National Financial Inclusion Strategy

Abuja, October 2012

National Financial Inclusion Strategy

Contents

Table of Figures

Acknowledgment

The Central Bank of Nigeria would like to acknowledge the contributions of all the stakeholders that provided data, participated in interviews, reviewed and provided comments in the drafting and finalization of this National Financial Inclusion Strategy.

In particular, the Bank appreciates the support of the Alliance for Financial Inclusion (AFI), Bangkok, Enhancing Financial Innovation & Access (EFInA), Lagos and Messrs Roland Berger Strategy Consultants, Germany for assisting in the development of the National Financial Inclusion Strategy.

Executive Summary

1. Preamble

The Central Bank of Nigeria and other stakeholders intend to implement a National Financial Inclusion Strategy to decrease the number of Nigerians that are excluded from financial services from 46.3 % to 20.0 % by 2020 as committed to in the Maya Declaration'[1]. The number of Nigerians that are included in the formal sector shall increase from 30.0% in 2010 to 70.0% by the year 2020. This goal will be pursued through a broad range of coordinated interventions, with high priority on the folloiwng:

- Transformation of the existing uniform **Know-Your-Customer (KYC) regulation** into a simplified Risk-based Tiered Framework that allows indiviuals that currently do not have the required formal identification measure to enter the banking system.
- Articulation and implementation of a **Regulatory Framework for Agent Banking** to enable financial institutions to bring banking services to the currently unbanked in all parts of the country.
- Definition and implementation of a **National Financial Literacy Framwork** to increase awareness and understanding of the population on financial products and services with the goal of increasing sustainable usage.
- Implementation of a comprehensive **Consumer Protection Framework** to safeguard the interest of clients and sustain confidence in the financial sector.
- Continued pursuance of **Mobile-Payment System and other Cash-less Policy** efforts to lessen the cost and enhance the ease of financial services and transactions.
- Implementation of **Credit Enhancement Schemes/Programmes** to empower micro, small and medium enterprises:
    - Micro, Small and Medium Enterprises Development Fund, 60% of which will support the on-lending activities of microfinance banks and institutions to women enterprises and clients.
    - Nigerian Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL)
    - Entrepreneurship Development Centres (EDCs)
    - Restructuring and Refinancing Facilities for SMEs
    - SME Credit Guarantee Scheme

The process for developing this strategy was as follows:

i. Status quo analysis where desk research on best practice financial regulation and policy in selected countries was carried out and gaps in CBN regulation and policy were identified.
ii. Assessment of peer countries for international benchmarking purposes. Assesed countries included Malaysia, Mexico, Brazil, South Africa, India, Indonesia, the Phillipines, Kenya, Ghana, Pakistan and Uganda.
iii. Stakeholder interviews with the following organizations: Securities and Exchange Commission, National Pension Commission, Nigerian Communications Commission, National Insurance Commission, GTBank, Stanbic Bank, United Bank for Africa, Unity Bank, AB

[1] The Maya Declaration is a statement of common principles regarding the development of financial inclusion policy made by a group of developing nation regulatory institutions during the 2011 Alliance for Financial Inclusion (AFI) Global Policy Forum held in Mexico. Nigeria is a signatory to the declaration.

Microfinance Bank, Fortis Microfinance Bank, LAPO Microfinance Bank, Cornerstone Insurance, GT Assur, Royal Exchange, ARM Pensions Managers, Airtel Nigeria, MTN Nigeria, Interswitch, Paga, Bureau of Public Enterprises, National Identity Management Commission (NIMC), NEPAD Business Group, Nigeria Postal Service, Rural Finance Institution Building Programme, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), African Development Bank (ADB), Alithea Capital, Consultative Group to Assist the Poor (CGAP), Department for International Development (DFID) and Agency for International Cooperation (GIZ).

iv. Exposure of the National Financial Inclusion Strategy to stakeholders for comments, inputs and review of the document.

v. Validation of the revised Strategy to address further stakeholder comments and input in order to finalize the Strategy. Stakeholders present at the validation summit included Financial Services Regulators, Federal Government Ministries, Departments and Agencies (MDAs), Deposit Money Banks, Microfinance Banks and Institutions, Development Finance Institutions as well as Development Partners, amongst others.

In drafting the Strategy, an evidence-based and analytical approach that considered global best practices was followed.

This document presents the following:

- Definition of Financial Inclusion
- Stakeholders in the Strategy and the rationale for their participation
- Status of Financial Inclusion in Nigeria
- International benchmarking
- Barriers to Financial Inclusion
- Targets for the National Financial Inclusion Strategy
- Strategies for Achieving the Financial Inclusion Targets
- Implications for regulation and policy in Nigeria
- Monitoring and evaluation
- Organizational framework for institutionalization of the National Financial Inclusion Strategy

2. Definition of Financial Inclusion

For the purpose of the strategy, **"Financial Inclusion is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at affordable cost"**. The services include but are not limited to payments, savings, loans, insurance and pension products.

3. Stakeholders in the Strategy and the Rationale for their Participation

The Stakeholders in the strategy and the rationale for their participation are segmented as follows:

- **Providers:** These include institutions that provide financial products and services, and their partner infrastructure and technology. The attarction for providers is in the high untapped business potential of the majority of Nigerians that are currently not using financial products and services.

- **Enablers:** These are regulators and public institutions responsible for setting regulations and policies on Financial Inclusion. The interest is triggered by governmental mission to develop Nigeria into one of the top 20 economies by the year 2020.

- **Supporting institutions:** These are institutions that provide assistance to enhance and support the CBN's efforts to achieve the National Financial Inclusion goals. They include development partners and experts with the mission to support the Nigerian people and government in meeting their economic objectives and delivering on the technical assistance mandates of their constituencies.

4. Status of Financial Inclusion in Nigeria[2]

A total of 39.2 million adult Nigerians (46.3% of the adult population of 84.7 million) were financially excluded in 2012**.** Further analysis revealed that 54.4% of the excluded population were women, 73.8% were aged less than 45 years, 34.0% had no formal education, while 80.4% reside in rural areas.

5. International Benchmarking

The analysis of global best practices showed that explosive growth in Financial Inclusion is possible through various approaches. The major ones are:

- The strong uptake of payment services in **Kenya,** led by mobile network operators, and based on agent networks
- Increased payments and savings services in **Brazil,** driven by agent banking, shared infrastructure, partnership between commercial banks and the national postal network, and government policy to channel their welfare payments through this network.
- The high impact of tiered KYC regulation and basic savings / transaction accounts as in **Mexico**

The benchmarking exercise puts the status of Financial Inclusion in Nigeria into an international perspective and provides the justification for the strategies proposed to address the identified financial inclusion gaps.

6. Barriers to Financial Inclusion

The EFInA Access to Financial Services in Nigeria 2010 Survey groups the barriers to financial inclusion into the following three categories:

Demand-side barriers occassioned by various reasons, such as irregular income, lack of employment and low literacy levels.

Supply-side barriers brought about by long distance to access points, too high cost of services and inappropriate products

Regulatory barriers such as cumbersome KYC requirements, lack of trust in the financial service provider and high rate of corruption.

7. Targets for the National Financial Inclusion Strategy

The major targets of the Strategy are:

[2] EFInA Access to Financial Services in Nigeria 2010 Survey

	TARGETS	2010	2015	2020
% of total adult pop.	Payments	21.6%	53%	70%
	Savings	24%	42%	60%
	Credit	2%	26%	40%
	Insurance	1%	21%	40%
	Pensions	5%	22%	40%
units per 100,000 adults	Branches	6.8	7.5	7.6
	MFB branches	2.9	4.5	5.0
	ATMs	11.8	42.8	59.6
	POS	13.3	442.6	850.0
	Mobile agents	0	31	62
% of pop.	KYC ID	18%	59%	100%

8. Strategies for Achieving the Financial Inclusion Targets

In pursuing the stated targets, efforts will be concentrated on the following strategic areas:

- **Agent banking** – Agent banking is the delivery of banking services outside traditional bank branches, through additional touchpoints such as existing retail stores and petrol stations or via technology such as 'Point of Sale' (POS) devices and mobile phones.
- **Mobile banking/ mobile payments** – Access to financial services through mobile phones that are either directly linked to a bank account or use of mobile wallets as intermediary virtual money accounts.
- **Linkage models** – Enhancement of financial and business cooperation between conventional financial institutions (deposit money banks and development finance institutions)/government and microfinance banks/institutions for wholesale funding and on-lending transactions.
- **Client empowerment** – Increase of bankability of population through coordinated national financial literacy initiatives that are complemented by consumer protection

9. Implications for Regulation and Policy in Nigeria

To implement the defined strategies, priority would be set on finalizing and implementing the guidelines and framework for:

- Tiered KYC regulations
- Agent banking regulation
- National financiallLiteracy strategy
- Consumer protection

Also, the mobile payment system and other cash-less efforts will be vigorously pursued, while providers will be supported and guided to pilot test the adoption of relevant business models, bouyed by implementation of global peer learning programmes.

10. Monitoring and Evaluation

To assure impact and the right strategic direction, a constant process of monitoring and evaluation will be conducted by the Financial Inclusion Secretariat. This process consists of the following steps

- Biannual collection of a comprehensive data set from industry stakeholders
- Distillation of key performance indicators from industry data
- Comparison of results with defined indicator targets
- Analysis of gaps and trends
- Annual reporting to Financial Services Regulation Coordination Committee[3] (FRSCC) and National Economic Council[4]
- Suggestion of necessary measures, changes in priorities or partial review of strategic direction to increase rate of indicator achievement

11. Organizational Framework for Institutionalization of National Financial Inclusion Strategy

A Financial Inclusion Secretariat will be set up within the CBN to take responsibility for the day-to-day reporting, coordination and implementation work. Its activities will be supervised by the Financial Services Regulation Coordinating Committee (FSRCC) which shall in turn provide updates to the National Economic Council (NEC).

[3] FSRCC members include: Central Bank of Nigeria, Federal Ministry of Finance, Nigeria Deposit Insurance Corporation, Securities and Exchange Commission, National Pension Commission, Commissioner for Insurance, Corporate Affairs Commission, Abuja Securities and Commodities Exchange, Nigerian Stock Exchange and Federal Inland Revenue Service.

[4] National Economic Council members include: Vice President, Federal Ministry of Finance, Central Bank of Nigeria and State Governors

1.0 INTRODUCTION

The purpose of the National Financial Inclusion Strategy (FIS) for Nigeria is to ensure that a clear agenda is set for increasing both access to and use of financial services within the defined timeline, i.e. by 2020.

1.1 Definition:

Financial Inclusion is achieved when adults[1] have easy access to a broad range of formal financial services that meet their needs and are provided at affordable cost.

The definition of Financial Inclusion is based on:

i. Ease of access to financial products and services
   - Financial products must be within easy reach for all groups of people and should avoid onerous requirements[2]

ii. Usage of a broad range of financial products and services
   - Financial Inclusion implies not only access but usage of a full spectrum of financial services including but not limited to payments, savings, credit, insurance and pension products

iii. Designed according to need
   - Financial products must be designed to meet the needs of clients and should consider income levels and access to distribution channels

iv. Affordable cost
   - Financial services should be affordable even for low-income groups

1.2 Strategic Objectives

The strategic objectives of Financial Inclusion Strategy for Nigeria are to:

- Ensure that a clear agenda is set for significantly increasing both access to and use of financial services by 2020.
- Ensure that the concerns and inputs of all stakeholders are considered and roles and responsibilities are defined before regulations and policies are set for Financial Inclusion.
- Outline the framework for increasing the formal use of financial services to 70% by 2020 from the current level of 36%[3] of the adult population.

1.3 Rationale for CBN Involvement in Financial Inclusion Strategy

Increasing Financial Inclusion will support the CBN in achieving its core mandates as follws:

[1] Adults refer to persons of 18 years and above. Persons under the age of 18 (minors) require an adult to ratify legal contracts and cannot independently operate bank accounts. Including minors to Financial Inclusions will require amendments to existing laws in Nigeria

[2] Ease of access refers to challenges such as KYC (Know Your Customer) procedures and physical distance

[3] EFInA Access to Financial Services in Nigeria 2010 Survey

OBJECTIVES OF THE CBN	HOW FINANCIAL INCLUSION ADDRESSES THE CBN OBJECTIVES
▪ Ensure monetary and price stability	▪ The CBN will be better able to influence savings, investment and consumption behavior through interest and exchange rate changes, a direct result of increased participation of Nigerians in the formal financial sector
▪ Issue legal tender currency in Nigeria	▪ Increased penetration of e-payments usage and cash-less efforts will reduce the cost of cash management and the cost of issuing legal tender currency
▪ Maintain external reserves to safeguard the international value of the Naira	▪ Increased access to finance for MSMEs as a result of Financial Inclusion (credit made on the back of mobilised savings) will lead to greater productivity, increased nono-oil exports and stabilize subsequent demand for naira
▪ Promote a sound financial system in Nigeria	▪ Financial Inclusion will lead to development of a stable financial system funded by non-volatile savings which are robust and provide cushion against external shocks
▪ Provide economic and financial advice to the Federal Government	▪ The CBN will be better able to advise the government as increased participation in formal finance will lead to greater visibility of the performance of the economy

The mandate of the Central Bank of Nigeria (CBN) is derived from the 1958 Act of Parliament, as amended in 1991, 1993, 1997, 1998, 1999 and 2007

Figure 1: Relevance of Financial Inclusion to Achieve CBN Objectives

2.0 STRATEGY STAKEHOLDERS AND THEIR INTEREST

The stakeholders in enhancing Financial Inclusion, as defined by FSS 2020, are: Banks, Other Financial Institutions, Insurance, Regulators, Technology/Telecommunications firms, Public Institutions and Development Partners/experts (See Figure 2):

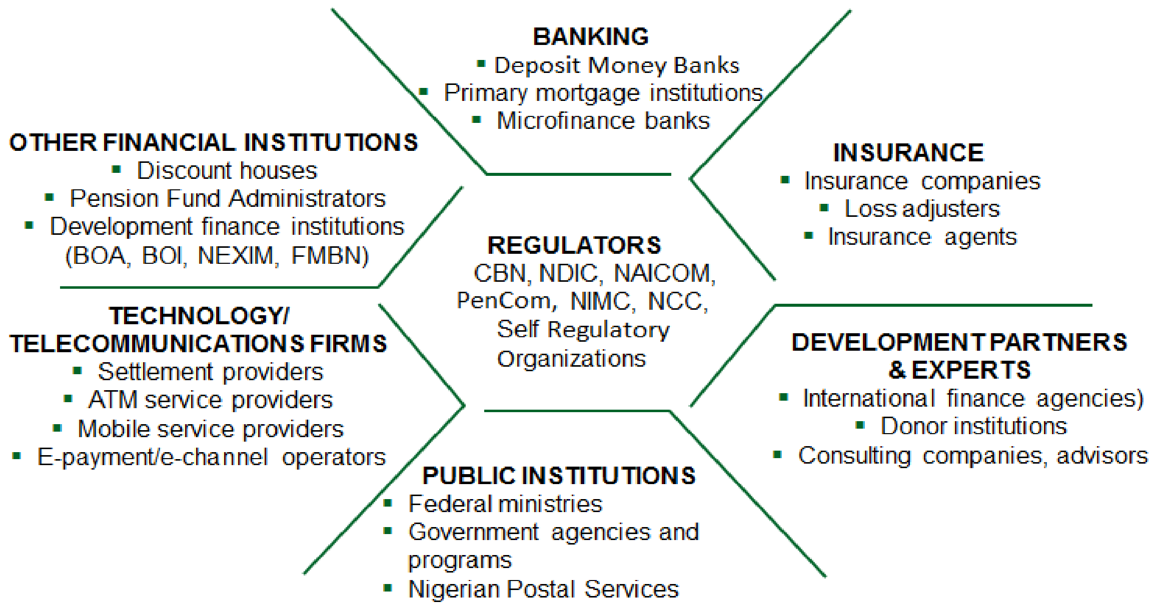


Figure 2: Financial Inclusion stakeholders in Nigeria

The interest of some of major stakeholders in the Financial Inclusion Strategy are as follows:

➢ *Deposit Money Banks*

Currently, 21 deposit money banks are serving about 20 million clients, based on a network of about 6,000 branches and about 10,000 ATMs.[4] A large part of the banking market in Nigeria remains untapped and has the potential to provide a large funding base through savings mobilization. They present alarge market for credit, payment, insurance and pension services commercial banks and hence profit for the banks.

