Persons (IDPs) by FSPs. ▪ Association of non-Bank Microfinance Institutions in Nigeria (ANMFIN) in collaboration with Tink Tank Nigeria Limited in Gombe state recorded over 1,000 successful BNV registrations in 11 LGA's in the state.
North West Zone	Kano, Kaduna, Katsina, Kebbi, Jigawa, Sokoto and Zamfara
Sensitization and Awareness/Account Opening	<ul style="list-style-type: none"> ▪ Enlightened District Heads in Igabi, Kaduna South and Kaduna North on Financial Inclusion. ▪ Sensitization of 992 Village/Ward Heads at the Emir's Palace, Kano and the successful conduct of the first Agency Banking fair organized in collaboration with Bizi mobile cashless consultants in Kano. Over 45,000 adults were financially Included as a result of the fair. ▪ Mobilization of Microfinance Banks in the LGAs in Sokoto state to drive financial inclusion which led to the opening of over 25,000 accounts. ▪ Sensitization of Village/Ward Heads and the conduct of the second Agency Banking fair organized in collaboration with Bizi Mobile Cashless Consultants in Birnin Kebbi. Over 30,000 adults were financially included as a result of the fair.
Credit	<ul style="list-style-type: none"> ▪ Disbursed N200 million Kaduna State Women Empowerment Fund (KADSWEF) to 5,000 unbanked women and People with Disabilities (PWD) which led to opening of about 5,000 new accounts.
North Central Zone	Nasarawa, Plateau, Benue, Kogi, Kwara, Niger and FCT
