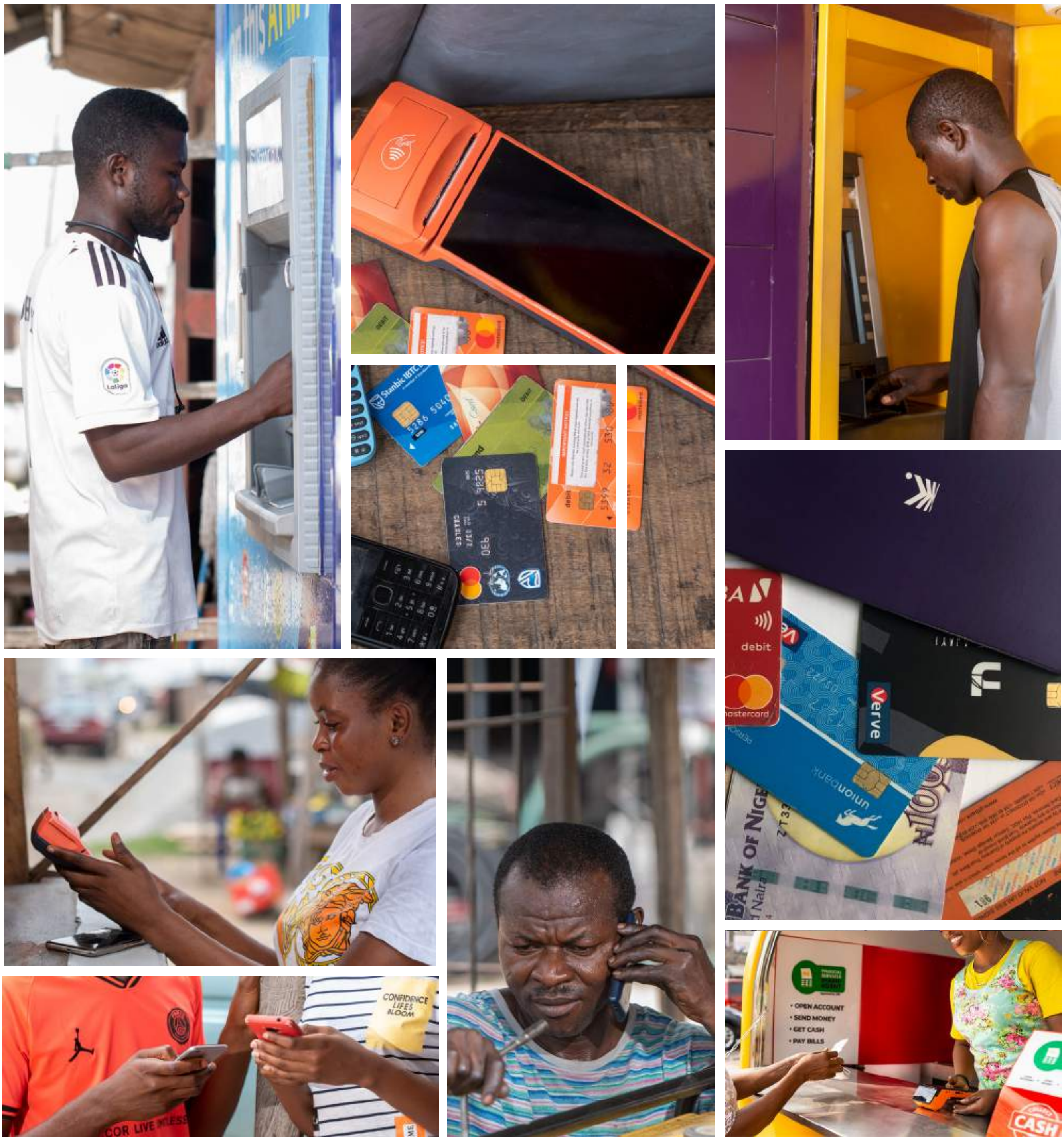

Digital Financial Services in Nigeria

STATE OF THE MARKET REPORT 2020

LAGOS BUSINESS SCHOOL
PAN-ATLANTIC UNIVERSITY

SUSTAINABLE + INCLUSIVE
DIGITAL FINANCIAL SERVICES

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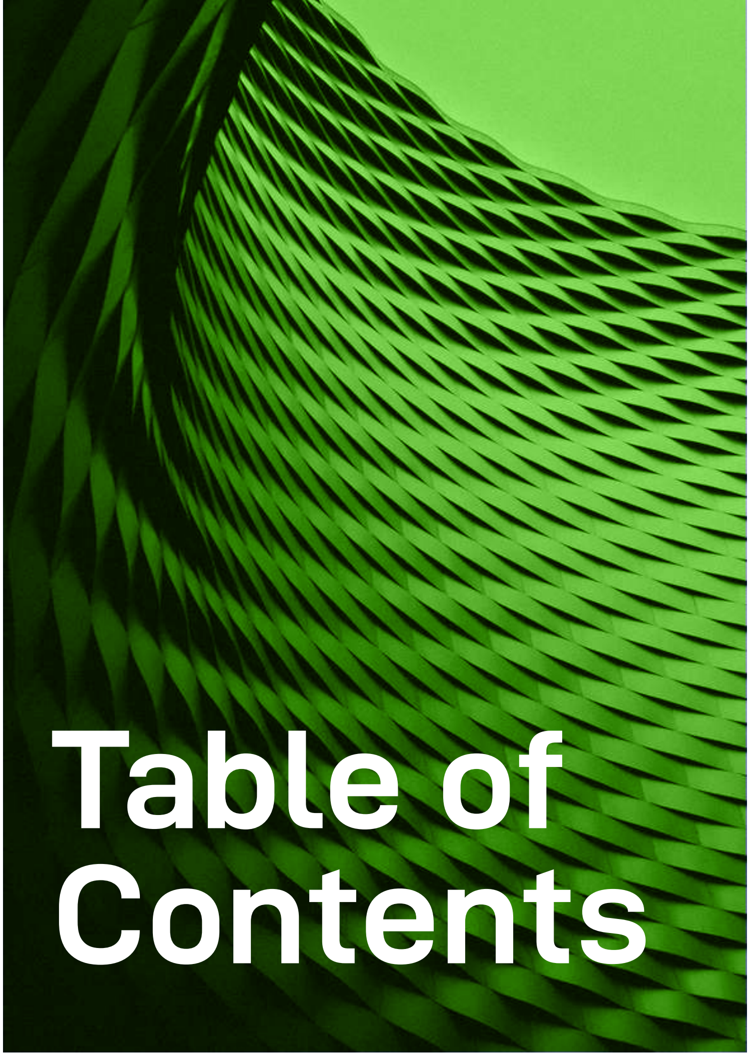

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About **Lagos Business School**

Lagos Business School (LBS) is the graduate business school of Pan-Atlantic University and was founded on inspirations from the teachings of St Josemaria Escrivá, the founder of Opus Dei. LBS offers academic programmes, executive programmes and short courses (customised to specific company needs, as well as open-enrolment courses) in management education. Its offerings have been ranked among the best in Africa as it systematically strives to improve the practice of management on the continent. The business school's efforts have been recognised by several world-class accreditations and rankings. Besides the quality bar set at world-standards, LBS programmes also stand out because of the emphasis on professional ethics and service to the community.

Education at LBS is comprehensive, drawing on the experiences of a multinational faculty and participants. Learning is participant-centred and uses the case study method and the group work approach. Activities hold on the school's purpose-built facilities whose lecture halls see more than 3,000 participants yearly from indigenous and multinational companies. These attest to the expert teaching, the relevance of the programmes and the overall benefits derived from attending.

LBS has a robust alumni association with more than 6,000 members. This asset base, as well as the close relationship with the corporate world, ensures that the programmes offered, as well as having international standards, also has local relevance.