➢ *Microfinance Banks*

As of July 2011, Nigeria had 866[5] microfinance banks (MFBs). The MFB network served 3.8%[6] (or 3.2 million clients) of the adult population. Of the 3.2 million clients, 65% used savings products, 14% used credit products and 4% used ATM cards.
The vast majority of MFBs can increase their scale and operating capacity by exploiting the opportunities provided by the Financial Inclusion Strategy.

➢ *Development Finance Institutions*

There are five Development Finance Institutions (DFIs) in Nigeria established to channel financial resources to the critical sectors of the economy, which otherwise would not be funded by the

---

[4] Central Bank of Nigeria
[5] Central Bank of Nigeria
[6] EFInA Access to Financial Services in Nigeria 2010 Survey

conventional banking sector. Focusing on this strategy can help them harmonize multiple interventions and thereby increase impact on the economy.

- *Microfinance Institutions*

Non-bank microfinance institutions (MFIs), which include financial NGOs, financial cooperatives, self-help groups, trade associations and credit unions, are not regulated by the Central Bank of Nigeria. Over 600 MFIs are being monitored by CBN. MFIs may benefit from the Financial Inclusion Strategy through increased technical assistance and funding to enhance their outreach to members in a more effective and efficient manner.

- *Insurance*

The recapitalisation exercise of 2007 led to an increasingly consolidated industry with 49[7] insurance companies. However, as of December 2010, the insurance sector as a whole served only 1%[8] of the population.

With 99% of the population unserved, an enormous business potential remains to be tapped by the insurance companies.

- *Pensions*

The 2004 Pension Reform Act established the Compulsory Pensions Scheme (CPS), which has been largely adopted by the Federal Government and private sector. Annual pension contributions grew from NGN 60 billion in 2006 to NGN 290 billion in 2010[9]. However, only 17 of the 36 State Governments and the Federal Capital Territory have passed bills to adopt and implemented the CPS.

The current pension system makes allowances for voluntary contributions into which both the formal and informal sectors in Nigeria can tap. Pension fund administrators and custodians can increase their outreach to this untapped segments through appropriate products.

- *Technology and Telecommunications Firms*

There are 9 mobile network operators (MNOs) in Nigeria. Out of these MTN, Globacom and Airtel with a combined market share of approximately 85% are the leaders in this subsector. The payments processing segment is operated by four companies, namely Interswitch, Valuecard, Cams and eTranzact. Between 2006 and 2010, the sector witnessed 38%[10] CAGR in the total number of subscribers and 27%[11] CAGR in tele-density.

Mobile network operators could benefit from the Financial Inclusion Strategy through increased fee revenues from offering of payments services. In addition, client acquisition and retention will be increased through a more attractive product offering.

- *Public Institutions*

Participation in the Financial Inclusion Strategy would help public institutions to achieve their mandate. These institutions include Small and Medium Enterprise Development Agency in Nigeria (SMEDAN), National Identity Management Commission, (NIMC) and Nigeria Postal Services (NIPOST).

[7] National Insurance Commission (NAICOM)
[8] EFInA Access to Financial Services in Nigeria 2010 Survey
[9] National Pension Commission (PenCom)
[10] Nigerian Communication Commission (NCC)
[11] Nigerian Communication Commission (NCC)

- *Development Partners*

Various development partners support Financial Inclusion initiatives and this Strategy would provide a blue print for their interventions and assist them to achieve their objectives.

3.0 CURRENT STATE OF FINANCIAL INCLUSION IN NIGERIA

With regards to the provision of financial services, Nigeria lags behind some of its peer African countries. In 2010 for instance, only 36%[12] – roughly 31 million out of an adult population of 84.7 million – were served by formal financial services, compared to 68% in South Africa and 41% in Kenya[13].

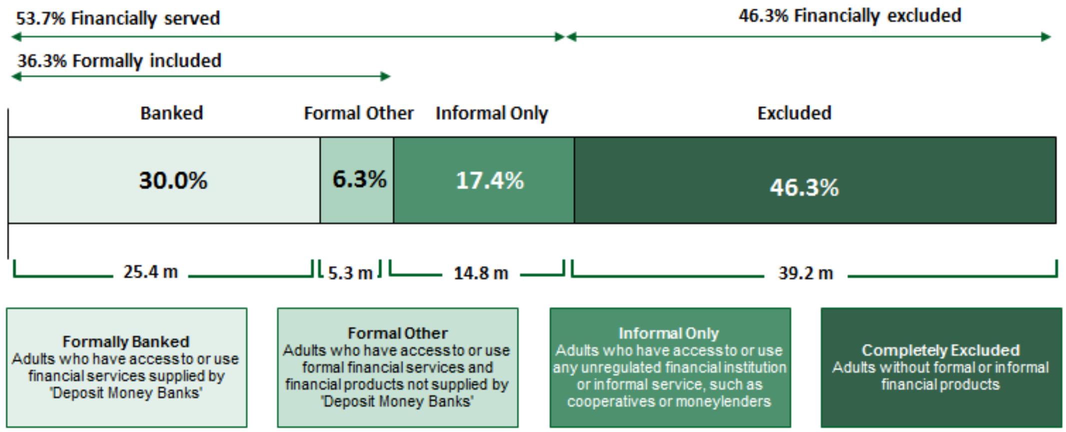


Figure 3: State of Financial Inclusion in Nigeria[14]

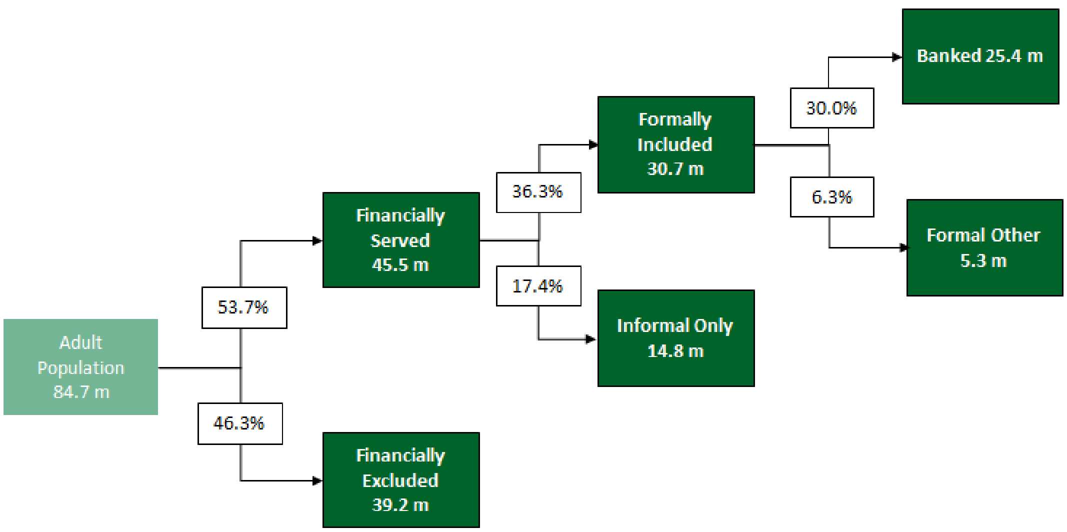


Figure 4: Categories of usage of financial products and services[15]

Between 2008 and 2010, the percentage of "completely excluded" fell from 53% to 46%, while those served by the "informal sector" fell from 24% to 17%[16]. At the same time, "formal other" doubled from 3% to 6% and "formally banked" rose from 21% to 30%[17].

---

[12] EFInA Access to Financial Services in Nigeria 2010 Survey
[13] EFInA Access to Financial Services in Nigeria 2010 Survey
[14] EFInA Access to Financial Services in Nigeria 2010 Survey
[15] EFInA Access to Financial Services in Nigeria 2010 Survey
[16] EFInA Access to Financial Services in Nigeria 2008, 2010 Surveys
[17] EFInA Access to Financial Services in Nigeria 2008, 2010 Surveys

3.1 Geographical Differences of Financial Inclusion

Financial inclusion is most progressed in the urban areas of Nigeria, especially in the southern parts of the country. Northern Nigeria is particularly disadvantaged as 68% of adults in the North East and North West zones, respectively, are excluded.

Rates of formal inclusion range from 49 % in the South West Region to only 19 % in the North West Region. 'Informally included' are more in the North Central region, where 23 % of the adults have access to only informal services.

Source: EFInNA 2010 Access to Finance Survey

The exclusion rate is worse in the Northern part of the country as the North East and North West have 68% each of their population excluded from financial services as against 33% and 32% for South West and South East respectively

Figure 5: Financial Inclusion in Nigeria by region[18]

The vast majority (80.4%) of those who are fully excluded from formal and informal financial services live in rural areas. Three potential explanations are possible: Firstly, the physical distance to bank branches in most rural areas is long and this poses high cost for accessing financial services. Secondly, the lower ecnonomic activity in rural areas limits the profitability of financial institutions. Thirdly, a commonly lower degree of education and financial literacy in rural areas decreases the probability for clients to makes use of financial products and services.

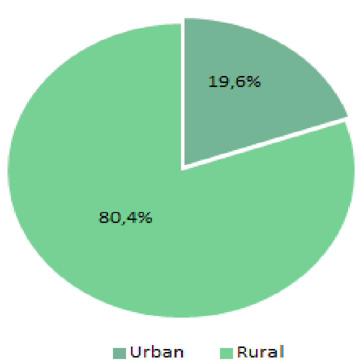


Figure 6: Geographical the distribution of financially excluded[19]

[18] EFInA Access to Financial Services in Nigeria 2010 Survey
[19] EFInA Access to Financial Services in Nigeria 2010 Survey

3.2 Characteristics of the Financially Excluded[20]

A total of 32 million adults, (that is 46.3% of the adult population) are currently financially excluded**.** Out of this**,** women account for 54.4%, while youths (those less than 45years) account for 73.8%. The uneducated, (those without formal education) are about 34.0%, while 80.4% of the rural residents are financially excluded.

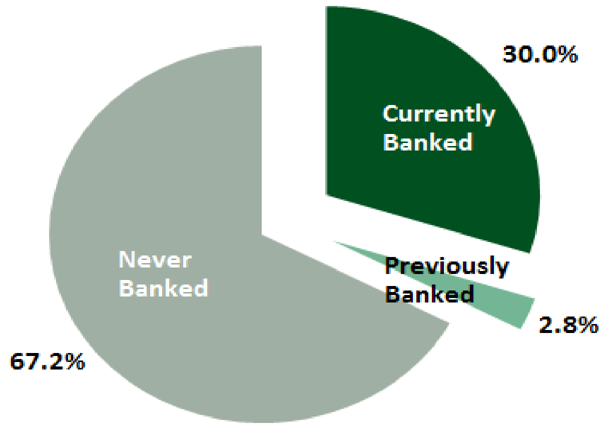


Figure 7: Degree of Financial Exclusion in Nigeria

Two key demographic trends that have implications for financial inclusion are:

i. Relatively young population that is rapidly urbanizing;
ii. Fertility in Nigeria remains high and unchanged over almost two decades – 5.9 births per woman in 1991 and 5.7 births in 2008. On the average, rural women have two children more than urban women (6.3 versus 4.7 children). Nigeria is the world's tenth most populous country. According to the National Population Commission, Nigeria's population grew from 140.4 million in 2006 to 167.9 million as at the end of October 2011. Out of this, 82.1 million were females and 85.8 million were males. Using a population growth rate of 3.2%, which is the same rate that the Commission used in 1991 and 2006, respectively, Nigeria's population is expected to reach 221.4 million by 2020.

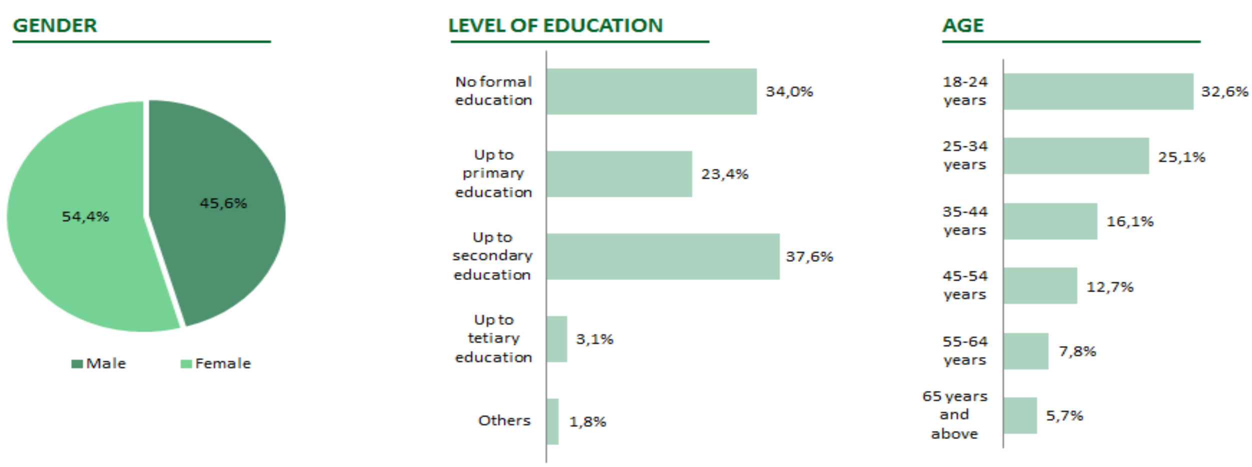


Figure 8: Characteristics of the financially excluded

[20] EFInA Access to Financial Services in Nigeria 2010 Survey

The average population density is 150 per sq km, and the population is distributed unevenly. Densely populated States include Lagos, Anambra and Akwa Ibom. The urbanization rate is estimated at 49% in 2009, and is expected to rise to 75% by 2050. By this time, Nigeria is expected to be among the twenty most urbanized countries in the world.

3.3 Financial Sector Infrastructure

The existing banking infrastructure has the capacity to serve as a basis for expanding Financial Inclusion. As of December 2010, Nigeria had combined total of 5,797 bank branches, 9,958 ATMs and 11,223 POS terminals.[21] Although the banked population has grown faster than the bank branch network, the infrastructure is operating below its potential and has the capacity to serve more clients – the average number of clients per branch was 3,882, compared to 3,922 in Kenya and 8,595 in Tanzania. To reach best-in-class levels, the average branch should serve more than double the number of clients it serves today.

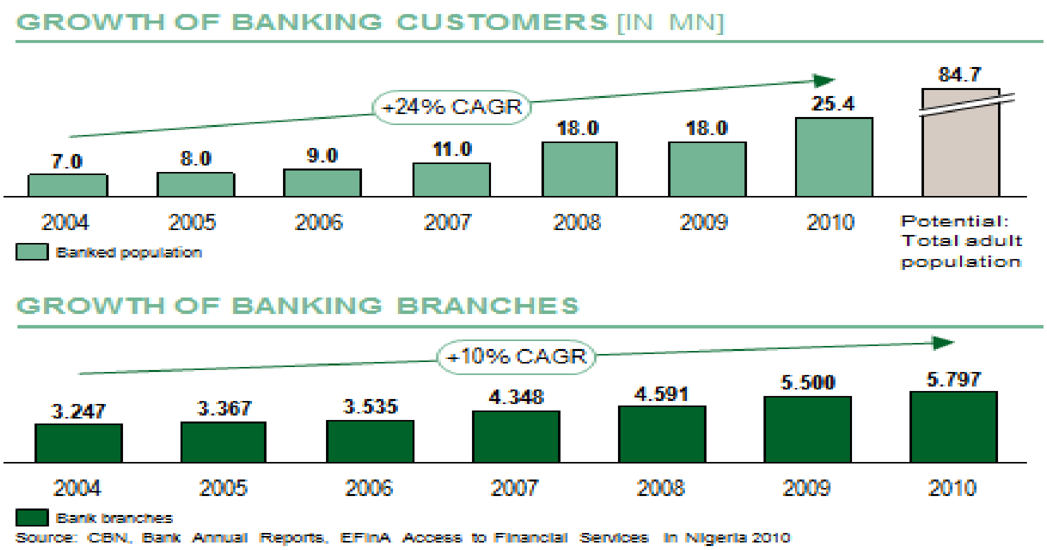


Figure 9: Banking customers and branch infrastructure in Nigeria

3.4 Regulation and Policy

There are currently no specific regulations and policies on Financial Inclusion in place. Many regulations and policies do have an impact on Financial Inclusion, particularly those that focus on distribution channels such as ATMs or POS devices. However, none is specific to retail agent banking. A review of initiatives that have come into effect due to regulation and policy on increasing access to finance reveals that monitoring and impact assessments are inadequate.

