NIGERIA

OVERALL RANK
#9

OVERALL SCORE
72%

DIMENSION SCORES

Country commitment	100%
Mobile capacity	89%
Regulatory environment	83%
Adoption	49%

GDP (billion USD)[1]	Adult population (millions)[2]	Unique mobile subscribership[3]	Financial account ownership among adults[4]	Financial account ownership among women[5]
$522	97	45%	44%	34%

Formal commitment milestone

- Committed to the Maya Declaration in 2011

Selected financial inclusion highlights

- Launched a financial inclusion strategy in 2012 and instituted a Financial Inclusion Secretariat
- In August 2014, MasterCard (in cooperation with the Nigerian government) launched a program that provides individuals with a national ID card featuring electronic payment capabilities

Ranking highlights

- Developed an extensive set of quantifiable goals, including increasing the percentage of the adult population using formal financial services to 70 percent by 2020
- The 2013 guidelines on agent banking enabled banks to expand beyond traditional brick-and-mortar infrastructure, and a 2014 Helix Institute survey found that agent networks have expanded rapidly

Next steps

- Enable mobile network operators to take a leadership role in deployments, as this could potentially accelerate takeup of mobile money services
- Promote awareness of mobile money services (only about 13 percent of adults were aware of mobile money in 2014, according to an EFinA survey)

Nigeria

Overview

With about 44 percent of adults age 15 and older holding an account with a formal financial institution or mobile money provider as of 2014, up from about 30 percent in 2011, Nigeria has clearly demonstrated progress toward financial inclusion.[6] However, further work remains with respect to expanding access to formal financial services among the remaining 56 percent of adults who are largely excluded from the formal financial sector. While as of 2014 Nigeria possessed the largest economy in Africa in terms of gross domestic product,[7] as well as an impressive array of natural resources, a 2013 InterMedia survey noted that about 90 percent of Nigerian adults lived on less than $2.50 a day.[8] Facilitating access to and use of formal financial services could help under-resourced individuals in the country store and send money safely, manage risk, and gain more control over their financial lives. However, burdensome distances to bank branches in many areas, fairly high levels of unemployment, and irregular incomes have posed challenges to financial inclusion.[9] For example, as of 2011 approximately 70 percent of workers in Nigeria were employed by the informal sector, and a 2014 InterMedia report noted that about 32 percent of adults in Nigeria did not have an income-generating job.[10] Moreover, access to financial services in Nigeria varies by geographic regions — for example, individuals in the country's North East and North West have been identified as being disproportionately excluded from formal financial services.[11]

Digital financial services, including mobile money, could help facilitate access to finance in these underserved areas. However, building awareness and trust in mobile money will be necessary to encourage further use. A 2014 article noted that a recent poll by research firm NOI found while six out of ten Nigerians were aware of mobile money, only 13 percent of those who were aware of mobile money used it.[12] An InterMedia poll conducted in fall 2013 found even less awareness of mobile money operators, noting that only about 12 percent of respondents were familiar with them.[13] Moreover, only about 21 percent of respondents stated they trusted mobile money.[14]

Some experts have suggested that the Central Bank of Nigeria (CBN)'s bank-led approach to mobile money has served as a constraining factor in the takeup of mobile money services.[15] Providing a more enabling environment for mobile network operators (MNOs) to enter and play a more active role in the mobile money space could drive greater adoption of mobile services, given MNOs have been among the most "capable entities of launching and scaling mobile money services."[16]

While regional disparities in terms of financial access and usage remain, there has been some growth in the formal financial services sector. However, levels of financial exclusion have not decreased significantly in recent years.[17] Between 2012 and 2014, financial exclusion rates in the following regions shifted: North East, from 59.5 percent to 68.4 percent; North West, 63.8 percent to 56 percent; North Central, 32.4 percent to 32.7 percent; South East, 25.6 percent to 25.4 percent; South West, remaining at 24.8 percent; and South South, 30.1 percent to 32.7 percent.[18] Recent initiatives to promote financial inclusion in Nigeria include launching a financial inclusion strategy, instituting a Financial Inclusion Secretariat, and developing a set of quantifiable goals.[19] Financial service providers will have to continue strengthening reliability and security among their networks to increase consumer trust in the formal financial sector.[20]