Learning at LBS is based on a Christian conception of the dignity of man, of society and economic activity. The Prelature of Opus Dei, an institution of the Catholic Church, takes responsibility for guaranteeing that this vision underlies all teaching, publishing and research activities of the School.

LBS is a member of the Association of African Business Schools (AABS), the Global Business School Network (GBSN), the Principles for Responsible Management Education (PRME), AACSB International-The Association to Advance Collegiate Schools of Business and the Graduate Management Admission Council (GMAC), alongside 220 leading graduate business schools worldwide. GMAC is an organisation of leading graduate manage-

6,000+
alumni association members

Top 50
global business schools on The Economist magazine's 2018 Executive MBA ranking

No. 1
in Africa on the 2020 Financial Times list.

LBS has been ranked every year, since 2007 by the Financial Times of London, among the top global providers of open enrolment executive education and in custom executive education since 2015.

ment schools in the world and the owner of the GMAT exam.

In recognition of the quality of Lagos Business School's programmes and of being structured in line with global best practices, it has received several international accreditations. LBS is the first business school in West, East and Central Africa regions to be accredited by The Association of MBAs (AMBA). This puts LBS amongst the exclusive group of only 2% of business schools in 70 countries to achieve this accreditation. The Association to Advance Collegiate Schools of Business (AACSB) has also accredited LBS, the first institution to be so recognised in all of West Africa. LBS thus joined the league of less than 5% of business schools globally, to be accredited by AACSB in December 2016. This accreditation affirms Lagos Business School's undeniable commitment, over the last 29 years, to world-class standards in teaching, learning, research, academic and professional management.

LBS has been ranked every year, since 2007 by the Financial Times of London, among the top global providers of open enrolment executive education and in custom executive education since 2015. The latter ranked number one in Africa on the 2020 Financial Times list. LBS' MBA programmes have held Tier One positions on CEO Magazine's Global MBA rankings for three consecutive years. The School is listed among the top 50 global business schools on The Economist magazine's 2018 Executive MBA ranking.

Foreword

Welcome to our annual State of the Market Report. Over the last four years, we have reported the state of digital financial services and financial inclusion, providing insights about consumers, providers and regulatory issues in Nigeria.

This year 2020 is a milestone year, and the COVID-19 pandemic has introduced new unforeseen factors, distorting the financial inclusion journey and further exposing the fragility of the financial services system. The lockdown and its antecedents emphasised the need for digital financial services that work for all Nigerians. The COVID-19 pandemic also catalysed digital transformation in many industries with the digitisation of information and financial flows. The importance of financial flows in the economic landscape further amplifies the importance of digital financial services and digitising payments.

Given these changes, we have taken a bold step to adapt our report, focusing on product-market fit across three highly underserved and largely under-represented customer segments - rural dwellers, women and youth. The 2018 National Financial Inclusion Strategy (NFIS) Refresh identified these three segments among the most disproportionately excluded groups.

In our presentation of the demand-side, we deviate from presenting consumer access strands across community, household and individual socio-economic characteristics and opt for a deep dive into the financial habits and behaviours of the three critical target segments. Through these consumer segment profiles, we show financial habits across product categories (savings, loans, remittances, payments, emergency, pension and investments).

In the supply-side (financial services providers) section, we examine the product development practices in action, comparing extant approaches with global best practices, and subsequently benchmarking alongside fast moving consumer goods (FMCG) companies that are already serving the mass market.

Notwithstanding operators and market insights, alignment with the regulatory and policy environment can either make or mar new product innovation. Thus, our policy report examines the regulatory landscape, identifying enabling and inhibitive policies and regulations as well astheir impact on product development and innovation.

This SoMR is a call to action for change, for customer-centricity and the adoption of human-centred design (HCD) techniques towards product development and innovation. We hope this report will challenge your thinking about financial products and services, stimulating a call to action for new approaches to addressing the gaps in financial services through digital payments, savings (short- and long-term), loans and protection.