Globally, one catalyst to Financial Inclusion has been savings mobilisation policies and programmes. However, in Nigeria, most intervention programmes are geared towards credit enhancement. Despite focused investment in credit schemes and policies, the impact of these schemes appears to be limited when compared to the scale of financial exclusion in Nigeria.

The impact of these regulations and policies has been analysed with regard to the following factors as shown on figure 10:

[21] Central Bank of Nigeria

- Distribution channels
- Financial services and products
- Financial literacy and consumer protection

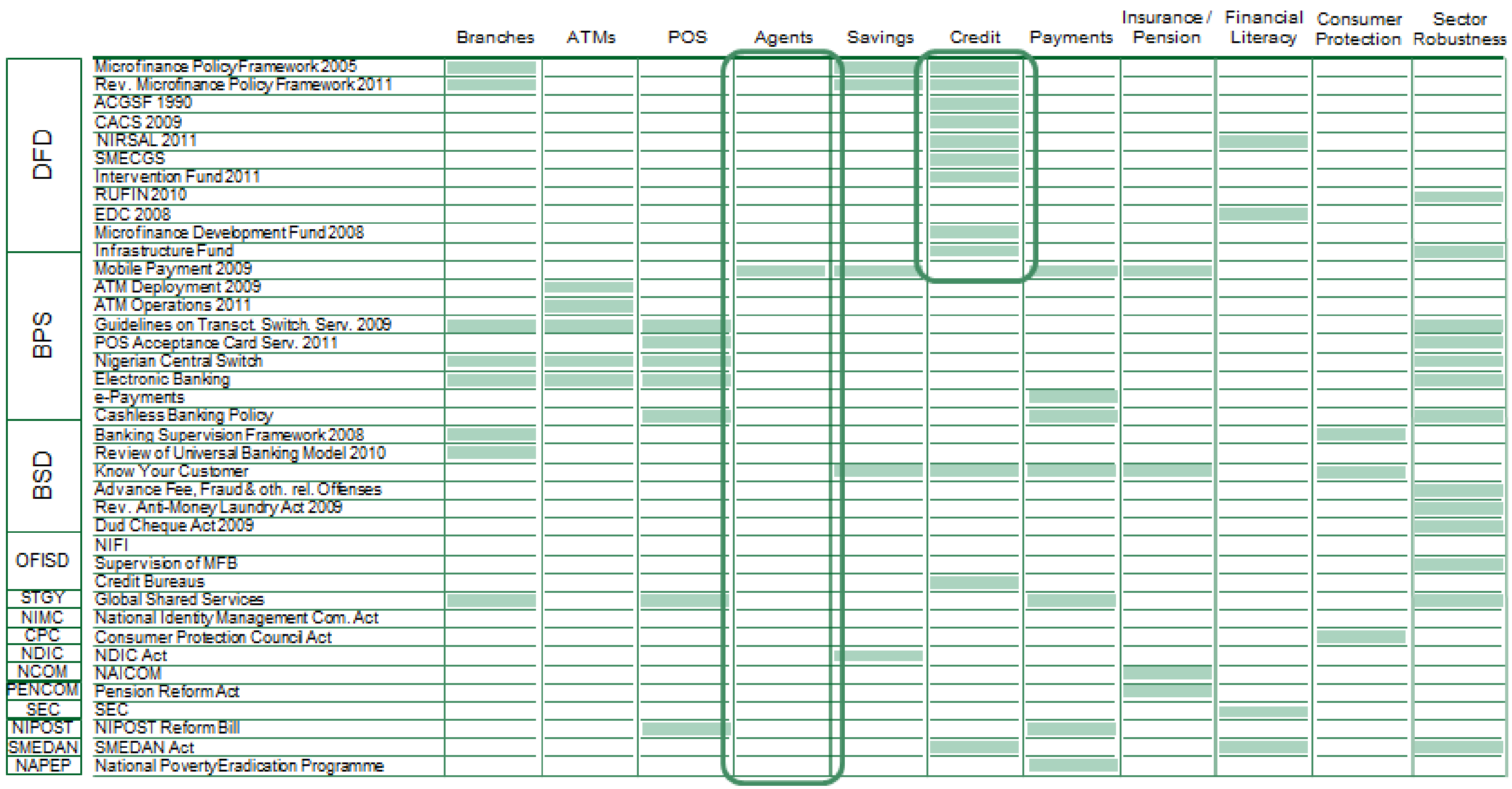


Figure 10: Overview of regulations and policy with an impact on financial inclusion

4.0 INTERNATIONAL BENCHMARKING ON FINANCIAL INCLUSION

Globally, Financial Inclusion is a mainstream topic. Many countries have taken action to increase the access to and use of financial services. The FinScope data on Financial Inclusion in African countries provides a first basis for comparison, as shown in figures 11 and 12.

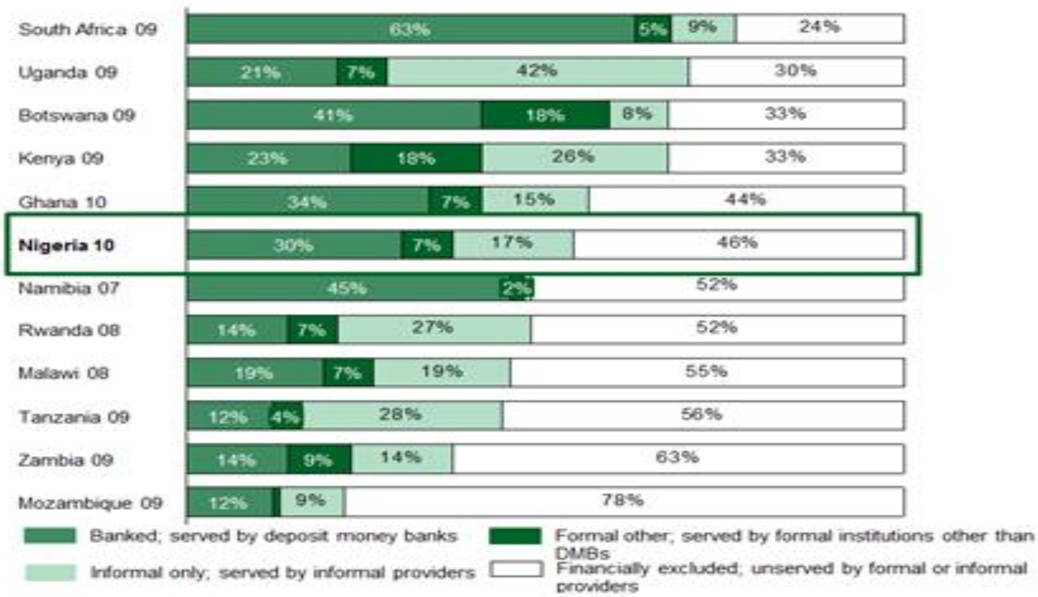


Figure 11: Country comparison in Sub Saharan Africa[22]

The existing assessment regards any person that uses at least one formal product as being financially included. Differences in quantity and quality of inclusion can only be identified when breaking down the country data into its elements.

Beyond sub-saharan Africa, some countries have made significant progress here, such as Malaysia and Brazil. As there is no global benchmark for Financial Inclusion, the benchmarking presented is divided along product, channel and client focused regulation and policy.[23]

4.1 Products

Payments – Nigeria has 21.6%[24] formal payments penetration. It thus lags behind South Africa and Kenya (both at 46%). Despite the high penetration of mobile phones in Nigeria, the use of mobile banking is yet to gain equivalent momentum. This is underscored by the fact that mobile payment in Nigeria is relatively new and yet to achieve mainstream status.

[22] EFInA Access to Financial Services in Nigeria 2010 Survey, Finscope data used for other countries

[23] To select the benchmark countries, two best-in-class countries for each product were identified from among emerging markets. In addition, where data was available, three anchor countries were included: Indonesia (as a top 20 world economy), Kenya and South Africa (both peers for financial development in Sub-Saharan Africa). The analysis is based on available data from FinScope surveys in African countries, as well as IFC Access to Finance 2010 for comparison and the GSMA database for supply side data.

[24] EFInA Access to Financial Services in Nigeria 2010 Survey

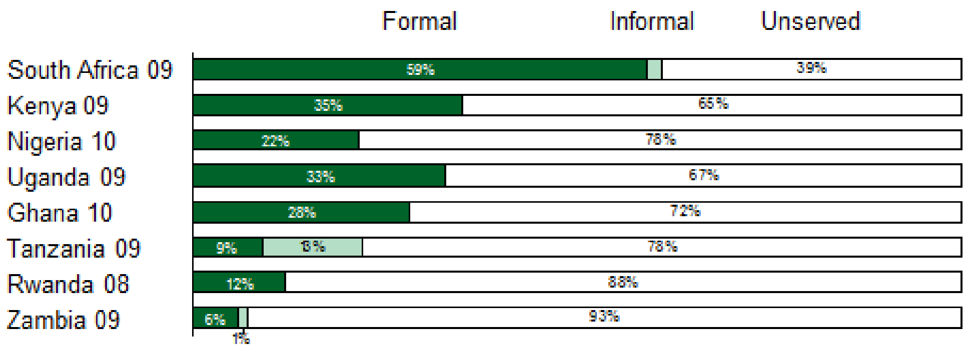


Figure 12: Access to transaction services in selected countries[25]

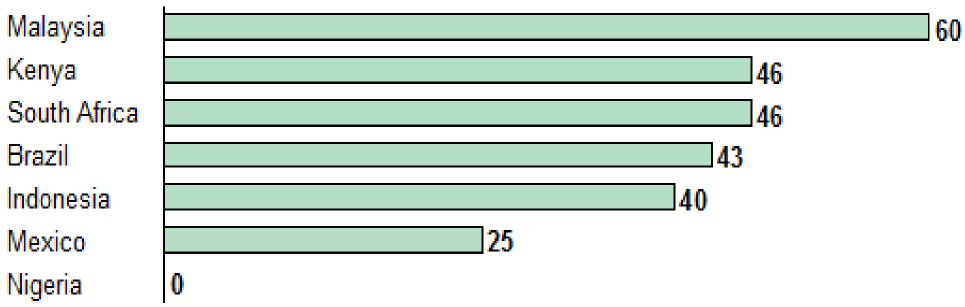
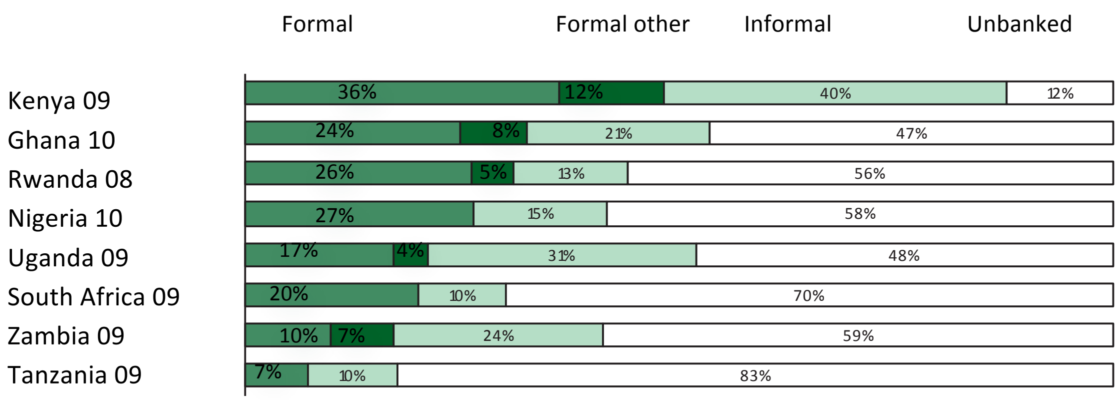


Figure 13: M-payments users as a percentage of adult population

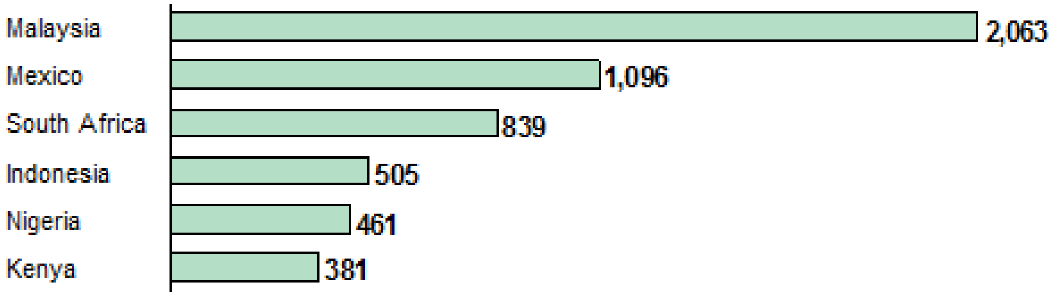
Savings – Nigeria is an average performer in Africa in terms of access to formal savings products. Furthermore, when compared to Malaysia – the best in class – Nigeria still has a long way to go: Malaysia has 2,063 savings accounts per 1,000 people, compared with 461 for Nigeria (figure 16).



Source: World Bank /CGAP, FinScope, EFInA Access to Finance in Nigeria 2010 survey

Figure 14: Access to savings in selected countries

[25] Remittances used as a proxy for transactional services in the strand. Access strand figures from FinScope, M-payments figures from Financial Access Survey 2010 from World Bank/ CGAP



Source: WorldBank / CGAP, FinScope, EFInA Access to Finance in Nigeria 2010 survey

Figure 15: Savings accounts per 1,000 with commercial banks in 2010[26]

Credit – Nigeria has very low credit penetration, with only 2%[27] access to formal products. This compares to 16% in Tanzania and 32% in South Africa. With its 15 loan accounts at commercial banks per 1,000 people, Nigeria pales in comparison with Malaysia, which has 963 loan accounts per 1,000 people (See Figure 17).