Access and usage

Banking landscape

The share of individuals formally included within Nigeria's financial system has increased over time. In 2011, 30 percent of adults in Nigeria had an account at a formal financial institution.[21] An InterMedia survey conducted in Nigeria from September to November 2013 found that about 38 percent of Nigerian adults had bank accounts and that 35 percent used their accounts actively.[22] There were some evident demographic disparities: For example, 40 percent of males held active bank accounts versus 30 percent of females, and 44 percent of urban residents were active bank holders, compared with 28 percent of rural residents.[23]

By 2014, the Global Financial Inclusion (Findex) database found that 44 percent of adults had an account with a bank or other formal financial institution, although only about 34 percent of low-income adults and women had accounts with a formal financial institution.[24] With respect to banking infrastructure, in 2013 there were about six commercial branches per 1,000 km^2 and about six commercial bank branches per 100,000 adults.[25]

Mobile ecosystem

In 2012, Ecobank estimated that of the 60 million mobile subscribers in the country, 45 percent were unbanked.[26] Thus, there is significant opportunity to extend access to the financially underserved through mobile phones. Mobile cellular subscriptions amounted to about 78 subscriptions per 100 people in 2014, according to the World Bank.[27] InterMedia's fall 2013 survey found that the percentage of mobile phone ownership was higher, with about 90 percent of respondents reporting owning a mobile phone.[28]

As of May 2015, there were 19 mobile money deployments in Nigeria, according to the GSMA's Mobile Money for the Unbanked Deployment Tracker.[29] In terms of points of access to mobile agents, the International Monetary Fund's Financial Access Survey did not contain information on the number of active agent outlets or active mobile money accounts per 1,000 adults in Nigeria; however, there were about 36 registered agent outlets[30] per 100,000 adults and about 37 registered agent outlets per 1,000 km^2 in 2013.[31] The 2014 Maya Declaration progress report noted that there were approximately 715 mobile money agents and more than 325,000 mobile money customers in Nigeria.[32] As of 2014, according to the World Bank's Global Findex approximately 2 percent of Nigerian adults age 15 and older had used mobile money within the previous 12 months.[33]

However, takeup of mobile money to date has primarily been among those who already have bank accounts, indicating that these services are not yet providing many underserved customers with access to formal financial services. The fall 2013 InterMedia survey found that only about 0.3 percent of Nigerian adults age 15 and older used mobile money services, and almost all those who did also had bank accounts.[34] Facilitating registered usage of mobile money services is also a salient concern. Only 0.1 percent of adults had a registered mobile money account in 2014 and had used it at least once in the 90 days prior to the survey.[35]

Transaction fees for mobile money use may serve as an impediment to takeup among under-resourced individuals, and some caution that the cost of smartphones and broadband services must decline before other efforts at promoting the widespread use of mobile money in Nigeria can be successful.[36] As noted above, offering greater leadership to MNOs within the sector and building awareness of and trust in mobile money services will also be critical to scaling up consumer engagement with available deployments.

