

INFOSOURCE NEWSLETTER

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THE FUTURE OF FINANCIAL INCLUSION: *How to Deliver 95% in Nigeria by 2024*

According to the World Bank, financial inclusion is achieved when individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. Hence, financial access facilitates day-to-day living, and helps families and businesses plan for everything from long-term goals to unexpected emergencies.

However, achieving set objectives in Nigeria has been a long haul despite various strategies and innovations to expand financial access. At a financial inclusion rate slightly above 63% and a new financial inclusion target set at 95% by 2024 in the CBN's 5-year plan (2019 -2024), there is a need to review several factors that can aid or impair the achievement of this target. These include:

- The current portfolio of products and services
- The size, characteristics, gap and potential of the market
- Availability of data and its use in developing products and deploying resources
- The state of business operations and service delivery
- Balancing the demand and supply sides

The World Bank Group noted that countries that have achieved the most progress toward financial inclusion have either allowed mobile financial services to thrive, welcomed new business models such as leveraging e-commerce data for financial inclusion or taken a strategic approach by Implementing a national financial inclusion strategy (NFIS) which brings together different stakeholders.

Agency banking, mobile money, USSD banking, POS cash-in-cash-out etc., have hitherto been used to drive financial inclusion in Nigeria. More recently, Payment Service Banks (PSBs) were also introduced to accelerate the efforts. There has also been the contribution of Fintechs developing and iterating digital financial products to augment and digitize traditional services like loans, savings, insurance, payments, remittance etc.

Available data reveals:

- Unbanked population of 60.1 million – with 36.6 million financially excluded
- 26.8 million men are currently unbanked – with 16.2 million financially excluded
- 33.3 million women are currently unbanked – with 20.5 million financially excluded
- 47% of financially excluded adults are between ages 18-25 years
- 14.4 million urban residents are unbanked – with 7.9 million financially excluded
- 45.7 million rural residents are unbanked – with 28.8 million financially excluded
- The North-west zone has 62% of its 23 million adult population financially excluded
- The North-east zone has 55% of its 12 million population financially excluded.

SUMMARY OF ECONOMIC PERFORMANCE

ECONOMIC INDICATOR	FEBRUARY	
GDP Growth	2019 Q3 2.28%	↑
Exchange Rate (Interbank)	306.95	↓
Exchange Rate (Parallel)*	306.00	↓
Exchange Rate (Pilgrimage)	306.00	—
Oil Price/barrel	\$58.09	↓
External Reserves	\$36.38	↓
Inflation Rate	12.20%	↑
MPR	13.50%	↓
Avg. Crude Oil Production Volume (Daily)	1.81%	↓

SECTOR WATCHLIST

This information should inform the kinds of products to prioritise as well as what the demographic and geographic focus ought to be. Products and services would need to be broadened to enable access, provide choice and increase usage. These should specifically solve everyday problems like payments, savings, credit, insurance, pension, collective investment etc., in ways that effectively combine the physical grassroots reach of the SANEF Agents with the self-service and scalable nature of digital financial services. Digitalisation and access still remain the two edges of the sword that will maim and possibly exterminate this economic enemy called financial exclusion.

Leveraging digital platforms and agent networks to deliver basic financial services to the grassroots will require collaborative efforts of Fintechs, SANEF Agents, Telcos and Banks. While the banks and Telcos provide the infrastructure, Fintechs would develop the products and services while the Agents via a widespread network will deliver the services to the last mile. This will ensure that all parties contribute their comparative advantages in a complementing manner with a singular goal of achieving the 95% inclusion rate by 2024.

An indicative model for delivering the financial inclusion target in Nigeria is captured in the matrix below.

	DEMAND	SUPPLY
WHO	POPULATION	COLLABORATORS
	<ul style="list-style-type: none"> ▪ <i>Geography</i> ▪ <i>Demography</i> ▪ <i>Psychography</i> ▪ <i>Occupation</i> 	<ul style="list-style-type: none"> ▪ <i>Fintechs</i> ▪ <i>SANEF Agents</i> ▪ <i>Telcos</i> ▪ <i>Banks</i>
WHAT	PRODUCTS	CHANNELS
	<ul style="list-style-type: none"> ▪ <i>Micro-credit</i> ▪ <i>Micro-insurance</i> ▪ <i>Collective/Digital Savings</i> ▪ <i>Mobile Money</i> 	<ul style="list-style-type: none"> ▪ <i>Digital Financial Services</i> ▪ <i>Agent Networks</i> ▪ <i>National Identity Schemes</i> ▪ <i>Welfare/Incentive Schemes</i>

The financially excluded population are represented on the demand side. These people need basic specialised products which the collaborators need to deploy via accessible channels.

An understanding of who the financially excluded are with respect to specific data on geography, demography, psychography and occupation is very critical in developing appropriate products that will attract and capture them. It will also help the collaborators in designing and deploying appropriate channels through which the products can be effectively delivered to the unbanked.