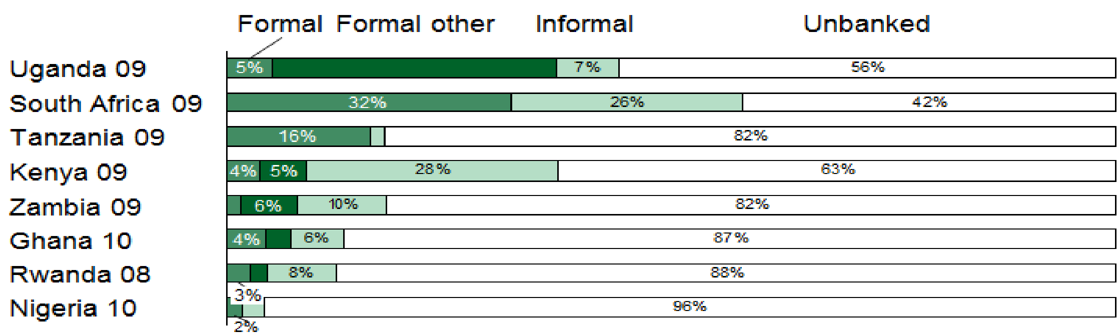


Figure 16: Access to loan products in selected countries

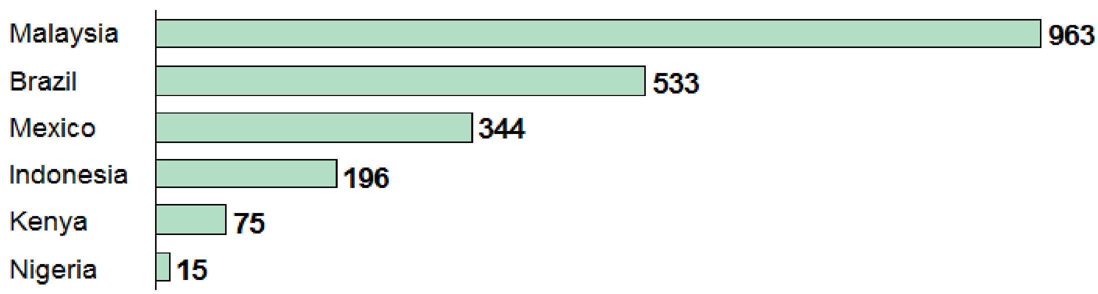


Figure 17: Loan accounts per 1,000 with commercial banks[28]

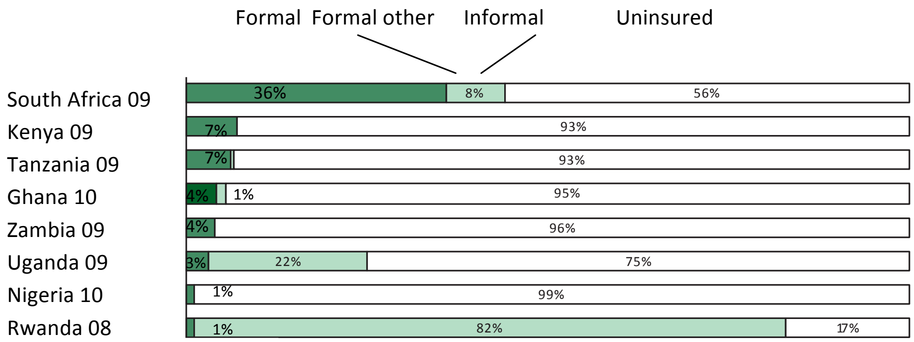
Insurance – With the exception of South Africa, where insurance penetration (Figure 19) is 30%, insurance penetration in Africa is relatively low. Nigeria's insurance sector with just 1% penetration, performs poorly compared to its African peers. Poor insurance literacy and a lack of trust on the

[26] Access strand figures from FinScope, M-payments figures from Financial Access Survey 2010 from World Bank/ CGAP

[27] Central Bank of Nigeria and FSS 2020 Blueprint for Nigeria's financial system

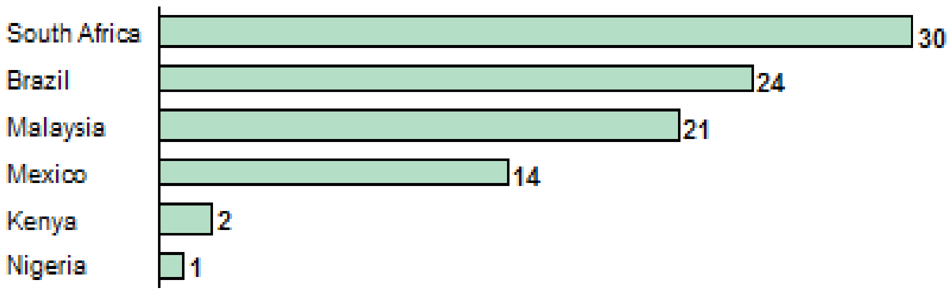
[28] Access strand figures from FinScope, the loan accounts figures from Financial Access Survey 2010 from World Bank/ CGAP and Central Bank of Nigeria

client side, as well as a lack of suitable products by insurance companies are considered the major factors keeping the use of insurance in Nigeria low.



Source: Swiss Reinsurance Company Ltd., EFInA Access to Finance in Nigeria 2010 survey

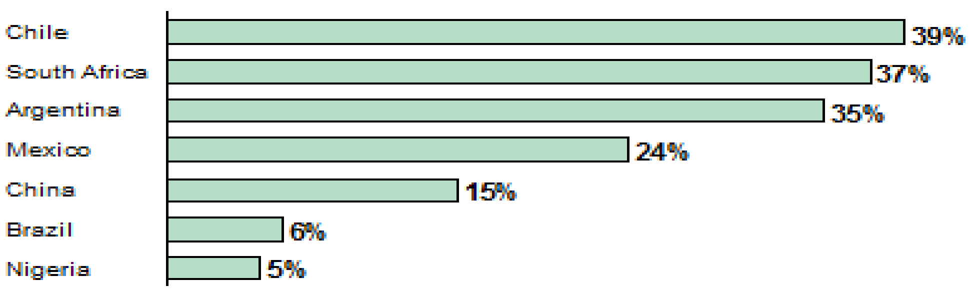
Figure 18: Access to insurance services in selected countries



Source: Swiss Reinsurance Company Ltd., EFInA Access to Finance in Nigeria 2010 survey

Figure 19: Estimated share of population using insurance in 2010 (%)[29]

Pensions – The Nigerian Pension Scheme, which is based on the Chilean pensions system, is in its early stages of development, with approximately 5% penetration. Chile's pensions assets, 27 years after implementation of the pensions system, account for 44% of GDP, compared to 4% in Nigeria after 5 years. However, the Nigerian pension system has not yet implemented a social pension fund, which is a vital component of the Chilean pension model. Given the potential of the Nigerian pension system and the experience from Chile, it is expected that Nigeria can move up faster and attain higher coverage in the next few years.



Source: Euromonitor, BGL, Regulator reports, PENCOM

Figure 20: Estimated proportions contributing pensions in 2009 (%)[30]

[29] Access strand figures from FinScope, Share of population using insurance figures from SwissRe 2011 and EFinA 2010

4.2 Channels

Branches – Growth in Mexico, South Africa and Kenya has been driven by competition in the banking sector rather than by regulation or policy. The belief that branches are key to maintaining brand and customer relationships has sustained branch expansion, even in markets with strong branchless banking networks, such as Brazil and Kenya. Branches in Nigeria are predominantly upscale and expensive; the mini-branch[31] concept is yet to become widespread and this has been a limitation to branch growth. With 6.8 branches per 100,000 adults in 2010 compared with 15.2 in Mexico, 13.8 in Brazil and 12.4 in Indonesia, there is much room for Nigeria to expand its branch network

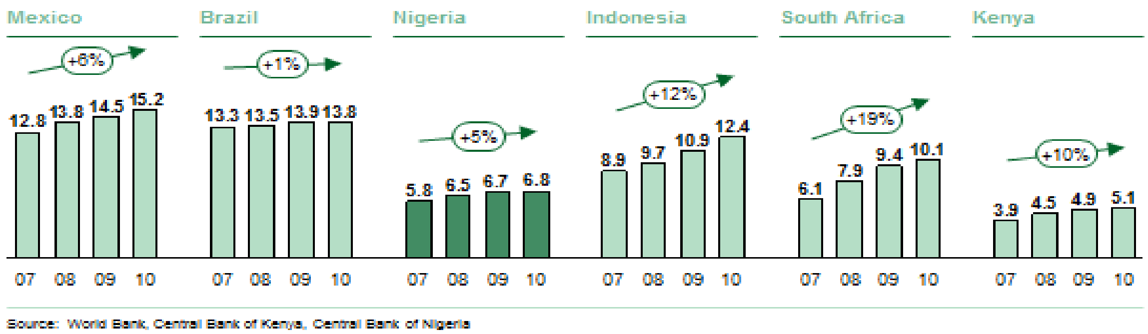


Figure 21: Commercial bank branches per 100,000 adults

ATMs –ATM penetration in Nigeria is still very low compared with benchmarked countries. While Brazil had 120.6, Thailand 77.7 and South Africa 59.6 ATMs per 100,000 adults, that of Nigeria stood at 11.8 ATMs per 100,000 adults (figure 22). The introduction of Visa cards in Thailand drove ATM penetration, while growth in South Africa and Kenya was driven by demand and sector competition. In South Africa the spread of ATMs is enhanced by regulations that specify target number of ATMs per 100,000 people, as well as per 1,000 sq. km.

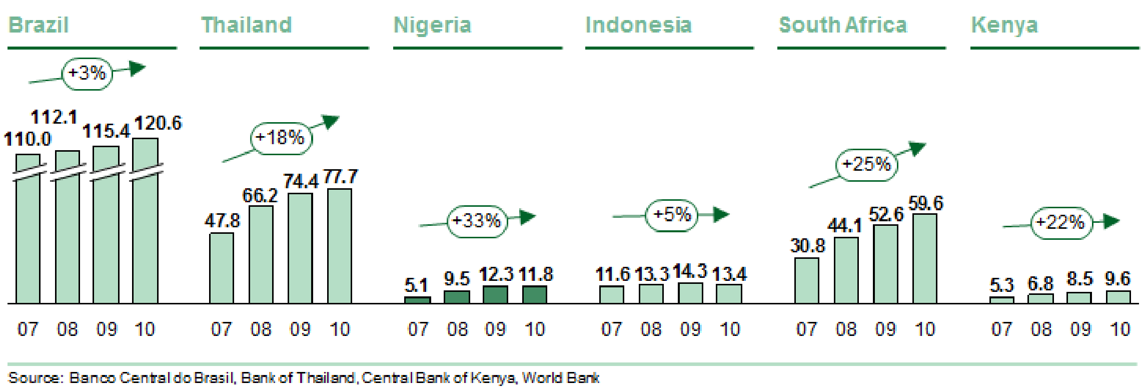


Figure 22: ATMs per 100,000 adults

---

[30] PenCom Annual Report 2009 figures for Nigeria, BGL Pension Report 2010 figures used for other countries. Pension coverage does not change for Nigeria in 2010

[31] While there are various "mini branch" concepts in place around the world, we understand them as a brick and mortar banking infrastructure that offers a limited set of financial products and services and does not exceed five staff, not including agents that may be linked to the branch.

POS – Regulation allowing retail agents to offer banking services facilitated the growth of POS terminal penetration in Brazil which posted 2,193 per 100,000 adults as at 2010. POS penetration in Mexico was driven by sharp increases in card use, supported by tax incentives for branchless banking initiatives. A concerted effort is required to raise POS penetration in Nigeria from the level of 13 per 100,000 adults in 2010. It is expected that initiatives to increase POS penetration and and in particular, the Cash-less policy would bridge the gap between Nigeria and its peers.

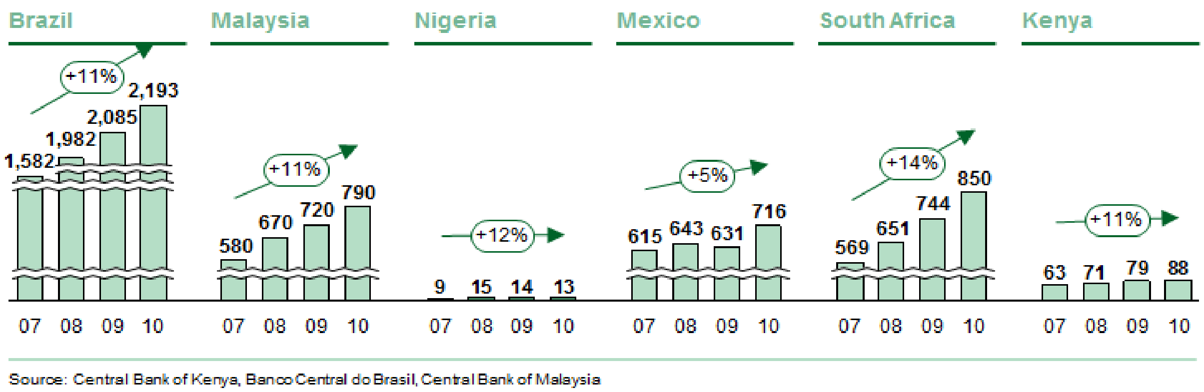


Figure 23: POS devices per 100,000 adults

Agents – There is no regulation for agent banking in Nigeria. The CBN is currently working on the guidelines for implementing an agent banking framework. This has great potential to enhance access and increase use of financial services.

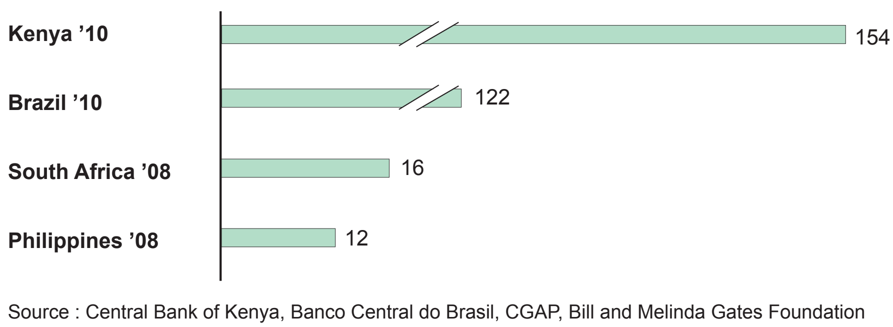


Figure 24: Agents per 100,000 adults[32]

4.3 Financial Inclusion Enablers

Know Your Customer (KYC) – The banking industry in Nigeria relies on uniform KYC requirements, irrespective of transaction type and risk. Currently, most countries that have made progress in Financial Inclusion have adopted risk-based approaches to KYC. This has both maintained the integrity of the financial system and increased people's eligibility to participate in banking. Mexico, Brazil, and Pakistan KYC requirements are based on the value of transactions (figure 25)

[32] Central Bank of Kenya, Banco do Brasil, CGAP, Bill and Melinda Gates Foundation

	Level	Restrictions	KYC requirement
UNIFORM APPROACH			
NIGERIA	All banking services	All banking services	Certainty of identity, mandate to inquire about nature of business, expected transactions and sources of income, identification based on official documents and physical evidence, like address visits
RISK-BASED / TIERED APPROACH			
MEXICO	Level 1 account	USD 315 total	No compulsory KYC requirements
	Level 2 account	USD 470 p.m.	Name, date of birth, address – 24 months validation time
	Level 3 account	USD 950 p.m.	Name, date of birth, address – validated by official ID system
	Level 4 account	USD 3,150 p.m.	Full KYC – may be contracted by agents, no copies necessary
BRAZIL	Simplified Account	USD 500 max. balance	Only governmental ID must be presented within six months time, can be performed by agents
	Regular Account	All banking services	Full KYC
PAKISTAN	Level 1 account	USD 750 max. balance USD 75(d)/150(m) trans	Copy of computerized ID Card plus photo or fingerprint by agent
	Level 2 account	All basic services	Full KYC – financial institution sets limits for customers profiles
	Level 3 account	All business services	Full KYC – additional KYC and limits by financial institution

Figure 25: Benchmarking KYC requirements

Consumer protection – Consumer protection is considered an integral component for enhancing Financial Inclusion and lack of it could undermine the achievement of financial inclusion objectives as shown in the instances of Albania and India in figure 26. However, there is no central consumer protection council that caters specifically for the financial services industry in Nigeria. Various regulators cater for their respective sectors, for example the Consumer and Financial Protection Department within the CBN.

Selected topics

Product transparency
- Language
- Rights and processes

Savings and loans
- Interest calculations
- Fees and penalties

Periodic disclosure
- Product conditions
- Fee / penalty income

Unfair treatment
- Advertising
- Collection practices

Complaint resolution
- Procedures / processes
- Timeliness of response

Third party recourse
- Ombudsman
- Mediation services

Key issues

Monitoring methods
- Require FIs to report to the CBN consumer protection ombudsman
- Operate call center
- Monitor advertisements
- On site inspections
- Mystery shopper
- Consumer interviews

Action for enforcement
- Issue warning to FI
- Refund of charges
- Withdrawal of offerings
- Impose fines / penalties
- Public notice of violation
- Withdraw license

Examples

I Albania
- Collapse of unregulated pyramid savings schemes led to national unrest 360 killed and 3500 injured in 1997

II India
- Andhra Pradesh provides an example of microfinance failure
- Variety of reasons were adduced for collapse of the sector including lack of consumer protection

KEY INSIGHTS
- Over-indebtedness and loss of savings are primary risks of using financial services
- Quick wins in Financial Inclusion can be marred if consumers are not educated on products and protected accordingly
- Therefore, giving clients access to formal consumer protection serves to protect them from over-indebtedness and loss of savings

Figure 26: Key elements of consumer protection

Financial literacy – Financial literacy is a central pillar to the enhancement of Financial Inclusion, particularly when coupled with consumer protection. In Nigeria, the level of financial literacy has so far not been measured across the population spectrum. Various financial literacy initiatives have been embarked on but the full impact of these initiatives is yet to be ascertained. The importance of financial literacy and key elements are underscored in figure 27.