Sensitization and Awareness	<ul style="list-style-type: none"> ▪ Participation at a radio talk show on Plateau Radio and Television (PRTV) tagged: 'Business Foundation' sponsored by the Blue Wales MFB. Three members of the Committee enlightened members of the public on financial inclusion. ▪ A FISSCO data form was designed to gather information from all the LGAs to identify the unbanked within Nassarawa state. ▪ Supported sensitization campaigns carried out by Teasy Pay in conjunction with Future Growth MFB, Abuja. The focus was on female entrepreneurs trained to serve as agents.
BNV Registration	<ul style="list-style-type: none"> ▪ Sensitized and BNV capturing of farmers – a minimum of 500 accounts were opened for the rural farmers/populace. 178 staff of Federal Ministries of Defense and Justice were enrolled for Anchor Borrowers Program.

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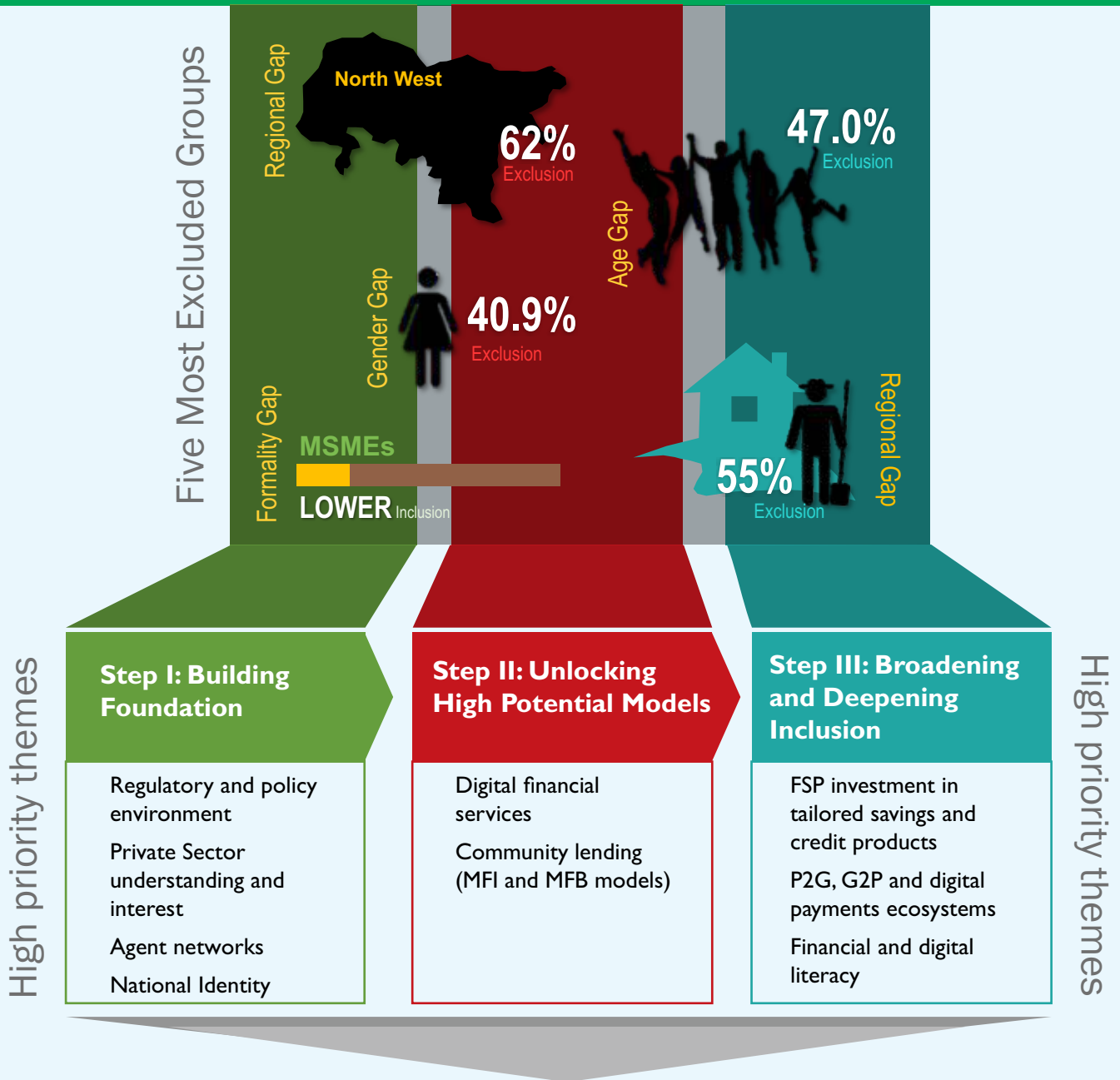
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LIST OF ACRONYMS

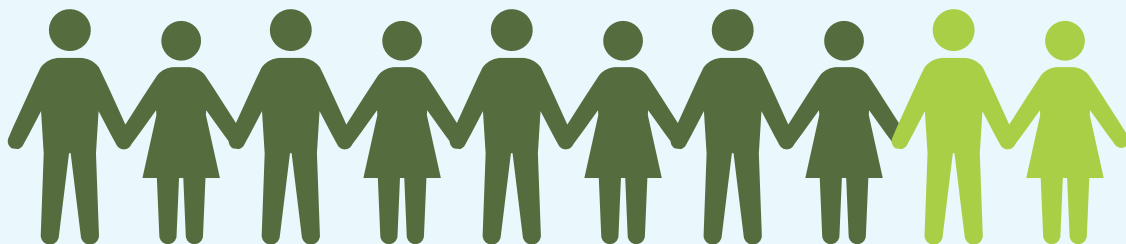
Acronyms	Full Meaning
ABP	Anchor Borrowers' Programme
AFI	Alliance For Financial Inclusion
AGSMEIS	Agribusiness Small And Medium Enterprise Investment Scheme
AIP	Approval In Principle
ANMFIN	Association Of Non-Bank Microfinance Institutions
ATM	Automated Teller Machines
B2G	Business to government payments
BMGF	Bill and Melinda Gates Foundation
BMS	Biometric Management System
BOI	Bank Of Industry
BoP	Base of pyramid
BPSD	Banking And Payment System Department
BVN	Bank Verification Number
CBN	Central Bank of Nigeria
CeBIH	Committee of e-banking industry heads
CFAN	Cooperative Financing Agency Of Nigeria
CPS	Contributory Pension Scheme
DFS	Digital Financial Services
DMBs	Deposit Money Banks