Major products that can be used to easily onboard the financially excluded are; micro-credit, micro-insurance, digitalised collective savings and mobile money. These products have proven overtime to meet the basic needs of the common man for small business loans, health insurance, thrift as well as convenient sending, paying and receiving of money.

With just 4 years to our 95% financial inclusion target, all hands must be on deck as we collaboratively leverage our collective synergies and complement current efforts to seamlessly deliver appropriate products and services to the unbanked and underbanked. This synchronization strategy of players, products and channels is the only sure way to expand access to financial services and deepen financial inclusion.



FINANCIAL SERVICES SECTOR UPDATE

- The Central Bank of Nigeria reforms aimed at ensuring financial services reach the last mile and has tripled the value of transactions by mobile money providers in one year. Financial transactions conducted by mobile money operators received a major boost in 2019 as the value of payments grew by 184 per cent from N292.02bn recorded in 2018. In 2019, the latest data obtained from the Nigerian Inter-Bank Settlement Scheme showed that N828.1bn worth of payments were executed by mobile money agents in the country.
- Low-interest rates given on different savings accounts and outrageously high charges paid on loans may get worse as banks make moves to recoup more profits from their customers after the banking regulator slashed most of the charges hitherto imposed on depositors
- Nigeria’s central bank has enough firepower to stave off a devaluation of the naira until at least next year, even as one of the world’s most stable currencies comes under pressure with oil prices tumbling and reserves dwindling, according to a Bloomberg survey of 19 investors and analysts, both local and foreign. All but four of them said the heavily-managed naira is more than 10% overvalued against the dollar. Two respondents said it was at least 20% too strong

SECTOR WATCHLIST

- Currency- in- circulation (CIC) declined by 7.9 percent to N2.2 billion in 2020 from N2.4 billion in 2019, according to data obtained from the Central Bank of Nigeria (CBN). The decline is as a result of the recent increase in Cash Reserve Ratio (CRR) by 500 basis points to 27.5 percent in 2020 from 22.5 percent since 2016.



AGRICULTURE SECTOR UPDATE

- The commissioners for agriculture have called on the National Agency for Food and Drug Administration (NAFDAC) to ban the use of paraquat for weed control in the country. Paraquat is a chemical herbicide or weed killer that is highly toxic and used all over the world. It is also known by the brand name Gramoxone.
- The National Horticultural Research Institute (NIHORT) says 700,000 million metric tonnes of tomatoes are required to meet the nation's demand for it. Though Nigeria is currently producing 2.3 million metric tonnes as against 1.8 million produced two years ago, more needs to be done to meet the three million metric tonnes national demand. Tomato production in Nigeria is still short of what is demanded particularly during the second and third quarter of 2019. While about three million metric tonnes is the national requirement, about 2.3 metric tonnes are produced.
- Ecobank says Nigeria has the capacity to feed Africa's estimated 1.2 billion people if it harnesses the gains of the agricultural value chain. According to the bank success in Nigeria's agricultural sector means the reduction in the demand for foreign exchange to import food items into the country and the development of the agribusiness value-chain with a resultant effect in the creation of a new breed of entrepreneurs as well as jobs for the teeming population.

- The Deputy National President of RIFAN, Mr Segun Atho, reiterated the minister's of agriculture stand on local rice exportation saying it was workable, feasible and possible with the current growth witnessed in the sector, because Nigeria has about 95 million hectares of land suitable for agricultural practices, and about 10 million is suitable for rice cultivation. "If a farmer can cultivate one hectare of rice each and harvest between three to four tones of paddy rice multiplied by the current number of farmers in the country.



ENERGY SECTOR UPDATE

- The Nigerian Gas Transportation Network Code, which was launched by the Ministry of Petroleum Resources and the Department of Petroleum Resources, has been described by industry stakeholders as a welcome development. The NGTNC is a set of rules that guides the use of the gas transportation system in Nigeria and governs the operations of all the network players including suppliers, transporters, shippers and agents, according to the DPR.
- Stakeholders in the nation's oil and gas industry have identified some gaps in the Nigerian Oil and Gas Industry Content Development Act that needed to be addressed. A legal practitioner and Managing Partner, Sefton Fross, Mrs Olayemi Anyanechi, said gaps in the NOGICD Act could be exploited by some contractors and oil firms in contrast to its objectives.
- The Federal Government has been urged to develop policies and legislation that will help protect the oil and gas industry's vital data against cyberattacks. haring of intelligence among operators in the industry and simulating situations before cyberattacks can help reduce vulnerability.
- Bhojsons Powerhub, a subsidiary of the Bhojsons Group, says it has introduced a new power backup solution into the Nigerian market in a bid to improve energy efficiency. The Amaze brand offers customers quality power solutions using cutting-edge technology in a complete package that guarantees maximum performance.
- Mainstream Energy Solutions Limited, operators of the Kainji and Jebba Hydropower Plants, signed the €92m contract with Andritz Hydro GmbH, to help increase the country's power grid capacity.