Targets

Product understanding
- Awareness of product existence and purpose
- Product expenses

Information access
- Know where to look for relevant information

Business planning
- Business cash-flows
- Household expenses

Informed decisions
- Awareness of different financial options

See consequences
- Understand relevance of bad financial decisions

Players

Government
- Literacy training in schools and public institutions
- Media campaigns
- Provide neutral information

Regulators
- Enforce transparency
- Supervise disclosure of financial institution information

Retail institutions
- Provide product information
- Literacy training for clients

Social partners / NGOs
- Offer neutral information
- Watch abusive practices

Channels for intervention

Face-to-face
- Classroom training
- Individual training

Public media
- Radio campaigns
- Newspaper ads
- Road shows

Multimedia
- DVD training
- Social networks
- SMS

Material
- Dummy ATMs
- Brochures
- Posters

KEY INSIGHTS
- Financial literacy is a key element of financial sector stability
- The major challenge lies in the monitoring of the impact financial literacy initiatives
- Consensus will need to be reached as to the cost-benefit of measuring financial literacy

Figure 27: Key elements of financial literacy

5.0 MAJOR CHALLENGES TO FINANCIAL INCLUSION IN NIGERIA: ISSUES AND EVIDENCE

The EFInA Access to Financial Services in Nigeria 2010 Survey identified five major barriers to Financial Inclusion: low and irregular income, physical access, financial literacy, affordability and eligibility (fig. 28). Out of these, the three key barriers are accessibility, eigibility and financial literacy.

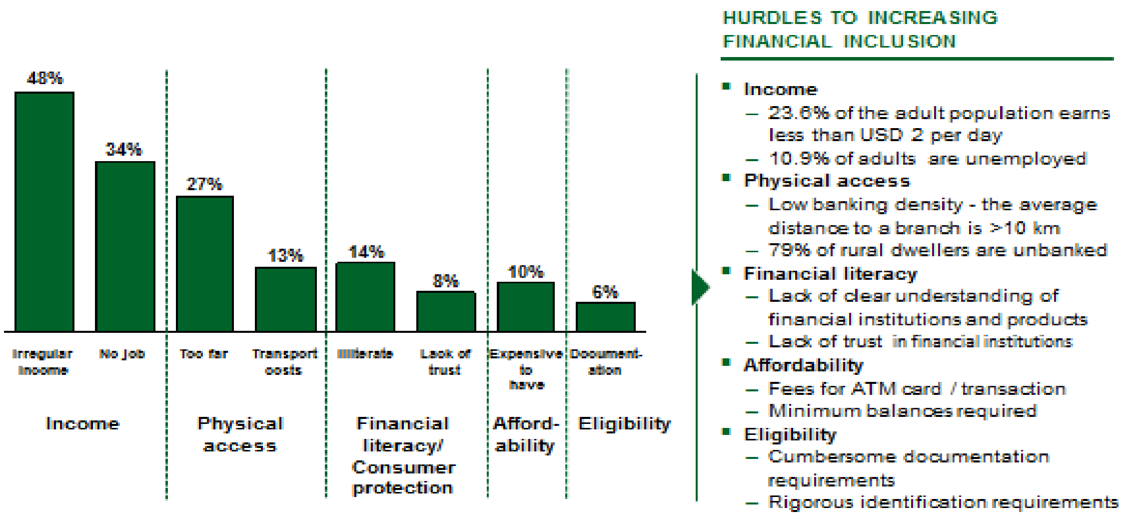
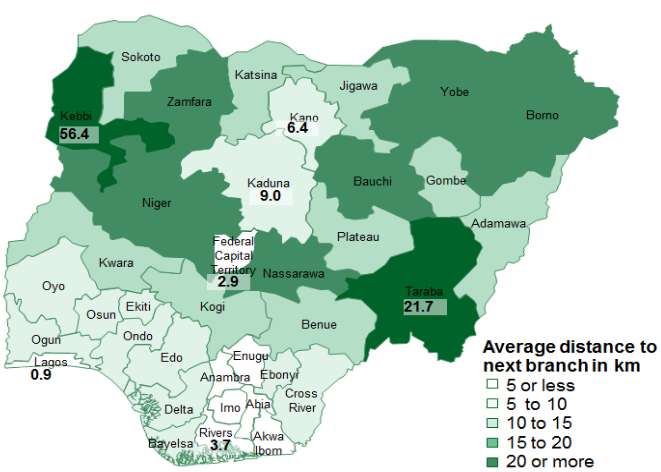


Figure 28: Reason for not having an account [% unbanked]

5.1 Accessibility



Average distance to DMB branches varies widely within Nigeria. It ranges from an almost 60 km in Kebbi State to below 1 km in Lagos State. When comparing branch proximity with rates of service usage, physical accessibility of a financial institution is one of the major factors for Financial Inclusion and is potentially the dominating issue.

Figure 29: Average distance to bank branch in Nigeria

5.2 Eligibility-Know Your Customer (KYC) Regulation

A comprehensive client due diligence is based on the existing Anti Money Laundering (AML) regulation and a defined set of "KYC" requirements[33]. On the one hand, these requirements help the financial institutions to avoid fraudulent activities by clearly identifying all individuals they are serving. On the other hand, the regulation creates a hurdle for those individuals who may want to enter the banking system but do not have the required identification.

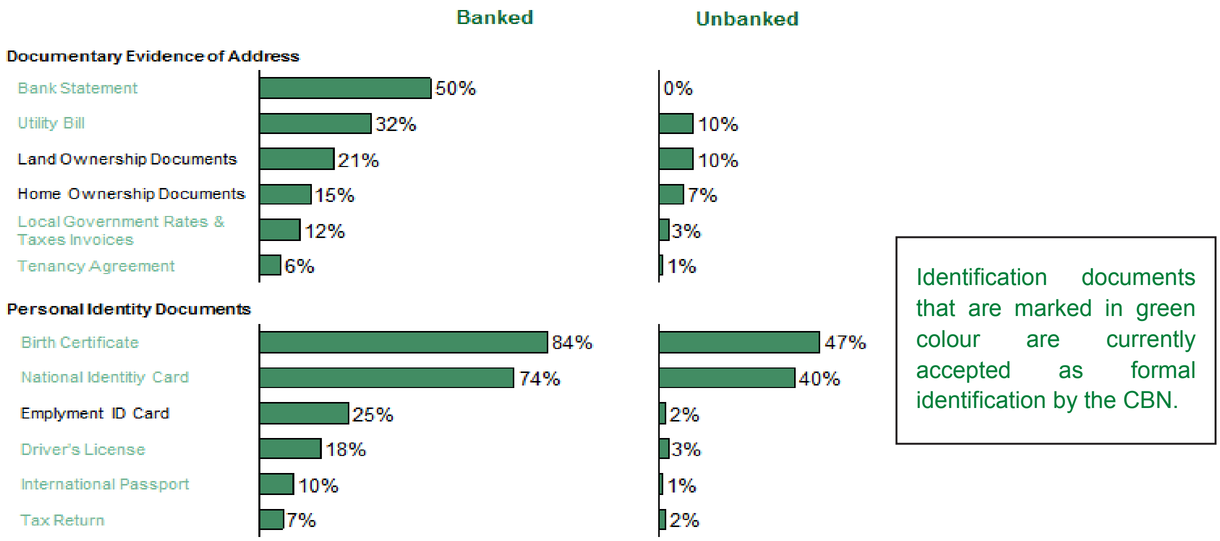


Figure 30: Availability of identification documents[34]

5.3 Financial Literacy

Awareness and understanding of financial terms differ according to complexity of the product and product features, as well as commonality of product use within population as shown in figure 31. However, friends, members of the family or trusted community leaders act as primary sources of financial literacy. Awareness creation through electronic/print media by relevant stakeholders are yet to gain adequate ground (See Figure 32)

	Heard and know what it means	Heard but don't know what it means	Never Heard
Bank	84.6%	7.5%	7.9%
Interest	71.5%	10.5%	18.0%
Loans	69.9%	13.1%	17.0%
Savings Account	59.5%	12.9%	27.6%
Pension	55.1%	17.8%	27.1%
Cheque	54.5%	15.7%	29.8%
ATM Card	45.7%	16.2%	38.1%
Current Account	44.1%	18.5%	37.4%
Insurance	35.9%	21.3%	42.8%
Microfinance	35.5%	19.8%	44.7%
Shares	27.5%	18.0%	54.5%
Mortgage	17.6%	17.1%	65.3%
Credit Card	15.6%	15.8%	68.6%
Non-Interest (Islamic) Banking	6.4%	9.8%	83.8%

Figure 31: Awareness and understanding of financial terms[35]

[33] Central Bank of Nigeria: Know Your Customer Manual for Banks and other Financial Institutions in Nigeria (2003)
[34] EFInA Access to Financial Services in Nigeria 2010 Survey

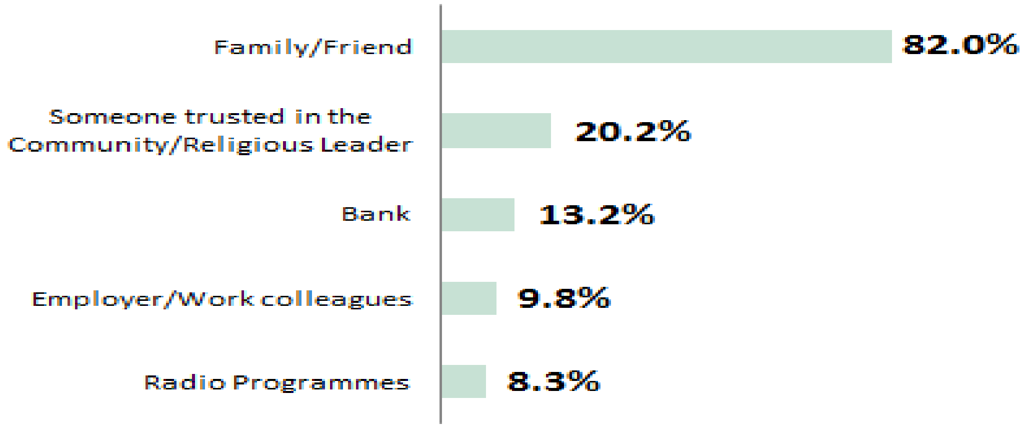


Figure 32: Sources of financial information[36]

[35] EFInA Access to Financial Services in Nigeria 2010 Survey
[36] EFInA Access to Financial Services in Nigeria 2010 Survey

6.0 KEY FINANCIAL INCLUSION TARGETS

The overall target of the National Financial Inclusion Strategy in Nigeria is to reduce the percentage of adult Nigerians excluded from financial services from 46.3% in 2010 to 20% in 2020. It is proposed that 70% of those to be included will be served by formal financial institutions, while 10% will be served by the informal service providers.

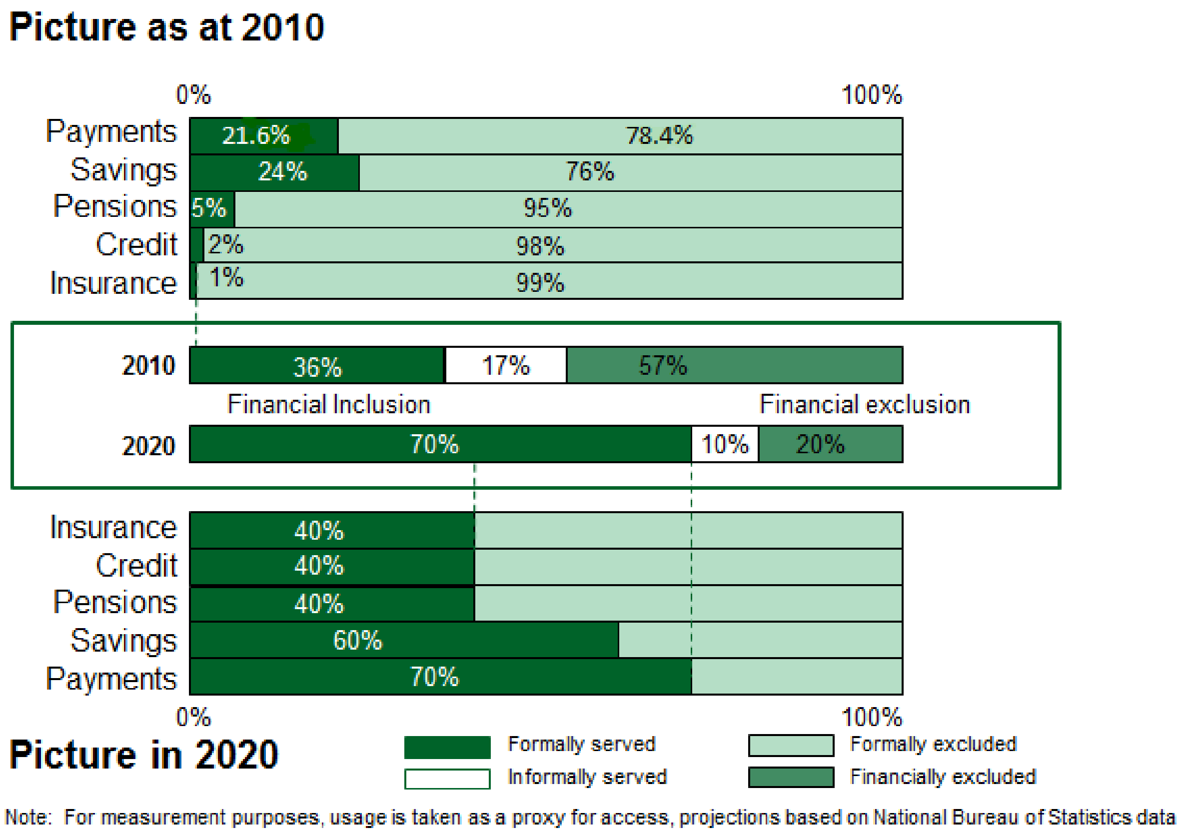


Figure 33: Target picture for financial inclusion

Targets for Financial Inclusion have not been defined in Nigeria in the past. However, to ensure that Nigeria sets targets that will put it ahead of its peers, each financial product and channel has been benchmarked against the best-in-class country and growth factors have been used to define targets for Nigeria for 2015 and 2020. The benchmarking countries selected included two Sub-Saharan Africa peers (South Africa and Kenya), one top-20 world economy (Indonesia or Mexico was used where data was available) and two best in class developing countries worldwide in the product or channel that was being considered (e.g. Mexico for branch penetration).

The targets relate to product use, channel penetration, gender and youth and enablers for financial inclusion. They take into account the current position of Nigeria and forecast levels that are believed to be achievable within the given timeframe.

6.1 Targets for Products

Product targets have been set based on current levels at best in class benchmark countries. In some cases, 10% has been added to the best in class level as a result of strategies defined as a part of this document.

Payments – There are currently no targets for payments penetration in Nigeria. The target adopted here is based on South Africa's current payments level of 59%[37]. However, the emergence of mobile payments in Nigeria is expected to drive payments beyond the levels seen in South Africa today. The target requires a 17% CAGR from 2011 to 2020. The 16 million users of payment products in 2010 must increase to 49 million by 2015 and 73 million by 2020.

Status as at 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
21.6%	None Specified	70%	Based on improvement on best in class – South Africa at 59%

Figure 34: Payments targets

Savings – FSS 2020 and CBN currently have no targets for the savings level in Nigeria. The target adopted here is based on Kenya's current savings level of 48%[38] plus 10% due to improvement initiatives in Nigeria. Kenya was selected as it was the best in class peer country in the benchmarking analysis. The target requires a 11% CAGR from 2011 to 2020. The 21 million users of savings products in 2010 must grow to 39 million by 2015 and 63 million by 2020.

Status as at 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
24.2%	None specified	60%	Based on improvement on best in class – Kenya at 48%

Figure 35: Savings targets

Credit – FSS 2020 set a 70% target for credit, coupled with a single-digit interest cap by 2020. Given Nigeria's current position and South Africa's credit penetration of 32%, a target of 70% by 2020 is ambitious, even with a well-developed and highly competitive banking sector. The target has therefore been revised downwards to 40%, based on the credit penetration levels of South Africa (32%) and Uganda (37%)[39]. The target requires a 40% CAGR from 2011 to 2020. The 1.5 million borrowers in 2010 must grow to 19 million by 2015 and 42 million by 2020.

[37] World Bank/CGAP
[38] World Bank/CGAP
[39] World Bank/CGAP

Status as at 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
1.8%	70%	40%	Based on improvement on best in class – South Africa at 32%

Figure 36: Credit targets

Insurance – FSS 2020 set a 70% target for insurance penetration in Nigeria by 2020. Given the current level of insurance penetration in Nigeria (1%), this target appears too ambitious and has been reduced to 40%[40], based on the current insurance penetration level of 36% in South Africa. The proposed target requires a 48% CAGR from 2011 to 2020. The approximately 800,000 insured Nigerians in 2010 must increase to 19 million by 2015 and 42 million by 2020.