ECS	Employee Contribution Scheme
EDCs	Entrepreneurship Development Centers
EFinA	Enhancing Financial Innovation and Access
FEC	Financial Education Curriculum
FI	Financial Inclusion
FINTECH	Financial Technology Companies
FIPWG	Financial Inclusion Product Working Group
FIS	Financial Inclusion Secretariat
FISC	Financial Inclusion Steering Committee
FISSCO	Financial Inclusion State Steering Committee
FITC	Financial Inclusion Technical Committee
FITF	Financial Inclusion Trust Fund
FLWG	Financial Literacy Working Group
FMAN	Fund Managers Association of Nigeria
FMBN	Federal Mortgage Bank Of Nigeria
FMCG	Fast Moving Consumer Goods
FME	Federal Ministry of Education
FMoCT	Federal Ministry of Communication Technology
FMoF	Federal Ministry of Finance
FMoIC	Federal Ministry of Information and Culture
FMWASD	Federal Ministry of Women Affairs & Social Development
FMYSD	Federal Ministry of Youth & Sports Development
FSP	Financial Services Provider
G2B	Government to Business Payments
G2P	Government to Public Payments
GDP	Gross Domestic Product
GEEP	Government Enterprise and Empowerment Program

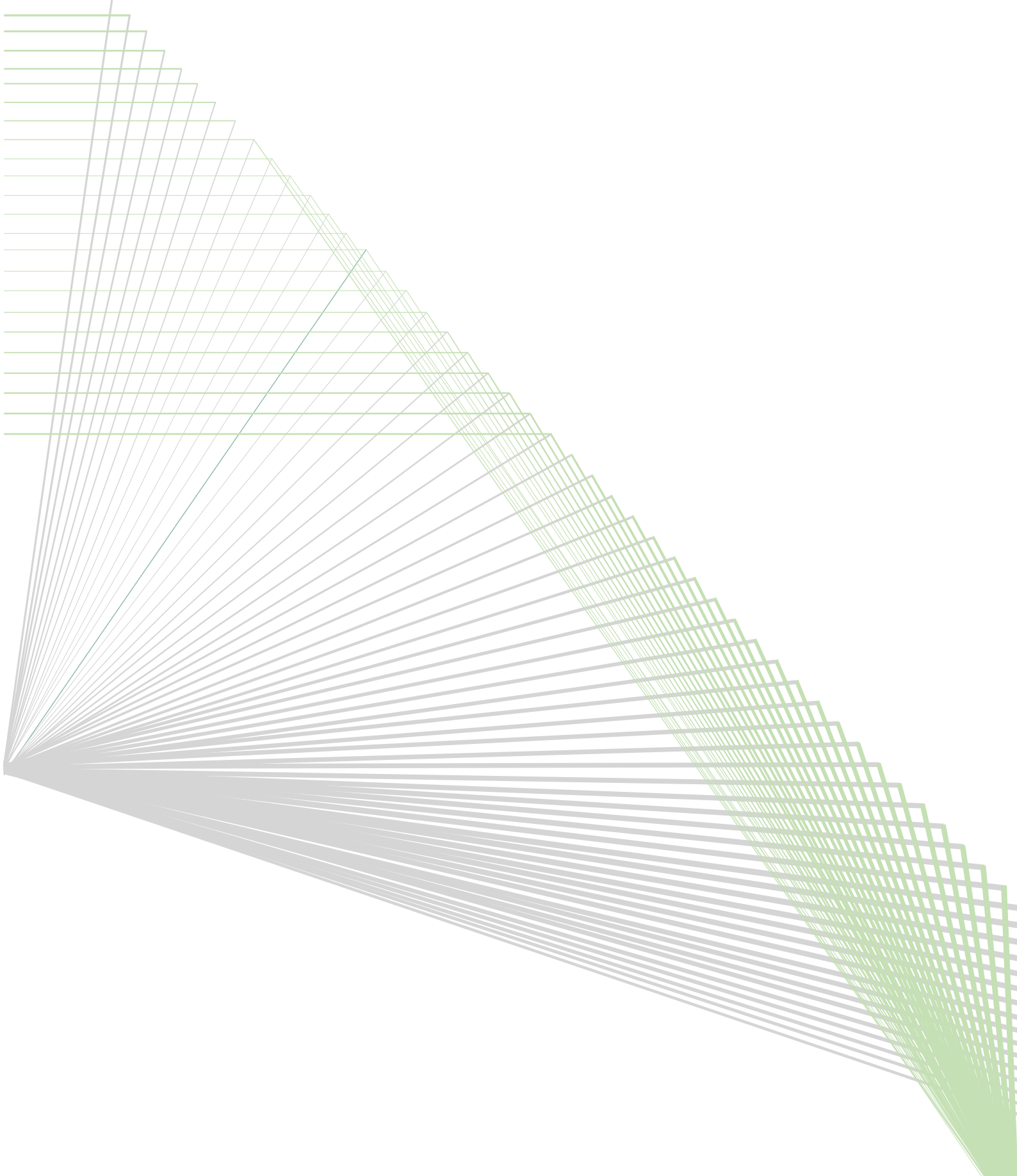
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoN	Government of Nigeria
GPF	Global Policy Forum
GPZ	Geopolitical Zone
GWP	Gross Written Premium
IATF	Interagency Taskforce
IFC	International Finance Cooperation
IFIS	Interagency Financial Inclusion Services
IFSB	Islamic Finance Service Board
IMTO	International Money Transfer Operation
KPI	Key Performance Indicator
KYC	Know Your Customer
LBS	Lagos Business School
M&E	Monitoring and Evaluation
MC	Mercy Corps