Since the majority of unemployed adults in Nigeria are dependent on remittances as their primary source of funds for daily expenses, mobile money could serve as an efficient and cost-effective conduit for these remittance flows.[37] In January 2015, it was announced that World Remit, an online money transfer service, had agreed to a global partnership with MTN, Nigeria's largest telecommunications operator — this partnership will enable customers of WorldRemit to send remittances to MTN's mobile money customers.[38]

Country commitment and regulatory environment

One of the goals that the Central Bank of Nigeria (CBN) identified among its Maya Declaration commitments was to implement a national financial inclusion strategy, which was launched in October 2012.[39] The National Financial Inclusion Strategy (NFIS) outlined the roles and responsibilities of key stakeholders, acknowledged the challenges to broadening financial inclusion in Nigeria, and set specific "targets for payments, savings, credit, insurance, pensions, branches of deposit banks and microfinance banks."[40] Goals of the NFIS included halving the number of financially excluded Nigerians and expanding the number of participants in the formal sector to 70 percent by 2020.[41]

Other targets include increasing the number of bank branches per 100,000 adults from 6.8 units in 2010 to 7.6 units in 2020.[42] Over the same period, the number of ATMs is expected to increase from 11.8 units per 100,000 adults to 203.6 units, point-of-sale devices from 13.3 units per 100,000 adults to 850 units, and mobile money agents from 0 units per 100,000 adults to 62 units.[43]

As of 2014, the NFIS was being implemented by the CBN, the National Pension Commission, National Insurance Commission, Securities and Exchange Commission, and Deposit Money Banks.[44] NFIS members have worked to create and implement a tiered framework for KYC regulations, and to develop financial literacy and agent banking frameworks — between 2012 and 2013, CBN released regulations concerning these priorities and distributed new guidelines to help "facilitate the implementation of the NFIS."[45]

Tiered KYC requirements for banks and other financial institutions were released in 2012.[46] While these regulations should be helpful in facilitating greater access to financial services, the agent banking regulations noted below may require further adjustments. For example, some experts caution that existing rules requiring agents to have operated as commercial entities for at least one year prior to their application for agency status may preclude more informal entities in rural areas from participating in the sector.[47]

Agent Banking Guidelines were released in February 2013, and a circular was issued in August 2013 to "provide guidance on the approval process for financial institutions wishing to deploying agent banking services in Nigeria."[48] One of the initial challenges to establishing an agent network in Nigeria was that no major retail chains were in place, rendering the available market and infrastructure for agents fairly fragmented.[49] To address this, the CBN is in the process of finalizing a partnership with the Nigerian Postal Service to serve as a retail agent for the provision of financial services.[50]

Under the 2009 Regulatory Framework for Mobile Money, MNOs are not permitted to lead mobile money services.[51] Mobile money operators must work with sponsoring banks, which hold customer funds; these funds are covered under the Nigeria Deposit Insurance Corporation.[52] An International Finance Corporation report in 2011 suggested that by sidelining MNOs with experience in developing mobile solutions and reaching lower-income populations, growth in the sector to date has been inhibited.[53]

Further opportunities exist for Nigeria to expand adoption of mobile money: The 2011 IFC report stated that "Nigeria has massive opportunities for m-money in P2P transfers, payroll for informal workers, and utility payments; it could become a second Kenya."[54] However, while other countries have adapted digital government-to-person payments as an initial effort to promote digital financial services, social welfare programs may not be sufficiently pervasive in Nigeria to render this a viable sector of opportunity for mobile financial services.[55]

Recent initiatives have provided additional momentum for mobile money solutions. In September 2014, eTranzact International Plc and EFInA signed a deal to initiate a mobile money project, "The PocketMoni 500," in Northern and South Western Nigeria; the project aims to register local merchants and consumers for mobile money services.[56] Also in September, Globacom (Nigeria's national telecommunications carrier) led financial institutions and mobile money operators FirstMonie (a subsidiary of First Bank of Nigeria), Ecobank, and StanbicIBTC to implement "Glo Xchange," a mobile money agent network.[57]

In terms of financial infrastructure, the Nigeria Central Switch, or NCS, was operational as of 2013 and allowed interoperability among deposit-taking institutions and licensed payment service providers; it also facilitated "inter-scheme card and mobile payments."[58] However, mobile money platform interoperability has not yet been achieved.[59]