Status as at 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
1%	70%	40%	Based on improvement on best in class – South Africa at 36%

Figure 37: Insurance targets

Pensions – The National Pension Commission has yet to set targets for pension penetration. The target adopted here is based on Chile's current pension level of 39%[41] where the informal sector is also served. Nigeria's pension scheme is based on the Chilean model and as such can benefit from Chile's experience. The target requires a 25% CAGR from 2011 to 2020. The 4.1 million pension contributors in 2010 must increase to 20.6 million by 2015 and 41.9 million by 2020.

Status as at 2010	Current FSS 2020 target	Proposed target for 2020	Rationale
5%	70%	40%	Based on best in class – Chile at 39%

Figure 38: Pensions targets

[40] 40% of all Nigerians including children and youth
[41] World Bank/CGAP

6.2 Targets for Channels

Deposit Money Bank Branches – There are currently no targets for DMB branch penetration in Nigeria. The target for 2020 is 7.6 branches per 100,000 people compared to a current status of 6.8 per 100,000 people. The target proposed requires a 3.3% CAGR from 2011 to 2020 which is lower than the 5% CAGR in 2007 to 2010. The slowdown will result from decreased focus on branch growth due to increased use of non-branch channels.

Status as at 2011	Current CBN target	Proposed target for 2020	Rationale
6.8 per 100,000 adults	None specified	7.6 per 100,000 adults	Growth slowdown to 3.3% p.a. from 5% p.a. due to use of non-branch channels

Figure 39: Deposit money bank branch targets

Microfinance Bank Branches – There are currently no targets for MFB branch penetration in Nigeria. In the microfinace banking subsector, bank/branch expansion is targeted to grow at 8% CAGR, from 2.9 to 5.0 branches per 100,000 adults, benchmarked against Bolivia.

Status as at 2011	Current CBN target	Proposed target for 2020	Rationale
2.9 per 100,000 adults	None specified	5.0 per 100,000 adults	Based on best in class – Bolivia at 5.0 per 100,000 adults

Figure 40: MFB branch targets

ATMs – The Cash-less Lagos initiative of the CBN targets 75,000 (or 88.5 ATMs per 100,000 adults) by 2015. The proposed target is aligned with that defined for Cash-less Nigeria in 2015. The target proposed here requires a 40% CAGR from 2011 to 2020, slightly above the current four-year CAGR of ATM growth (2007-2011) in Nigeria of 33%.

Status as at 2011	Current CBN target	Proposed target for 2020	Rationale
11.8 per 100,000 adults	88.5 per 100,000 adults in 2015	203.6 per 100,000 adults	Based on best in class growth rate – Nigeria at 33% p.a.

Figure 41: ATM targets

POS – The Cash-less Nigeria initiative targets a combined 75,000 POS by the end of 2012 and 375,000 nationally by 2015. The recommended target is aligned with Cash-less Nigeria for 2015 and based on current penetration in South Africa (850 per 100,000 adults) for 2020. To achieve this target, an additional 364,000 POS devices will be needed in Nigeria by 2015 and a total of 890,000 must be in place by 2020, the equivalent of a 55% CAGR up to 2020.

Proposed CBN Target for 2012	Proposed CBN Target for 2015	Proposed target for 2020	Rationale
13.3 per 100,000 adults	442.6 per 100,000 adults in 2015	850.0 per 100,000 adults	Based on best in class – South Africa at 850 per 100,000 adults

Figure 42: POS devices targets

Agents – There are currently no regulations for agent banking in Nigeria. As such, no targets exist for this channel; the CBN is currently working on guidelines for an agent banking network in Nigeria. The targets adopted here have been derived by benchmarking Nigeria against Brazil, which has 122 agents per 100,000 adults and South Africa, which has 16 agents per 100,000 adults. To achieve these targets, a network of 32,500 agents needs to be established by 2015, increasing to 65,000 by 2020.

Status as at 2010	Current CBN target	Proposed target for 2020	Rationale
0 per 100,000 adults	None specified	62.0 per 100,000 adults	Based on Brazil (122 per 100,000 capita) and South Africa (16 per 100,000 capita)

Figure 43: Agents targets

6.3 Target for Financial Inclusion Enablers

Enablers are elements that lower barriers to access to financial services. The targets for the key enablers are as follows:

- *KYC* – Tiered KYC needs to be in place to lower barriers of access to low transaction clients when opening bank accounts by 2012. Additionally, the NIMC needs to meet its target to roll out a national ID to all Nigerians by 2015, since this will allow all Nigerians to have KYC-accetable identity documents.
- *Consumer protection* – Consumer protection is critical to ensuring transparency in product pricing, avoiding exploitation by service providers, checking the erosion of consumer confidence and to ensuring the soundness of the financial sector. The target is to develop a centralized and well defined consumer protection framework by 2012. This framework is aimed

specifically at financial services and will define precise methods for consumer protection and conflict resolution.

➢ *Financial literacy* – Government institutions and development partners have made some efforts to address the low levels of financial literacy in Nigeria. However, these steps have not yet been assessed and the rate of success in increasing financial literacy and/or the use of financial services and products has yet to be quantified. The target is to include Financial literacy in the school curricula. The curricula will incoporate financial products, services and markets in 20% of primary schools, 50% of secondary schools and 100% of tertiary institutions by 2020. A 50% adult awareness of financial products, services and markets is also targeted for 2015.

6.4 Key Performance Indicators

To achieve the defined targets for financial inclusion, Nigeria needs key performance indicators (KPIs) to monitor the impact of initiatives and the progress of the Financial Inclusion Strategy. The KPIs were defined along the dimensions of financial inclusion as proposed by the Alliance for Financial Inclusion Data Working Group, including access, usage, affordability, appropriateness, financial literacy and consumer protection as follows

	Key performance indicators
Access to Financial Services	▪ Number of branches per 100,000 adults / per 1,000 sq km ▪ Number of ATMs per 100,000 adults / per 1,000 sq km ▪ Number of POS devices per 100,000 adults / per 1,000 sq km ▪ Number of mobile agents per 100,000 adults / per 1,000 sq km
Usage of Financial Services	▪ Number of adults using a payments product and frequency of use – Number of women using a payments product and frequency of use – Number of men using a payments product and frequency of use ▪ Number of adults using a savings product and frequency of use – Number of women using a savings product and frequency of use – Number of men using a savings product and frequency of use ▪ Number of adults using a credit product and frequency of use – Number of women using a credit product and frequency of use – Number of men using a credit product and frequency of use ▪ Number of adults using a insurance product and frequency of use – Number of women using a insurance product and frequency of use – Number of men using a insurance product and frequency of use ▪ Number of adults using a pensions product and frequency of use – Number of women using a pensions product and frequency of use – Number of men using a pensions product and frequency of use
Affordability	▪ Cost of using channels of delivering financial services e.g. cost of ATM transactions ▪ Cost of entry level credit product / insurance product / transactional services ▪ Interest rate spread between savings and credit for low value accounts
Appropriateness	▪ Reason for not having a payment / savings / credit / insurance / pension product
Financial Literacy	▪ Product understanding – Product features / product benefits ▪ Business planning – Knowledge of business cash-flows and household expenses ▪ Informed decisions – Awareness of different financial services offerings / options ▪ See consequences – Understand relevance of bad financial decisions
Consumer Protection	▪ Percentage of over-indebted clients ▪ Transparency of pricing → Monitoring and action in place ▪ Existence of complaints resolution mechanism / number of resolved complaints ▪ Number of complaints on collection practices / bank staff misbehavior ▪ Privacy of client data

Figure 44: KPIs for monitoring progress

7.0 STRATEGIES FOR ACHIEVING FINANCIAL INCLUSION TARGETS

For each target, strategies were defined that would ensure the target is achieved. The list of targets and associated strategies is described below:

PRODUCTS		
ITEM	**TARGET FOR 2020**	**STRATEGY**
Payments	70%	• Implementation of agent banking regulations • Promotion of linkages between MFBs and DMBs to obtain wholesale funds for on-lending • Development of guidelines for operating mini-branches • Rollout of Cash-less Nigeria project in all states of the Federation • Provision of unique National ID to all Nigerians by 2015 by the NIMC • Implementation of the Micro, Small and Medium Enterprises Development Fund (MSMEDF)
Savings	60%	• Implementation of a national savings mobilization programme • Promotion of a basic “no frills” savings account • Implementation of tiered KYC requirements • Implementation of a financial literacy framework • Implementation of a consumer protection framework • Policies to support linkages to informal savings groups
Credit	40%	• Removal of the minimum reporting balance for credit bureaux • Initiation of land reform act • Development of a collateral registry for movable assets – registry to serve all levels of credit • Implementation of tiered KYC requirements • Implementation of entrepreneurship training • Introduction of credit awareness programmes to avoid consumer over-indebtedness • Implementation of the MSMEDF and NIRSAL programmes • Provision of National ID to all Nigerians by 2015 by NIMC
Insurance	40%	• Regulatory enforcement of compulsory insurance products • Use of banking agents as distribution channels for insurance products • Diversification of insurance products: microinsurance, Takaful insurance, index based insurance etc to serve low income clients • Implementation of the insurance component of the NIRSAL programme • Introduction of insurance literacy programmes • Development of a consumer protection framework in insurance

Pensions	40%	• Implementation of Pension Reform Act • Compulsory inclusion of all States of the Federation in the Contributory Pension Scheme • Amendment of regulations to allow the inclusion of smaller firms and cooperatives/associations in the current pension scheme • Introduction of a pension awareness and literacy programmes • Development of a consumer protection framework in pensions

CHANNELS		
ITEM	**TARGET FOR 2020**	**STRATEGY**
DMB Branches	7.6 per 100,000 adults	• Development of guidelines for mini-branches
Microfinance Branches	5.0 per 100,000 adults	• Implementation of the revised microfinance policy • Implementation of the MSMEDF • Creation of incentives for rural branch expansion • Increased promotion of shared services initiatives • Holding of investor fora at State levels to encourage high networth individuals to float MFBs
ATMs	203.6 per 100,000 adults	• Implementation of the financial literacy framework • Deployment of multifunctional ATMs • Revision of the offline ATM policy • Rollout of Cash-less Nigeria project in all the States of the Federation • Deployment of low cost ATMs in rural areas
POS	850.0 per 100,000 adults	• Implementation of the financial literacy framework • Requiring mobile network operators to give priority to transaction data through their platform to ensure instant crediting and debiting of transactions • Development of a framework for agent banking • Rollout of Cash-less Nigeria project in all the States of the Federation • Expansion of the Evidence Act so that e-payments are accepted as evidence in court • Increase of public awareness of mobile payments
Agent banking	62.0 per 100,000 adults	• Implementation of agent banking regulations • Implementation of the financial literacy framework • Implementation of tiered KYC requirements

FINANCIAL INCLUSION ENABLERS		
ITEM	**TARGET FOR 2020**	**STRATEGY**
KYC	Implementation of a tiered KYC framework by 2012 and National ID/ unique number for 100% of Nigerians	• Implementation of tiered KYC framework • Provision of National ID to all Nigerians by 2015 by NIMC • Awareness campaign on tiered KYC requirements
Financial literacy	Financial Literacy curriculum in 20% of primary schools, 50% of secondary schools and 100% of tertiary institutions by 2020	• Implementation of the financial literacy framework • Collaboration with Federal and State Ministries of Education to implement financial literacy curricula in schools • Collaboration between the CBN and financial services providers to implement financial literacy campaigns
Consumer protection	Defined consumer protection framework implemented by 2012	• Implementation of the consumer protection framework for financial services
Women initiatives		• Targeting of 60% of the MSMEDF at financial services for women • Targeting 30% of staff of MFBs to be women • Requiring a minimum level of female staff of 30% in MFBs • Encouraging women that have appropriate businesses to become agents • Offering of specifically tailored women entrepreneurship development and financial linkage programmes • Introduction of specialized financial literacy framework for addressing cultural issues that contribute to the financial exclusion of women • Implementation of interest drawback schemes targetted at women
Children and Youth initiatives	Ensure 50% of the 4 million new adults every year are financially included	• Development and implementation of a framework for child and youth finance • Implementation of children and youth financial literacy initiatives in Nigerian educational institutions

8.0 PROPOSED KEY STAKEHOLDER ROLES AND RESPONSIBILITIES

➢ *Federal government*
- Invest in infrastructure, such as a fibre-optic network for the telecommunications sector and solar panels to generate cheap electricity for rural areas
- Contribute to the MSMEDF
- Maintain adequate security for bank branches and agents
- Undertake necessary reforms e.g. collateral reforms, consumer protection act
- Set aside part of the budget for social pensions and a minimum guaranteed pension
- Institutionalize a data protection act and new land reform act

➢ *Central Bank of Nigeria (CBN)*
- Implement a agent banking framework
- Define and implement a tiered KYC framework
- Commission pilots to demonstrate the business case for financial inclusion initiatives for example tiered KYC, no-frills accounts, agent banking, and mini-branches
- Adequately educate stakeholders on regulatory changes
- Promote shared services initiatives to reduce channel costs
- Incentivise providers to deploy ATMs and POS in rural communities
- Create incentives for MFBs for renewed focus on serving rural communities
- Increase funding available to the MSME businesses through the MFB sector
- Increase financial literacy programmes and activities (also in local languages) that raise awareness about the availability and benefits of products
- Establish automated financial reporting for MFBs
- Promote the child and youth finance framework
- Enforce deadline for terminal interoperability
- Propose expansion of the Evidence Act so that e-payments are accepted as evidence in court
- Review the framework for offsite ATMs

➢ *Deposit Money Banks (DMBs)*
- Participate in shared service initiatives to reduce channel costs
- Leverage (multifunctional) ATM and POS channels to expand reach and reduce costs
- Implement mini-branch models for low cost service in rural areas
- Establish linkages for wholesale lending to MFBs
- Implement the agent banking to extend outreach
- Implement a no-frills (zero balance) account
- Implement the tiered KYC framework
- Leverage cash-management initiatives such as Cash-less Lagos to reduce transaction costs
- Revise channel delivery costs to incentivise correct merchant behaviour

➢ *Development Finance Institutions (DFIs)*
- Provide wholesale funding for lending to low income clients
- Provide capacity building to MSMEs to improve their financial literacy and credit worthiness
- Implement targeted financial inclusion programmes e.g. credit guarantees, refinancing

- *Bankers' committee*

- Monitor the implementation of Financial Inclusion in relation to deposit money bank roles and responsibilities
- Contribute to the review process of the strategy document

- *Microfinance Banks*

- Develop innovative products for serving low income rural Nigerians
- Participate in shared service initiatives to reduce channel costs
- Leverage (multifunctional) ATM and POS channels to expand reach and reduce costs
- Implement the agent banking model to extend outreach
- Implement a no-frills (zero balance) account
- Implement the tiered KYC framework
- Take advantage of the social and commercial components of the MSMEDF
- Focus on delivering financial services to the poor and informal segments profitably, to prevent mission drift

- *Committee of Microfinance Banks in Nigeria (COMBIN)*

- Monitor the implementation of Financial Inclusion in relation to microfinance banks
- Contribute to the review process of the Strategy document

- *National Insurance Commission (NAICOM)*

- Define and implement insurance literacy programmes
- Enforce quick settlement of claims and sanctions for infractions
- Enforce compulsory insurance products
- Incentivise insurance companies to develop micro-insurance products, Islamic insurance (Takaful) and index-based insurance products to serve low-income/rural individuals
- Leverage ongoing work by NIMC to identify individuals and increase the integrity of insurance systems
- Define initiatives for insurance agents to increase outreach in rural areas

- *Insurance companies*

- Expand the current portfolio of insurance products to better address consumer needs for example micro-insurance, Islamic insurance (Takaful) and index-based insurance
- Increase the focus on outreach and specific sectors, e.g. lower-income segments
- Process and pay claims in a timely manner

- *National Pension Commision (PenCom)*

- Expand and communicate consumer-protection initiatives
- Increase pension literacy programmes and activities to increase awareness about the availability and benefits of pension products
- Create a pension framework for the informal segment
- Advocate the compulsory inclusion of all States of the Federation in the current pension scheme
- Amend regulations to allow the inclusion of smaller firms (those with less than 5 employees) and cooperatives/ associations in the current pension scheme

- *Pension Fund Administrators (PFAs)*
  - Leverage technology and expand collection and disbursement methods, e.g. e-channel payments
  - Engage cooperatives and associations in order to learn best methods for serving low-income clients