Professor Olayinka David-West
November 2020

Acronyms

A2F	Access to Finance
AIP	Approval-in-Principle
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATM	Automated Teller Machine
ATL	Above the Line
BM	Business Model
BTL	Below the Line
BVN	Bank Verification Number
CBN	Central Bank of Nigeria
CICO	Cash-In Cash-Out
DFS	Digital Financial Services
DMB	Deposit Money Bank
EFInA	Enhancing Financial Innovation and Access
ERP	Enterprise Resource Planning
FAS	Financial Access Survey
FMCG	Fast Moving Consumer Goods
FSI	Financial Services Industry
FSP	Financial Service Provider
GDP	Gross Domestic Product
GSMA	Global System for Mobile Association
ICT	Information and Communications Technology
KYC	Know-Your-Customer
MFB	Microfinance Bank
MFI	Microfinance Institution

ACRONYMS

MDAs	Ministries, departments and agencies
MMO	Mobile Money Operator
MNO	Mobile Network Operator
MSME	Micro, Small and Medium Enterprises
NAICOM	National Insurance Commission
NCC	National Communications Commission
NDIC	National Deposit Insurance Commission
NFIS	National Financial Inclusion Strategy
NIBSS	Nigeria Inter-Bank Settlement System
NIMC	National Identity Management Commission
NIN	National Identity Number
NUBAN	Nigeria Uniform Bank Account Number
OFI	Other Financial Institution
P2P	Person-to-Person
PFA	Pension Fund Administrator
PENCOM	National Pension Commission
POS	Point of Sale
PSB	Payment Service Bank
SANEF	Shared Agent Network Expansion Facilities (SANEF)
SDG	Sustainable Development Goal
SEC	Securities and Exchange Commission
SIM	Subscriber Identity Module
SIDFS	Sustainable and Inclusive Digital Financial Services initiative
USSD	Unstructured Supplementary Service Data

Executive Summary

Factors that determine consumer's adoption of financial products and services go beyond the need to meet their functional, emotional or social needs. There is need for extensive and iterative customer-centered research to provide deep understanding of what each customer segment requires. Product features and functionality, as well as messaging and communication must demonstrate how they address the customer's needs and pain points. However, customer value propositions must integrate financial systems stability and integrity. There are significant marketing opportunities among underbanked and unbanked rural dwellers, women and youth such that with product-market fit, financial access, inclusion and profit can be achieved with investment levels that are already scoped and presented in Chapter 1.

The market size for underbanked and unbanked rural dwellers is estimated at 28.8 million people. Products and services that would readily deliver inclusion and profitable returns are:

1. Tailored savings products and solutions (simple, targeted, fixed and group)and long-term savings
2. Individual and group loans (with insurance options)
3. Last mile financial access points - Agent CICO payments
4. Community health insurance schemes
5. Other general insurance - crop, assets and business
6. Micro-pension products with health insurance options
7. Agriculture-based investments
8. Collective investment schemes (mutual funds)

Market development - CSR programs and products in financial education – is recommended. There is low usage of digital devices among these segments, therefore, physical merchants are more accessible and preferred. Based on existing infrastructural factors, the levels of investment required by financial service providers (FSPs)to sustainably provide these financial services are reported in Table 10.

The market size for underbanked and unbanked women is 28.8 million. Women have access to and prefer physical channels such as storefronts, explaining why digital exclusion rates are higher for them than men. Products and services that would readily deliver inclusion and profitable returns are:

1. See items 1 – 6 on the rural dwellers list above
2. Micro loans
3. Merchant acceptance
4. Female agent banking (CICO).

Market development - CSR programs and products in financial education, women empowerment schemes and digital literacy – is recommended. The levels of investment required by FSPs to sustainably provide these financial services *are reported in Table 21.*

The market size for unbanked youth is 27.4 million. The higher education levels, higher income opportunities and unemployment rates among this segment offer unique and nuanced opportunities. Products and services that would readily deliver inclusion and profitable returns are:

1. Digital savings products and solutions (simple, targeted, fixed and group)
2. Long term savings
3. Digital credit
4. Micro loans
5. Digital (instant) payments
6. Items 4, 5, 6 & 8 on the rural dwellers list above
7. Collective investment schemes (mutual funds)
8. Digital financial services

Market development - CSR programs and products in financial education – is recommended. The levels of investment required by FSPs to sustainably provide these financial services are reported in Tables 32 and 33.