In August 2014, MasterCard (in cooperation with the Nigerian government) launched a program that provides a national ID card with electronic payment capabilities.[60] The prepaid functionality of the card will allow people to "engage in electronic payments in the form of transferring, cash, digital payments, and more."[61] The card was expected to be distributed to more than 100 million people, and eventually a mobile wallet will be associated with it.[62] This push toward electronic payments is part of the government's "cashless policy," which promotes non-cash transactions (for example, by instituting a surcharge for cash transactions above a certain amount).[63]

As noted previously, Nigeria has set a number of quantifiable goals for financial inclusion. Moving forward, the 2014 Maya Declaration progress report noted that Nigeria seeks to "reduce the percentage of adults who are excluded from financial services from the current 46.3% to 20% by 2020." Nigeria plans to increase access to savings to 42 percent by 2015 and 60 percent in 2020. It also seeks to increase access to credit to 26 percent in 2015 and 40 percent by 2020. Finally, Nigeria aims to increase "access to insurance from 1% in 2010 to 21% in 2015 and 40% by 2020."[64] One of the enabling conditions for increased financial inclusion within the country moving forward is that 80 percent of Nigerian adults had some form of ID in 2014, which should help facilitate account registration.[65] By strengthening consumer trust in and use of digital financial services and providing more opportunities for MNO leadership within the mobile money sector, Nigeria can advance its goals to increase access to and use of high quality formal financial services.

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Pakistan

Overview

The launch of Pakistan's national financial inclusion strategy in May 2015[6] and the development of several financial inclusion-enabling regulations and policies, such as branchless banking models with a range of risk-appropriate know-your-customer (KYC) requirements and transaction/balance limits, demonstrate Pakistan's commitment to and progress toward greater financial inclusion.[7] [8] However, there is still significant room for growth, as according to the 2014 Global Financial Inclusion (Global Findex) database, only 13 percent of adults age 15 and older in Pakistan had accounts with a formal financial institution or mobile money provider.[9]

Further efforts to enhance consumer understanding of financial services, incentivize mobile money registration, and promote use of such services could help promote financial inclusion. For example, although using "over-the-counter" (OTC) transactions without registering for a mobile wallet can facilitate greater access to financial services for many individuals, one of the challenges posed by these OTC transactions is that people cannot use their accounts to independently engage with an array of financial services. An InterMedia survey conducted between September and December 2014 found that the ease of using an agent's account may be a barrier to individuals registering for their own accounts: Among mobile money users who had not yet registered for an account, 31 percent cited as their reason for being unregistered that they could get all the services they needed through an agent.[10]

Service providers and regulators in Pakistan are working to incentivize registration of these digital accounts. For example, a January 2015 article noted that the Easypaisa service had "eliminated account registration, cash-in, money transfer, and cash-out fees on an experimental basis."[11] Moreover, the State Bank of Pakistan (SBP) and the National Database Registration Authority signed an agreement to reduce biometric verification fees for mobile account registration by about 78 percent.[12] The willingness of these entities to ease barriers to registration is a positive sign for future mobile money adoption in Pakistan.

The InterMedia survey noted several positive trends regarding mobile money in Pakistan, including an improvement in awareness of mobile money services: About 68 percent of adults were aware of mobile money as a concept, and 76 percent of adults recognized at least one mobile money provider.[13] The survey also found that proximity to an agent was cited far less frequently than in the previous wave of the survey as an obstacle to registering for an account.[14] Further expansion of the agent network should continue to facilitate increased access to and adoption of mobile money services.