- *National Communication Commission (NCCs)*
  - Define a plan for the Federal Government to invest in fibre-optic cables along with mobile network operators
  - Mandate dedicated bandwidth for data services to give priority to payments and other e-channels as a temporary measure to drive mobile payments
  - Institute and publish statistics on network downtime to incentivise operators to keep the network active

- *Mobile payments operators (MPOs)*
  - Implement the mobile payments framework
  - Provide innovative mobile payments products to increase outreach
  - Increase investment in infrastructure for the telecommunications sector, e.g. a dedicated percentage of earnings to go to infrastructure; investment in USSD[42] to facilitate low-income inclusion

- *Nigeria Postal Service (NIPOST)*
  - Act as a agent for DMBs, MFBs and/ or mobile services providers
  - Act as a distribution centres for financial literacy materials

- *Ministry of Education*
  - Institutionalize financial literacy programmes within educational institutions through agencies such as National Universities Commission and Universal Basic Education Commission
  - Develop and implement curriculum for financial literacy in primary and secondary schools as well as tertiary institutions

- *National Bureau of Statistics*
  - Conduct surveys and provide data on financial inclusion

- *Development partners*
  - Provide technical and financial assistance for the implementation of the financial inclusion strategy
  - Monitor the implementation of the Financial Inclusion Strategy
  - Facilitate peer learning on financial inclusion
  - Provide a knowledge base for financial inclusion
  -

- *Financial Services Regulation Coordination (FSRCC)*
  - Coordinate initiatives across various regulatory bodies
  - Give strategic direction of the implementation of the strategy
  - Secure buy-in government at the highest levels

[42] Unstructured Supplementary Service Data: Protocol that allows mobile payments though SMS

- Approve reviewed of targets in relation to the reporting and monitoring process
- Take full responsibility for the implementation of the strategy
- Approve the publication of the annual report for financial inclusion

➢ *Financial Inclusion Secretariat (Unit or Divisional level)*

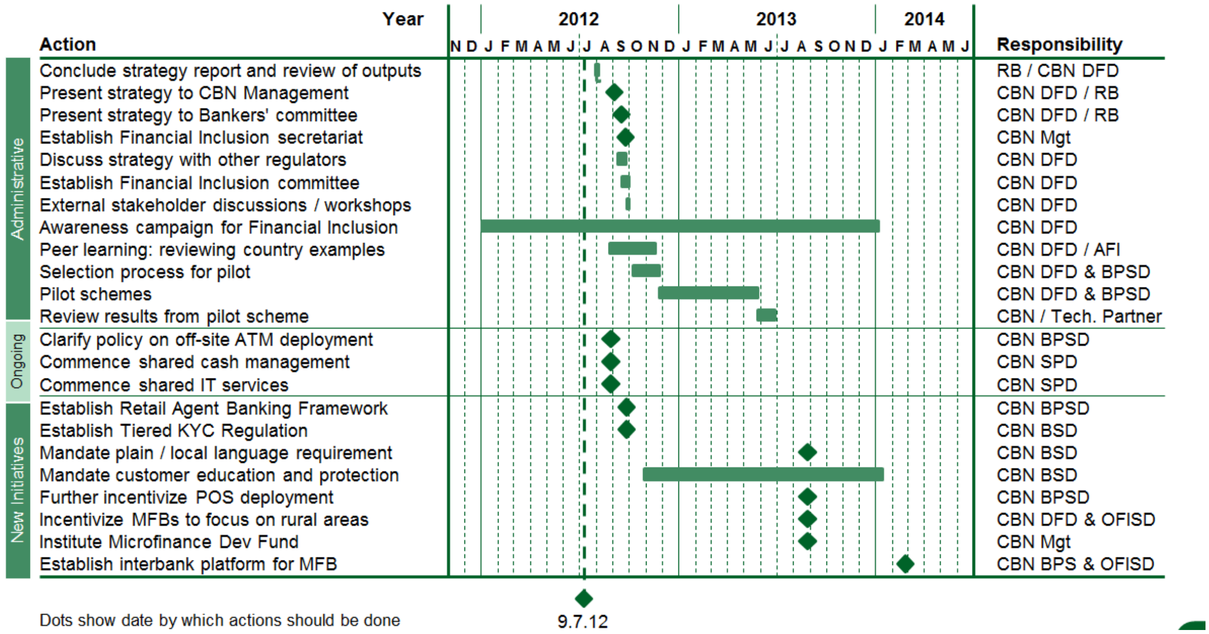
- Coordinating stakeholder activities towards increasing Financial Inclusion
- To review and revise roles and responsibilities of stakeholders as required
- Ensure the publishing of annual reports on the progress on financial inclusion
- Liaising with and ensuring that all stakeholders on financial inclusion perform their roles and responsibilities
- Ensuring that appropriate arrangements are made for financial inclusion data gathering and publishing of same
- Maintain a database for financial inclusion in Nigeria as well as global trends in Financial Inclusion
- Initiate necessary reviews on the Financial Inclusion Strategy and support evidence based policy making
- To track and monitor progress on financial inclusion vis-à-vis the targets set for measuring Financial Inclusion
- To address capacity building initiatives on financial inclusion issues

9.0 POSSIBLE RISKS AND THEIR MITIGATION

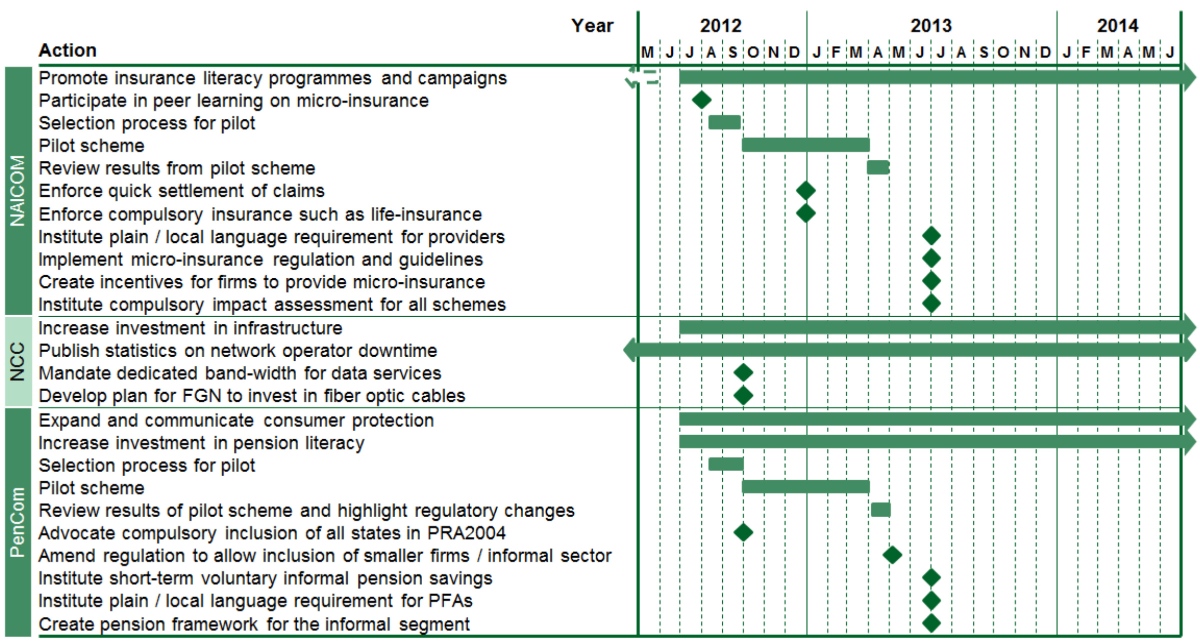
Risk	Mitigation
▪ Lack of buy-in and compliance from key stakeholders in the strategy	Conduct workshops with stakeholder groups including FSRCC, Bankers' committee and National Economic Council (NEC) and provide regular updates during the implementation phase
▪ Failure of NIMC to fully implement a national ID scheme	Leveraging tiered KYC to reduce dependence on the national ID
▪ Timing delays in passing required regulation and legislation	Obtaining support from the Governor's office to push important regulation and lobby for legislative changes
▪ Inability of the Federal Government to meet the power needs of the country	Use of back-up power and batteries for ATMs, POS and other electronic devices
▪ Client apathy in adopting financial inclusion initiatives	Concerted effort in driving financial literacy and consumer protection
▪ Poor security reducing incentive for agents	Use of mobile wallets to reduce cash handling
▪ Unanticipated regulatory gaps that threaten implementation	To be addressed through circulars and reviews

10.0 IMPLEMENTATION PLAN

CBN



Other regulators



11.0 MONITORING AND EVALUATION

The Financial Inclusion Secretariat will bear primary responsibility for monitoring and evaluation.

Various stakeholders will have responsibility for necessary information and will provide data twice a year as follows:.

- *National Communications Commission (NCC)*
- Percentage of network downtime for the communication industry
- Number of Mobile Network Operators (MNO)
- Total active mobile subscribers for the industry and per MNO and on a gender basis

- *National Insurance Commission (NAICOM)*
- Number of insurance companies
- Number of insurance agents
- Total number of people per insurance product and by geographical location and gender
- Total number of products per person for the industry
- Total premium per product for period under review for the industry
- Total claims paid per product for period under review for the industry
- Aggregated list of companies with specialized financial inclusion products e.g. microinsurance and Islamic insurance products

- *National Pensions Commission (PenCom)*
- Total number of retirement savings accounts for all PFAs
- Total number of funds/schemes that all PFAs offer
- Total pension contribution for all PFAs for the period under review
- Total pension disbursements for all PFAs for the period under review
- Total pension assets for the industry as at the end of review period
- List of companies that are in breach of or have defaulted on their pension contributions for staff

- *National Bureau of Statistics (NBS)*
- Level of banked and financially included persons annually, by state, gender and age
- Level of unbanked and financially excluded persons annually, by state, gender and age

- *National Identity Management Commission (NIMC)*
- Number of ID cards provided in the period under review, by state, gender and age
- Total number of Nigerians with national identity cards, by state, gender and age
- Number of Nigerians with eligible ID (within tiered KYC regime)

- *Development Finance Institutions*
- Number of branches, by state
- Number of individual and SME accounts, by state
- Number of accounts per product, by state
- Total transaction volume per product for the period under review
- Transaction volume per channel for the period under review
- Number of transactions per channel, by transaction type (e.g. withdrawal, deposit, transfer)
- Amounts outstanding on loans

- *Nigerian Postal Service*
  - List of all financial services activities engaged in by NIPOST
  - Additional information regarding the size of financial service activities and numbers of financial service beneficiaries/clients served by NIPOST
  - Partnerships of NIPOST with respect to financial services

- *National Planning Commission*
  - List of all funds committed to developing the financial services sector within the review period, including size of funds, amounts disbursed and means of disbursement
  - List of all capacity-building initiatives embarked on, including number of participants and the impact of each initiative

- *CBN – Development Finance Department*
  - Value and number of disbursement of each fund or scheme that is active at DFD, by state, gender and age
  - Value and number of disbursement of each fund or initiative of other government institutions, by state, gender and age
  - Development partner funding and grants for financial inclusion initiatives
  - Number of informal microfinance institutions and number of clients by state, gender and age

- *CBN – Banking Supervision Department*
  - Total number of branches; full-scale and mini-branches (i.e. fewer than 5 staff members)
  - Number of branches grouped by the various banking institutions and broken down into states, LGAs), etc.
  - Number of new licenses issued to deposit money banks
  - Number of banking agents, by state
  - Number of clients using products - savings, credit, payments - by state, gender and age
  - Number of accounts for each product - savings, credit, payments
  - Available product types per bank and amounts committed – for savings, credit, payments
  - Loan exposure by size from credit bureaus

- *CBN – Other Financial Institutions Supervision Department*
  - DFIs' intervention funds and the number of beneficiaries of each
  - Number of MFBs branches broken down by states, local government area and municipality
  - Total number of customers served by microfinance banks by state, gender and age
  - Total amount per product category at MFBs for savings, credit and payments
  - Number of new licenses issued to MFBs

- *CBN – Banking and Payments System Department*
  - Total number of m-payments agents and break down by state, local government area and municipality
  - Total number of ATMs and POS and break down by state, local government area and municipality
  - Total value of m-payment transactions for industry
  - Total volume of m-payment transactions for industry
  - Number of m-payments operators licensed
  - List and size of financial services activities handled by NIPOST

- *CBN – Consumer and Financial Protection Department*
  - Level of financial literacy nationwide and by state, gender and age
  - Number of complaints received and number resolved per financial services provider

12.0 TRACKING METHODOLOGY

The tracking methodology provides guidelines to enable the CBN to establish a mechanism that will facilitate monitoring of the pace and progress of Financial Inclusion in Nigeria. A tracking mechanism should be designed to highlight deviations from the Financial Inclusion targets so that action can be taken to ensure that these targets are achieved. Tracking Financial Inclusion is highly dependent on input from various stakeholders. The Financial Inclusion Secretariat is not expected to embark on primary data gathering and will rely on various regulators to provide the data that is essential to monitor the pace of work and the progress towards Financial Inclusion.

The report for tracking shall comprise:

12.1 Management Summary

The Management Summary provides an overview of the progress of Financial Inclusion in Nigeria. It includes highlights and information on the status of actions approved by the FSRCC, with the aim of increasing accountability. It also outlines the priorities to be addressed in the next review period and provides an overview of the required steps to address these priorities.

Current Status of Financial Inclusion in Nigeria

Status overview
- Number of adults with a financial product:
  - payment: 30.8 mn (98% of target)
  - savings: 22.2 mn (98% of target)
  - credit: 2.0 mn (17% of target)
  - insurance: 847k (17% of target)
  - pension: 4.5 mn (98% of target)
- Payment product usage increased sharply – partly due to launch of m-payments products
- Insurance products not reached targets for two consecutive review periods - review required

Completed
- Financial Inclusion Secretariat has been set up and officers notified
- Workshops for National Financial Inclusion Strategy carried out with all stakeholder regulators

On track
- Publicity of National Financial Inclusion Strategy in all six Geo-political regions
- Regulation amendments – Retail agent framework finalized – pending approval
- Roll out of mobile payments in all six geo-political zones

At risk
- Launch of NIMC ID program further delayed
- Insurance KPIs below targets and at risk on not reaching targets in the next review period

Figure 45: Illustrative management summary of financial inclusion report

The Management Summary comprises the following sections:

- Status overview: This shows the number of financially included persons by product, the degree to which the target has been achieved, the status of underperforming indicators, initiatives since the previous review period and challenges encountered
- Completed: This shows successfully completed actions and initiatives based on agreements reached at FSRCC meeting
- On track: This shows ongoing initiatives that are progressing towards timely and successful completion
- At risk: This shows KPIs or other indicators that are at risk of not meeting, as well as any other setbacks

12.2 Status Update

The Status Update shows the status of the key indicators, including use, infrastructure, affordability, financial literacy and consumer protection. A traffic light system can be used to highlight areas that are on- or off-track: red signifies that the target has not been achieved, amber that the target is close to being achieved (i.e. within 10%) and green that the target for the period has been fully achieved. Additional comments and decision requirements are also given in the status update.