The opportunities outlined above require design thinking approaches in creating services centred on the needs of the customer in product development practices. Chapter 2 presents the state of product development practices among Nigerian FSPs. It reports the current state of practice, enablers and inhibitors among 9 FSPs drawn from the banking, insurance, credit and other sub-sectors in the financial services ecosystem. This was then compared to the product development practices of two fast moving consumer goods (FMCG) companies already serving the mass market in order to glean insights from their practices. The findings are that FSPs devote a sub-par level of attention and conformance to bench mark global product development practice (25% - 31%),in three phases of the product development process - research, business analysis and product launch. However, they display 60% -70% conformance in ideation and product development. Evidently, they cannot deliver product- market fit performance without sufficient evidence and customer-centric data, as we present in Chapter 1.

Chapter 2 also reports additional factors that enable or inhibit product innovation and successful product launches. Factors that enable product development and innovation include: market engagement, digital capability, partnerships and alliances, timely regulatory approvals, supporting structures and efficient processes. Factors limiting FSPs' ability to produce compelling products and meet market expectations include: regulation, talent and manpower, IT infrastructure, security, third-party service charges, finance, market information and awareness, and

> **The practices of the Fast Moving Consumer Goods sector demonstrates a high level of conformance to global product development practices and processes and FSPs can readily borrow a leaf from this available pool of local knowledge and practice.**

partnerships. The practices of the Fast Moving Consumer Goods Sector demonstrates a high level of conformance to global product development practices and processes and FSPs can readily borrow from this available pool of local knowledge and practice.

Chapter 3 examines the role of regulators as well as regulatory and supervisory frameworks on product innovation and development. It also details relevant legislation and policies and reports data from a research where polices that enable or inhibit inclusive product development were identified along with insights for implementation and reform. Effective regulatory strategies must be risk based and not reflexively prescriptive, development oriented, must prioritise public interest, incentivise good behaviour and self-regulation, and avoid undue dominance of players in markets. They must create the right enabling environment, be proportionate, facilitate innovation, and promote the rule of law, national competitiveness, while doing so with minimal administrative burdens.

The study reports that the greatest enablers of inclusive product development were: the Cashless Policy, Tiered KYC, National Financial Inclusion Strategy, Agent Banking Licensing, Framework and Regulations and the Microinsurance, Takaful and Bancassurance Guidelines, in that order. The greatest inhibitors were: Customer Onboarding Policies for Banking and Other Financial institutions (BOFI), The Finance Act 2020, and Poor Infrastructure and Competition dynamics that fail to leverage the Telcos optimally, in that order. Recommendations from the study include the following:

1. Encourage a diversity of players, market competition and vigilant consumer protection.

2. Improve digital infrastructure to attract more investment and lower the cost to serve for players.

3. Ensure adequate stakeholder consultation and market friendly regulations that enhance the ease of doing business.

4. Promote regulatory innovation and openness to experiment in order to promote inclusive products.

5. Explore e-KYC and measures to align regulations on other players with the latitude enjoyed by FinTechs, without compromising system integrity.

6. Ensure coherence in policy and regulatory measures across regulators and tiers of government.

7. Coordinate the implementation of financial inclusion through the Financial Inclusion Secretariat (FIS), Financial Services Regulation Coordinating Committee (FSRCC) and the National Economic Council (NEC) and propagate financial inclusion to the unit governments.

Value Propositions Matter

The notes and coins we term money are currency; however, assets, property, wealth and digital currency also represent money.

The value propositions associated with money differ based on the type and individual or entity. Individual money value propositions include:

1) to keep/hold money with a trusted source;
2) to move money between different parties and sources;
3) to grow money and increase its value over time; and
4) to access money and return at a later date.