Fostering more equitable access to financial services constitutes a key challenge for Pakistan moving forward. While an earlier InterMedia survey conducted among almost 5,000 households in Pakistan from May to September 2012 concluded that use of mobile money was not closely correlated with socio-economic status or location at the household level,[15] demographic disparities regarding accounts exist. For example, the fall 2014 InterMedia survey found that among users of the Telenor Easypaisa mobile money service (which had 86 percent market share among mobile money users as of 2014), 84 percent were male and 16 percent were female.[16]

Access and usage

Banking landscape

In 2013, Pakistan had about nine commercial bank branches per 100,000 adults and 14 branches per 1,000 km^2.[17] The InterMedia survey found that about

8 percent of adults held bank accounts in fall 2014.[18] Of the nearly 9 percent of adults in Pakistan that reported using banks at some point, only about 7 percent had full-service bank accounts, while 0.3 percent had loan-only accounts and 0.9 percent held other kinds of accounts.[19] About 6 percent of adults were active bank account holders, meaning that the account had been used within the previous 90 days.[20]

An earlier InterMedia survey conducted in Pakistan between November 2013 and January 2014 found that banks were generally more trusted as a channel for financial activities than mobile money: About 32 percent of respondents indicated that they "fully trust" or "rather trust" mobile money, compared with about 61 percent and 51 percent for state-owned and private banks, respectively.[21] However, a planned 0.6 percent tax on banking transactions over a certain threshold could serve as a disincentive to use of banking services, particularly among Pakistan's under-resourced population.[22]

Mobile ecosystem

Mobile cellular subscriptions have increased significantly in Pakistan within the last few years.[23] About 54 percent of InterMedia survey respondents owned a mobile phone in 2014, and about 72 percent owned or could borrow a mobile phone.[24] Pakistan has a young population — approximately 55 percent of the population was under 25 in 2014[25] — and as of 2014, more than 90 percent of people in Pakistan were living within areas with cellphone coverage (however, just over half of the population was covered by a 3G network as of 2015).[26] [27] Men benefit from higher levels of access to mobile devices than women; for example, the InterMedia survey noted that as of 2014, about 84 percent of men owned or could borrow a mobile phone, compared with 59 percent of women.[28]

As of 2013 there were approximately 86 active agent outlets[29] per 100,000 adults,[30] up from about 28 in 2012.[31] The SBP's October to December 2014 quarterly branchless banking report found that there were over 200,000 branchless banking agents (a 9 percent increase from the previous quarter) and about 160,000 active branchless banking agents (a 5 percent increase from the previous quarter); "active" agents must have opened within the last 90 days and performed at least one transaction within that period.[32]

In 2013, there were about 30 registered mobile money accounts per 1,000 adults, though only about 14 accounts per 1,000 adults were active[33] in that period.[34] While mobile money awareness is fairly high — as noted, 76 percent of adults had heard of at least one mobile money brand in 2014 — use is still limited.[35] As of 2014, about 8 percent of adults had used mobile money (as either registered or unregistered users); only about 0.3 percent of adults had used a registered mobile money account.[36] The October to December 2014 quarterly branchless banking report from the SBP found that there were almost 5.5 million total accounts[37] but that 57 percent of branchless banking accounts were inactive.[38]

By May 2015, according to the GSMA there were several deployments of mobile money services in Pakistan,[39] and the country's telecommunications infrastructure is expected to continue to improve.[40] The Easypaisa service has been particularly successful. Mobile network operator Telenor Pakistan and Tameer Micro Finance Bank launched Easypaisa in October 2009 with the aim of serving traditionally financially excluded households in Pakistan.[41] Telenor Pakistan acquired a 51 percent ownership stake in Tameer Bank before establishing the mobile money service.[42] Easypaisa was able to scale up rapidly, primarily because it could build on Telenor Pakistan's preexisting GSM distribution structure.[43]

By 2014, Easypaisa had 31 percent market share of the national agent network, defined as "the proportion of cash-in/cash-out outlets by provider."[44] While Easypaisa is Pakistan's leading service,[45] competition among branchless banking services is high.[46] Easypaisa provides mobile wallet accounts for registered users of the Telenor Pakistan mobile phone service,[47] and it also provides OTC mobile money services.[48]