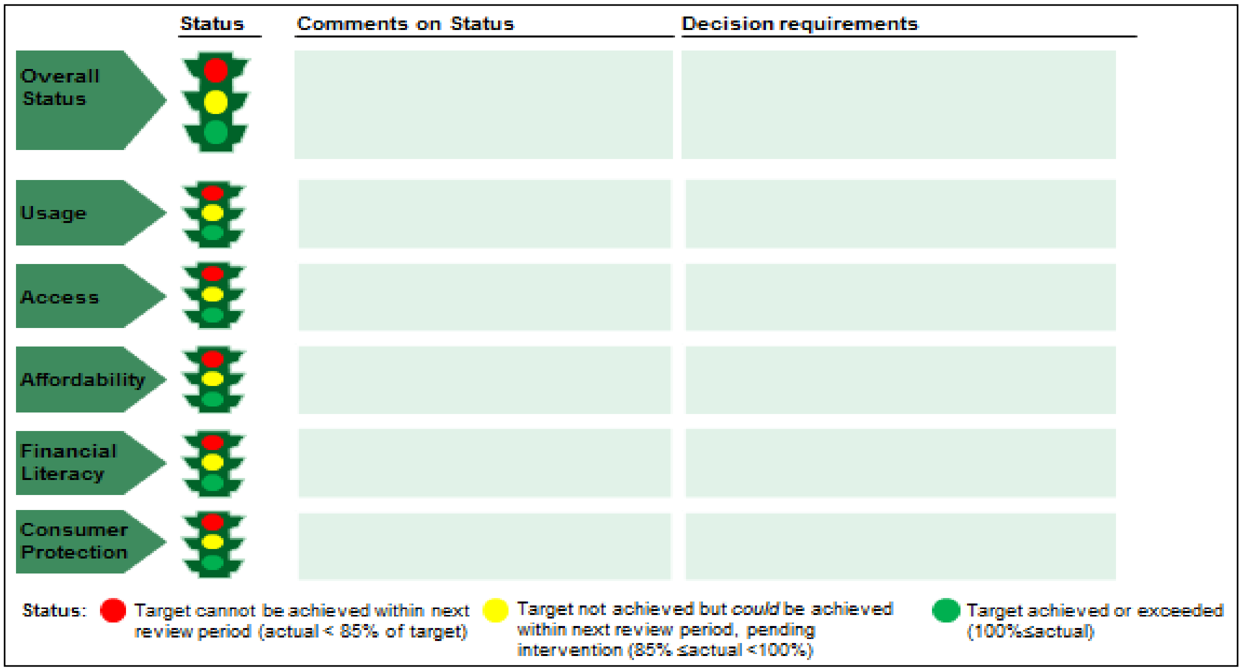
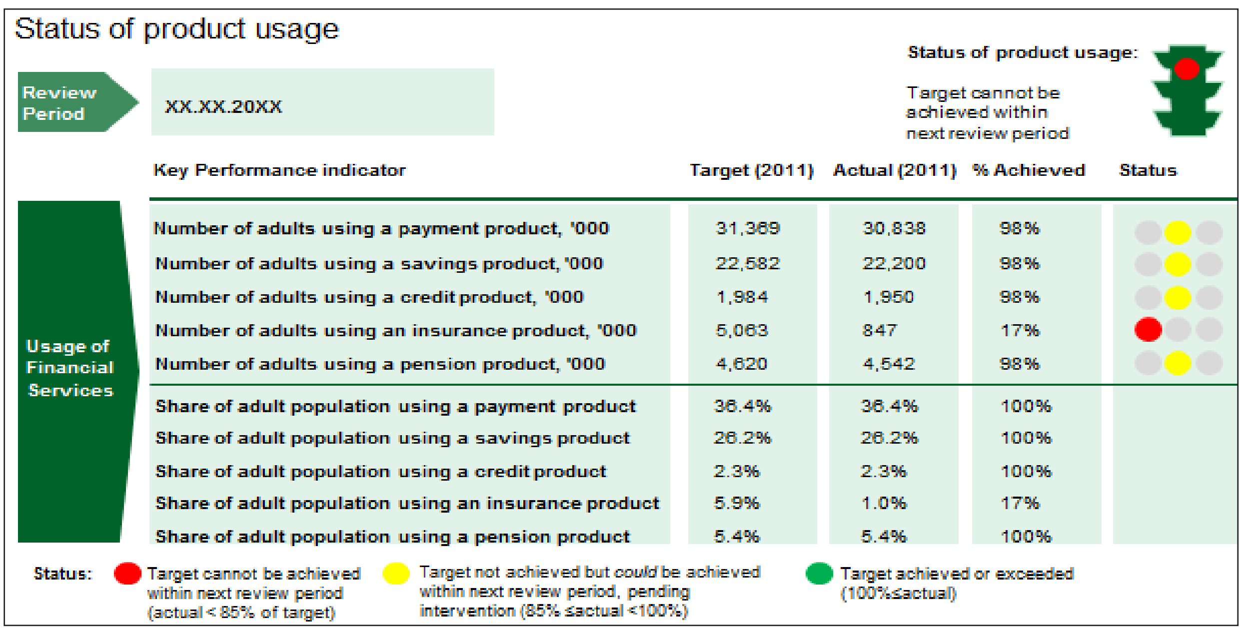


Figure 46: Illustrative status report summary 1 of financial inclusion report



Key Performance indicator	Target (2011)	Actual (2011)	% Achieved	Status
Number of adults using a payment product, '000	31,369	30,838	98%	
Number of adults using a savings product, '000	22,582	22,200	98%	
Number of adults using a credit product, '000	1,984	1,950	98%	
Number of adults using an insurance product, '000	5,063	847	17%	
Number of adults using a pension product, '000	4,620	4,542	98%	
Share of adult population using a payment product	36.4%	36.4%	100%	
Share of adult population using a savings product	26.2%	26.2%	100%	
Share of adult population using a credit product	2.3%	2.3%	100%	
Share of adult population using an insurance product	5.9%	1.0%	17%	
Share of adult population using a pension product	5.4%	5.4%	100%	

Figure 47: Illustrative status report (KPIs) summary 2 of financial inclusion report

Status of client eligibility

	Key Performance indicator	Previous Review Period	Current Review Period	% Change
Financial Literacy	Awareness of feature of credit products (% of pop)	xxx	xxx	xxx
	Awareness of benefit of credit products (% of pop)	xx	xx	xxx
	Awareness of feature of insurance products (% of pop)	xxx	xxx	xxx
	Awareness of benefit of insurance products (% of pop)	xxx	xxx	xxx
	Awareness of feature of pensions products (% of pop)	xxx	xxx	xxx
	Awareness of benefit of pensions products (% of pop)	xxx	xxx	xx
Consumer Protection	Number of banking customer complaints	xxx	xxx	xxx
	Percentage of banking complaints resolved	xx	xx	xxx
	Number of insurance customer complaints	xxx	xxx	xxx
	Percentage of insurance complaints resolved	xxx	xxx	xxx
	Number of pensions customer complaints	xxx	xxx	xxx
	Percentage of pensions complaints resolved	xxx	xxx	xx

Figure 48: Illustrative status report (other indicators) summary 3 of financial inclusion report

12.3 Trend Analysis

The Trend Analysis shows the progress of KPIs and other indicators across all historical and current review periods. This enables the reader to identify any under-performing or over-performing indicators. The Trend Analysis will be compiled and tracked following each review period and guides the decision making process by the FSRCC.

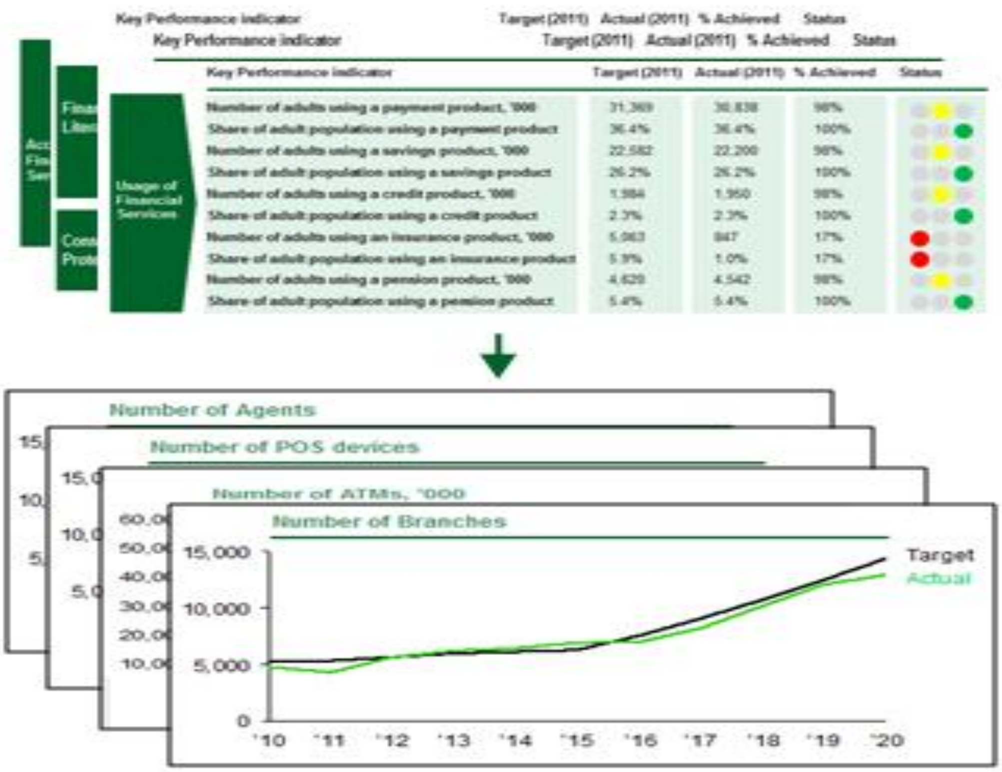


Figure 49: Illustrative trend analysis of financial inclusion report

12.4 Priority Checklist

The Priority Checklist outlines all Financial Inclusion stakeholder programmes and initiatives for the subsequent two years on a timeline. The status and progress of each programme and initiative is highlighted using a traffic light system. Issues about the progress of actions and the launch of impending programmes are described in the "Remarks" column.

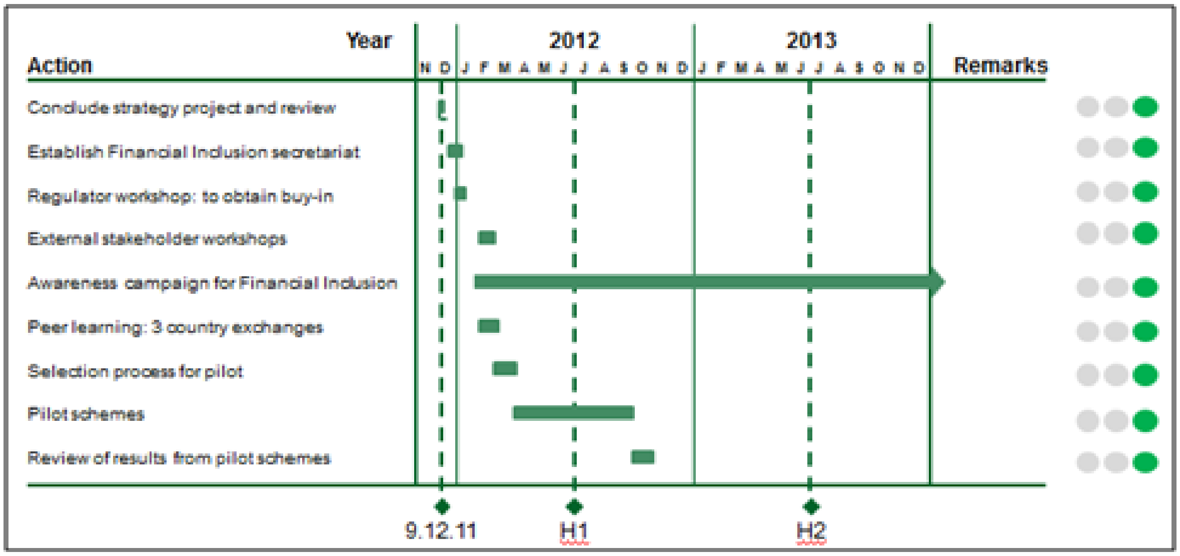


Figure 50: Illustrative priority checklist of financial inclusion report

12.5 Next steps

The Next Steps sections of the tracking mechanism lists all programmes and initiatives that are to be implemented in the next review period, and required actions for their successful launch. It also provides a list of recommendations for improving under-achieving KPIs and other indicators, plus an outline of stakeholder responsibilities for each action.

Next Steps	Required Actions	Stakeholder Responsibility
• Increase awareness of Financial Inclusion strategy • Set up Financial Inclusion secretariat • Establish Financial Inclusion Committee • Develop and run pilot schemes	• Awareness – CBN buy in – External regulator buy-in – Federal Executive Committee buy in – Public awareness	• Awareness
	• Financial Inclusion Secretariat – Deploy secretariat members – Develop templates for data gathering – Contact data submitting institutions	• Financial Inclusion Secretariat
	• Financial inclusion committee – Establish Financial Inclusion committee – advise members – Convene inaugural meeting – Review baseline and H1 targets – Review/ approve next steps	• Financial Inclusion Committee
	• Pilot schemes – Implement offer for tender process – Select pilot sponsors – Launch pilots	• Pilot Schemes

Figure 51: Illustrative next steps of financial inclusion report

13.0 CONCLUSION

Financial Inclusion is cardinal to the achievement of the Central Bank of Nigeria's mandate and the economic development of Nigeria. As at 2010, 46.3% of adult Nigerians were excluded from financial services. The key barriers to financial inclusion were identified to include long distance to access points, cumbersome eligibility requirements, low financial literacy, high cost of financial services, among others. This underscored the need to develop a National Financial Inclusion Strategy specifically aimed at reducing the adult exclusion rate from 46.3% to 20 % by 2020. The key initiatives in the Strategy include tiered approach to KYC, agent banking, mobile payment, cash-less policy, financial literacy framework, consumer protection and implementation of credit enhancement schemes and programmes.

Specific targets have been set for payments, savings, credit, insurance, pension, branches of DMBs and MFBs, ATMs, POS, banking agents, as well as for youth and women. Accordingly, various stakeholders have been identified in the implementation of the Strategy and their roles and responsibilities proposed.

Sufficient commitment will be required on the part of the stakeholders and coordination by the Central Bank of Nigeria as the lead promoter in order to achieve the goals and objectives of the Strategy.

Glossary of Abbreviations

- AfDB African Development Bank
- AFI Alliance for Financial Inclusion
- AMCON Asset Management Corporation of Nigeria
- ARB Association of Rural Banks
- ATM Automated Teller Machine
- BOA Bank of Agriculture
- BOI Bank of Industry
- BPR Business Process Re-engineering
- BPSD Banking and Payment Systems Department of the CBN
- BSP Billing and Settlement Payment
- BSD Banking Supervision Department of the CBN
- CAGR Compound Asset Growth Rate
- CBN Central Bank of Nigeria
- CENFRI Centre of Financial Regulation and Inclusion
- CPC Consumer Protection Council
- CPS Compulsory Pension Scheme
- CUA Credit Unions Association
- CYFI Child and Youth Finance Initiative
- DFD Development Finance Department of the CBN
- DFI Development Finance Institutions
- DFID Department for International Development
- DG Deputy Governor / Director General
- EFInA Enhancing Financial Innovation and Access
- EoPSD Employment-oriented Private Sector Development
- FCT Federal Capital Territory
- FMBN Federal Mortgage Bank of Nigeria
- FSD First Securities Discount House Nigeria
- FSS Financial System Strategy
- FPRD Financial Policy & Regulation Department of the CBN
- G2P Government to People
- GDP Gross Domestic Product
- GIZ Deutsche Gesellschaft fur Internationale Zusammenarbeit
- GSMA GSM Association
- IAD Independent ATM Deployer
- ID Identity
- IFC International Finance Corporation
- ITU International Telecommunications Union
- KPI Key Performance Indicator
- KYC Know Your Customer
- MSMEDF Micro, Small and Medium Enterprises Development Fund
- MDRI Market Development and Restructuring Initiative
- MFB Microfinance Bank
- MFI Microfinance Institution
- MNO Mobile Network Operators
- MPP Mobile Payment Providers

- MSME Micro-Small and Medium Enterprise
- NAICOM National Insurance Commission
- NAPEP National Poverty Eradication Programme of Nigeria
- NBS National Bureau of Statistics
- NCC Nigerian Communications Commission
- NDE National Directorate of Employment
- NDIC Nigeria Deposit Insurance Corporation
- NEXIM Nigerian Export-Import Bank
- NIFI Non-interest Financial Institutions
- NGN Naira
- NIMC National Identity Management Commission
- NIPOST Nigerian Postal Service
- NYSC National Youth Service Corps
- OFISD Other Financial Institutions Supervision Department of the CBN
- OTC Over the counter
- POS Point of Sales
- PenCom National Pension Commission
- PIN Personal Identification Number
- PRA Pension Reform Act
- PFA Pension Fund Administrator
- RUFIN Rural Finance Institutions Building Programme
- SEC Securities and Exchange Commission
- SME Small and Medium Enterprise
- SMEDAN Small and Medium Enterprise Development Agency of Nigeria
- SMS Short Message Service
- SMD Strategy Management Department of the CBN
- TB Treasury Bills
- USD United States Dollar
- USSD Unstructured Supplementary Service Data
- VAT Value Added Tax