These value propositions comprise the features of financial products and services providers offer.

Even though the factors determining consumers adoption of financial products and services vary, they revolve around meeting the functional, emotional or social needs of the intended customer segment, addressing their pain points and understanding the positive outcomes or benefits. As such, a deep understanding of each customer segment requires extensive and iterative customer-centered research. Likewise, the financial products and services should, through features and functionality, as well as messaging and communication, demonstrate how they address the customer's needs and pain points. In the same vein, developing products to address the customer's needs with effective communication requires resources, diligence and dedication.

Consumer Insights

Product Innovation & Financial Inclusion

Definitions: **Financial Access Segments**

48.6%

PERCENT OF ADULT POPULATION

48.5 million

THE BANKED

access and use financial services offered by formal financial institutions including deposit money banks, mobile money operators, microfinance banks, insurance firms, pension funds administrators and investment firms (licensed by the Securities and Exchange Commission). According to EFInA (2018), 48.6 percent of the adult population in Nigeria or 48.5 million adults are banked. With the majority completing secondary or post-secondary education, they are middle-aged, middle- to high-income earners that are more educated than their under-banked and unbanked peers.

14.6%

PERCENT OF ADULT POPULATION

14.6 million

THE UNDER-BANKED

use informal financial products and services provided offered by cooperative societies and savings groups. These include rotating savings called "adashe" in Hausa, "ajo" in Yoruba and "esusu" in Igbo. According to the EFInA (2018), the under-banked are mostly found in the South-West, South-South and the North-Central geo-political zones of Nigeria. They are mostly middle-aged, low to middle-income women working to support their families. Although they are mostly educated to secondary school level, have mobile phones and voter's cards as identification documents, they are still excluded from the formal financial system.

36.8%

PERCENT OF ADULT POPULATION

36.8 million

THE UNBANKED

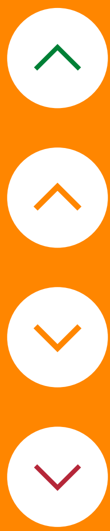
are financially excluded without access to financial services offered by formal and informal financial service providers. They rely on family and friends for their financial services and make all their payments with cash. Using the EFInA (2018) data, we deduce the unbanked are rural dwellers, predominantly in North-West and North-East geo-political zones. They are young, unemployed or low-income earning adults, especially married women with primary education or less. A majority of them have identity documents (voter's cards) and mobile phones that financial service providers can leverage to deliver digital financial services to them. However, inadequate telecommunication and financial infrastructure and high poverty rates inhibit their access to formal financial services.

Legend

The insight charts in the next sections illustrate directionality (arrows) and magnitude (colours), comparing financial services behaviours of the target segment against the national average.

Directionality - the arrows indicate the rate of change between the variable (in focus) and the national average. The up arrow represents a positive difference and the down arrow, negative.

Magnitude - the red, amber, green (RAG) colour indicators represent the magnitude of change recorded between the variable (in focus) and national average. Red indicates a marked difference; amber, a marginal difference; and green, a marked difference.



The peculiarities of rural areas, with limited economic acvitity means the profit opportunities for service providers is minimal.

Rural Dwellers

Introduction

According to EFInA (2018), 63 percent of Nigeria's adult population are rural dwellers and are largely financially excluded. Table 1 shows the distribution of rural dwellers across financial access segments. The almost 29 million unbanked and 10 million under-banked rural dwellers are a significant untapped market opportunity for the formal financial system.

It is not surprising that rural dwellers are the most excluded demography. For formal financial institutions, delivering financial services to rural areas is a herculean task, requiring significant capital investment. Also, the peculiarities of rural areas, with their relatively limited economic activities means the profit opportunities for service providers is minimal.That might explain the hesitation by providers to venture into these regions. Notwithstanding, rural dwellers require financial services just like everyone else and thus, a better understanding of their peculiarities, especially what distinguishes them from other Nigerians will be useful to enhance product development efforts.

