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Reflections on Nigeria's National Financial Inclusion Strategy

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Agenda

Objective & Significance. 01

Data & Insights 02

Policy options 03



MAIN OBJECTIVE

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 Laureate 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.’

<https://www.worldbank.org/en/topic/poverty/overview>

Data & Insights.../1

□ *Multiple Data Sources:*

- The World Bank's Global Financial Inclusion Database - <https://globalfindex.worldbank.org/>
- 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/>
- 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**

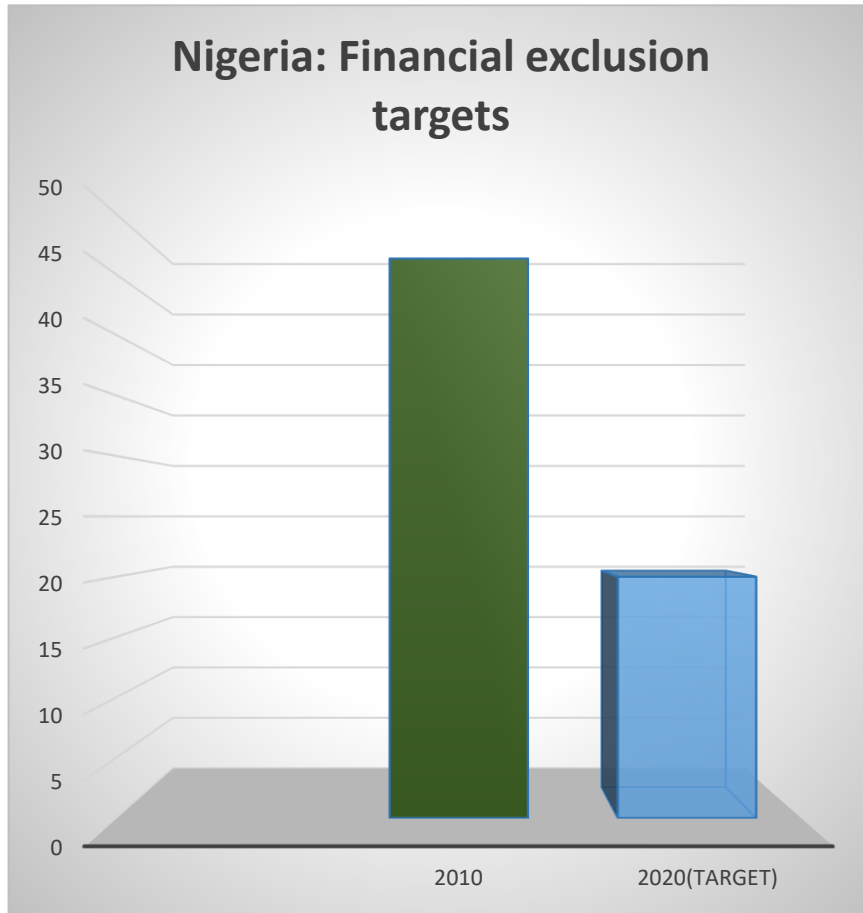
2017

**Aro-Gordon (2017) –
implementation of
Nigeria NFIS**

2020

**Missed target?
36.8% (36 million
adults still
financially
excluded)**

Data & Insights.../3



- 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

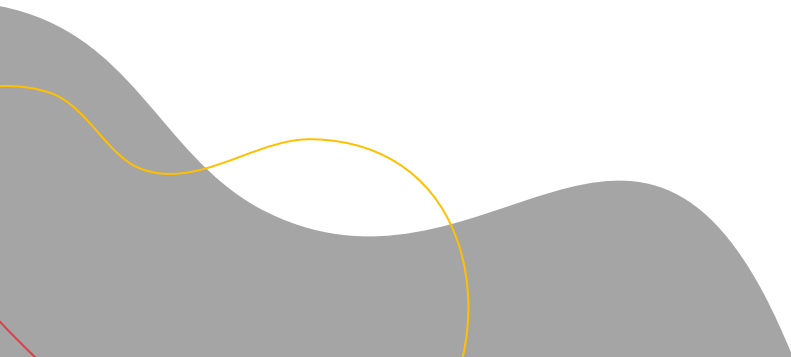
- **Advances in digital technology** - use of financial technology (Fintech), including the use of mobile phones and the internet to conduct financial transactions.
- **Women** in developing economies remain 9 percentage points less likely than men
- **Financial literacy/education** –to facilitate access 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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