MDAs	Ministries Departments And Agencies
MFBs	Microfinance Banks
MFI	Microfinance Institutions
MMOs	Mobile Money Operators
MNOs	Mobile Network Operators
MSME	Micro, Small and Medium Enterprises
MSMEDF	Micro Small Medium Enterprise Development Fund
NAICOM	National Insurance Commission
NAMB	National Association of Microfinance Banks
NAPGEP	National Peer Group Educator
NBC	Nigerian Bankers Committee
NBS	National Bureau of Statistics
NCC	Nigerian Communications Commission
NCR	National Collateral Registry
NDIC	Nigeria Deposit Insurance Corporation
NFBI	Non-bank Financial Institution
NFIS	National Financial Inclusion Strategy
NGOs	Non-Governmental Organization
NHIS	National Health Insurance Scheme
NIA	Nigerian Insurance Association
NIBSS	Nigerian Inter-Bank Settlement System
NICMP	Non-Interest Capital Market Products
NIMC	National Identity Management Commission
NIN	National Identity Numbers
NIPOST	Nigerian Postal Services
NSE	Nigerian Stock Exchange
NSITF	Nigerian Social Insurance Trust Fund
NYSC	National Youth Service Corp
PAT	Profit After Tax
PENCOM	National Pension Commission
PenOp	Pension Fund Operators Association of Nigeria
PoS	Point of Sale
PWD	People With Disabilities
RSA	Retirement Saving Account
SEC	Securities And Exchange Commission
SMEDAN	Small And Medium Enterprise Development Agency
SPV	Special Purpose Vehicle
UNSGSA	United Nation Secretary General Special Advocate
USSD	Unstructured Supplementary Service Data
YEDP	Youth Entrepreneurship Development Program

WAY FORWARD



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





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