Table 1: Distribution of rural dwellers across financial access segments

	Banked	Under-banked	Unbanked
Total population (% estimated # of adult Nigerians)	48.6% 48.5 million	14.6% 14.6 million	36.8% 36.6 million
Proportion of rural dwellers within population	49.9%	69.6%	78.5%
Addressable market size of rural dwellers	24.2 million	10.1 million	28.8 million

Compiled by author with data from EFInA 2018 survey

Socio-Economic Characteristics

Table 2 summaries the socio-economic characteristics and the trends of rural dwellers compared with the national averages. As presented, the North West and North East geo-political zones contribute a significant proportion of Nigerian rural dwellers.

In addition to larger households, a higher proportion are married. Although employment levels are slightly higher than the national average, education completion rates are low and may account for the lower income levels.

Table 2: Socio-economic profile - rural dwellers vs. national average

Socio-economic Characteristic		Rural Dwellers	Urban Dwellers	National Average
Region (% in the North East & North West)	^	44.2%	19.1%	35.0%
Gender (% Women)	v	46.4%	56.5%	50.1%
Age (% 18 – 34 years)	v	51.1%	53.1%	51.8%
Marital Status (% Married)	^	72.5%	62.2%	68.7%
Education (% Secondary and Post-Secondary	v	39.2%	68.6%	50.0%
Household (HH) Size (% Six and higher)	^	43.6%	29.5%	38.4%
HH Head (% Household Head)	^	53.9%	48.4%	51.9%
Number of Income-earning HH members (% one)	^	55.6%	50.7%	53.8%
Personal Monthly Income (% below N35,000)	^	59.8%	53.4%	57.4%
Employment Status (% Employed)	^	77.9%	72.9%	76.0%

Compiled by author with data from EFInA 2018 survey

Behaviours & Attitudes

Savings

As shown in Table 3, rural dwellers save, albeit with lower frequency and using informal solutions. The home saving trends suggest the importance of easy and quick access to liquidity.

OPPORTUNITY:

- Tailored savings products and solutions (simple, targeted, fixed and group)
- Last mile financial access points

Table 3: Savings behaviours and attitudes - rural dwellers vs. national average

Behaviour and Attitude Towards Savings	Rural Dwellers	Urban Dwellers	National Average
Savings (% that saved in the past 12 months)	49.2%	64.5%	54.8%
Save formally (% that save with formal institutions)	12.8%	33.8%	20.5%
Save informally (% that save with informal institutions)	12.0%	12.9%	12.3%
Save informally (% that save at home or carry money around)	15.5%	10.6%	13.7%
Saving frequency (% that save at least monthly)	32.9%	46.1%	37.8%

Compiled by author with data from EFInA 2018 survey

Credit

With higher borrowing rates, dominant sources of credit are family and friends and informal institutions (see Table 4). Airtime credit solutions are available and utilised.

OPPORTUNITY:

- Individual and group loans (with insurance options)
- Micro loans

Table 4: Credit behaviours and attitudes - rural dwellers vs. national average

Behaviour and Attitudes Towards Credit		Rural Dwellers	Urban Dwellers	National Average
Credit (% that borrowed money in the past 12 months)	^	28.9%	20.8%	25.9%
Borrow formally (% that borrow from formal institutions)	v	1.0%	1.7%	1.3%
Borrow informally (% that borrow from informal institutions)	^	7.3%	4.5%	6.2%
Borrow informally (% that borrow from family & friends)	^	21.1%	14.9%	18.8%
Borrow airtime (% that borrowed airtime in the past 12 mths)	v	19.7%	37.5%	26.3%
Borrow airtime (% that borrowed airtime at least monthly)	v	10.0%	18.9%	13.3%

Compiled by author with data from EFInA 2018 survey

Payments

As illustrated in Table 5, inward remittance flows to rural locations are higher than outward flows with varying trends. Cash is the dominant payment instrument in rural locations, being the primary form of exchange for goods and services as well asutilities.

