Reflections on Nigeria’s National Financial Inclusion Strategy

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What does research show?
Financial inclusion… conceptual perspectives

• **Financial inclusion** – enhancing access to financial services at affordable cost to the unbanked (Sanusi, 2012, Umoh, 2016). Financial exclusion = social exclusion.

• **Affordability dimensions**
  - Fair price, convenience, timely, adequate, product knowledge
  - Does credit affordability mean that you should ignore risks?
  - FIPs – Financial Inclusion Products

• Multidimensionality of Financial Inclusion – PESTEL model/Financial vs. Non-financial

• Barriers to financial inclusion – gender, education, lack of trust, etc. (Ajakaiye, 2013)
Financial inclusion – conceptual perspectives …/2

- **Nine KPIs of Financial Inclusion**
  - Payment product
  - Savings product
  - Credit product
  - Insurance product
  - Pension product
  - Bank branches per 100,000 adults
  - ATMs per 100,000 adults
  - POS per 100,000 adults
  - **Agents per 100,000 adults** *(The only positive indicator as of 2016)* – (Aro-Gordon, 2017)
Financial inclusion – Some theoretical perspectives

Which theory holds good in the Nigerian Context?

- **Finance-Growth Theory/Theory of Change** - Improving national income through inclusive growth (higher financial inclusion rates linked to high-income countries (Ajakaiye, 2013). Employment generation and poverty reduction… [Post-Nobel Laurate Yunus Bangladesh?]

- **Financial Intermediation-Financial Stability Theory**: Stable financial System/effectiveness of monetary policy (e.g., M1, M2, M3) – from greater economic inclusiveness through robust financial intermediation – a more believable theory?

- **Nigeria** – Africa’s most populous nation (206.1m-2020), resource-rich, with enormous developmental potentials, but millions of adult Nigerians remain financially excluded…
Financial inclusion & international development

• Financial inclusion is on the rise globally…
• 69 percent of adults have an account; this varies among economies and by individual characteristics like gender and income…
• However, about 1.7 billion adults remain unbanked—without an account at a financial institution or through a mobile money provider…
Financial inclusion & international development…/2

• ‘Of the 736 million people living in extreme poverty worldwide, half live in just five countries: India, Nigeria, Democratic Republic of Congo, Ethiopia, and Bangladesh’ (presenter highlights)

• ‘The COVID-19 crisis will have a disproportionate impact on the poor, through job loss, loss of remittances, rising prices, and disruptions in services such as education and health care.’

• ‘For the first time since 1998, poverty rates will go up as the global economy falls into recession and there is a sharp drop in GDP per capita. The ongoing crisis will erase almost all the progress made in the last five years.’

Multiple Data Sources:


• CBN – Central Bank of Nigeria/CIBN/Nigeria Banker/African Banker/Ministry of Budget and National Planning

• Enhancing Financial Access (EFInA) – 140 countries… [https://efina.org.ng/](https://efina.org.ng/)

• Brookings 2015 Financial and Digital Inclusion Project (FDIP) report – 21 frontier economies based on 33 indicators across four thematic areas – country commitment, mobile capacity, regulatory environment, and adoption…

• UNCTAD’s World Investment Reports…

• Aspen Institute (USA)/Harvard Business Review

• Future methodology – moving from ‘what’ to ‘why’? – FGDs / interviews with the key stakeholders…
Data & Insights.../2

NFIS – a missed target?

2012

NFIS launched

2014

Aro-Gordon (2014) – uncovering informal enterprises for financial inclusion

2017

Aro-Gordon (2017) – implementation of Nigeria NFIS

2020

Missed target?

36.8% (36 million adults still financially excluded)
• 36.8% (36 Million adults) still excluded as of 2020, down from 41.6% in 2016.
• 1.3% of adults have mobile account (2016)
• Women continue to be more financially excluded than men, with only 45% of women using formal financial services, compared with 56% of men.
• Exclusion was highest among the youths – 18-25 years & above 56 years
• Exclusion highest in the Northwest (70%) and lowest in Southwest (18%)
• Nigeria performed less than South Africa, Namibia, and Botswana
• More people (68%) save any money than people (41.4%) who saved at a financial institution
• The vast majority (76.3%) borrowed from family and friends compared with 5.5% who borrowed from financial institutions.
To conclude... Rethinking some policy options...

CMRA - Commitment, Mobility, Regulation, Adoption

- Advances in digital technology - use of financial technology (Fintech), including the use of mobile phones and the internet to conduct financial transactions.
- Women in developing economies remain 9 percentage points less likely than men.
- Financial literacy/education - to facilitate access to basic financial services and developing financial resilience to unexpected expenses.
- Payments/remittances
- Savings/investments
- Credit/leasing
- Insurance
- Pensions
- Product knowledge – FIPS
- Research data / Harmonisation of FI Data Sources ....

Policy recommendations...

- Agility & resilience are needed
- Environment – ease of doing business at the grassroots
- Financial Innovation – Product knowledge
- Mobile capacity
- Financial education/research (data harmonization)
Thank you very much...
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