Despite the growth of mobile financial services, supply and demand-side challenges remain. In October 2013, Nadeem Hussain, CEO of Tameer Bank, wrote that KYC requirements for opening accounts remained expensive for Easypaisa.[49] Moreover, use of Easypaisa is still limited since few merchants accept e-wallet payments or permit customers to store value in e-wallets.[50] The doubling of a sales tax on mobile handsets for fiscal year 2015/2016 may limit affordability of, and therefore access to, mobile phones and mobile financial services for consumers.[51]

Even among those who have mobile phones, observers have highlighted the difficulty of encouraging consumers to shift from OTC payments, where they do not have to open a mobile wallet account, to mobile wallets that facilitate a wider range of financial services.[52] In 2013, of the over 7 million unique users of the Easypaisa service, about 2.4 million had created an e-wallet, while 5 million were unique OTC customers.[53] The October to December 2014 quarterly branchless banking report from the SBP noted that OTC comprised 86 percent of the volume and 88 percent of the value of customer transactions.[54]

Without registering for a wallet, consumers cannot be connected to other institutions that may wish to participate in ongoing financial transactions with them, as with government-to-person disbursements.[55] There is significant room for growth in this respect: For example, a 2013 survey found that 10 percent of households in Pakistan reported receiving payments within the six months prior to the survey, with the government acting as the sender of 72 percent of those payments in the form of salaries and/or benefits; however, only about 1 percent of incoming and outgoing payments reported by the surveyed households were provided through mobile money.[56] The SBP's October to December 2014 branchless banking newsletter found that 2 percent of the total value of mobile wallet transactions came from pension payments and 21 percent comprised government-to-person payments.[57]

Country commitment and regulatory environment

Pakistan is a Maya Declaration signatory and a member of the Financial Inclusion Strategy Peer Learning Group.[58] Pakistan's recent Maya commitments built on the country's previous efforts to promote financial inclusion: For example, in 2008 Pakistan launched its national Financial Inclusion Programme (FIP), which was implemented by the SBP with the support of the UK Department for International Development (DFID).[59] FIP has been managed through a steering and technical committee — the steering committee comprises the governor of the SBP and representatives of DFID, while the technical committee includes SBP officials, market experts, and fund managers, among other experts.[60]

In March 2008, the SBP took other steps to promote financial inclusion when it issued Branchless Banking Regulations (among the first regulations in the world specifically designed to foster branchless banking)[61] that accommodated three types of branchless accounts (Levels 1–3), each with progressively more stringent KYC requirements and higher transaction/balance limits.[62] The regulations permitted a bank-led model, allowing commercial banks and microfinance banks with a banking license to apply for a branchless banking license. MNOs were allowed to operate only as agents on behalf of a bank, which enabled them to provide marketing, distribution, and product development services.[63] In 2011, a Level 0 account with very flexible KYC requirements was introduced.[64] 2015 guidelines on low-risk Asaan accounts state that they require a minimum 100 Pakistani rupee (about $1)[65] opening deposit, but there is no minimum balance requirement.[66] The account is "targeted at common people and is open to all low-income unbanked/under-banked masses who face difficulties in account opening [...]."[67]

In August 2014, a biometric verification system (BVS) was instituted and used for the issuing of all new SIMs, and mobile operators have since "started to roll out biometric SIM registration terminals across the country at retail locations."[68] Building upon this infrastructure can facilitate the remote opening of new level 0 customer acccounts.[69] According to the October to December 2014 branchless banking newsletter from the SBP, 56 percent of newly opened level 0 accounts were opened using BVS,[70] and 63 percent of all new accounts opened during the quarter were opened through BVS.[71]

The SBP has taken steps to fulfill Pakistan's Maya Declaration commitments, which span across a range of areas, including consumer protection, access to finance for small and medium enterprises, microcredit, microsavings, and data and measurement. As noted, the SBP regularly publishes branchless banking newsletters fea-