OPPORTUNITY:

- Agent banking (CICO)

Table 5: Payments behaviours and attitudes - rural dwellers vs. national average

Behaviour and Attitudes Towards Payment		Rural Dwellers	Urban Dwellers	National Average
Receive money (% that received money from family & friends)		29.9%	47.3%	36.3%
Receive formally (% that received via formal institutions)		11.3%	27.3%	17.2%
Receive via family & friends (% through family & friends)		17.3%	18.8%	17.9%
Send money (% that sent money to family & friends)		13.9%	26.6%	18.6%
Send formally (% that sent via formal institutions)		7.7%	19.9%	12.2%
Send via family & friends (% that sent via family & friends)		5.3%	6.0%	5.6%
Cash payment for goods & services (% that pay by cash at least monthly)		97.5%	98.4%	97.8%
Payment for goods & services with ATM/debit card (% that pay by with ATM/debit cards at least monthly)		3.3%	11.0%	6.1%
Payment for goods & services by bank transfers (% that pay by bank transfers at least monthly)		1.2%	5.3%	2.7%
USSD payment for goods & services (% that pay via USSD at least monthly)		1.4%	6.2%	3.2%
Payment for goods & services by ATM transfer (% that pay by ATM transfer at least monthly)		1.2%	5.7%	2.8%
Payment for goods & services via agents (% that pay via agents at least monthly)		0.1%	0.1%	0.1%
Payment for goods & services via bank branch (% that pay via bank branch at least monthly)		1.0%	3.8%	2.0%
Payment for goods & services via mobile money (% that pay via mobile money at least monthly)		0.2%	0.5%	0.3%
Payment for utilities (% that paid for utilities in the past 12 months)		21.6%	48.0%	31.3%
Payment for utilities - Cash (% that pay for utilities with cash)		21.5%	47.5%	31.0%
Payment for utilities – ATM/Debit card (% that pay for utilities with ATM/Debit card)		1.4%	4.9%	2.7%
Payment for utilities – Bank transfer (% that pay for utilities by bank transfer)		0.6%	2.6%	1.3%
Payment for utilities – Bank USSD (% that pay for utilities via bank USSD)		0.7%	2.7%	1.4%
Payment for utilities – ATM (% that pay for utilities via ATM)		0.6%	3.0%	1.5%
Payment for utilities – Bank branch (% that pay for utilities via bank branch)		0.5%	2.3%	1.2%

Compiled by author with data from EFInA 2018 survey

Protection

Table 6 highlights the fragilities of rural dwellers, especially regarding heath emergencies and low access to insurance. While cash reserves are a national constraint, rural dwellers are most vulnerable.

OPPORTUNITY:

- Long-term savings
- Community health insurance schemes
- Other general insurance - crop, assets and business
- Financial education

Table 6: Protection behaviours and attitudes - rural dwellers vs. national average

Behaviour and Attitudes Towards Emergency Management		Rural Dwellers	Urban Dwellers	National Average
Run out of money (% that ran out of money in the past 12 months)		41.8%	46.8%	43.6%
Used savings when out of money (% that used savings)		9.3%	12.6%	10.5%
Borrowed or received support from family & friends when ran out of money (% that borrowed/received support)		11.3%	13.3%	12.0%
Most expensive emergency in past 12 months (% that are serious illness of a household member)		18.4%	12.0%	16.1%
Micro-insurance awareness (% that are aware of micro-insurance)		13.2%	22.6%	16.7%
Have micro-insurance cover (% that have micro-insurance cover)		0.4%	0.6%	0.5%
Have other insurance cover (% that have other insurance cover)		0.7%	2.4%	1.3%

Compiled by author with data from EFInA 2018 survey

Pensions

Despite their employment levels (77.9%), the low adoption of long-term savings like pensions may be attributed to the lower income levels or self-employment. Notwithstanding, a long-term savings habit is likely to increase the fragility of rural dwellers as they age and health deteriorates.

OPPORTUNITY:

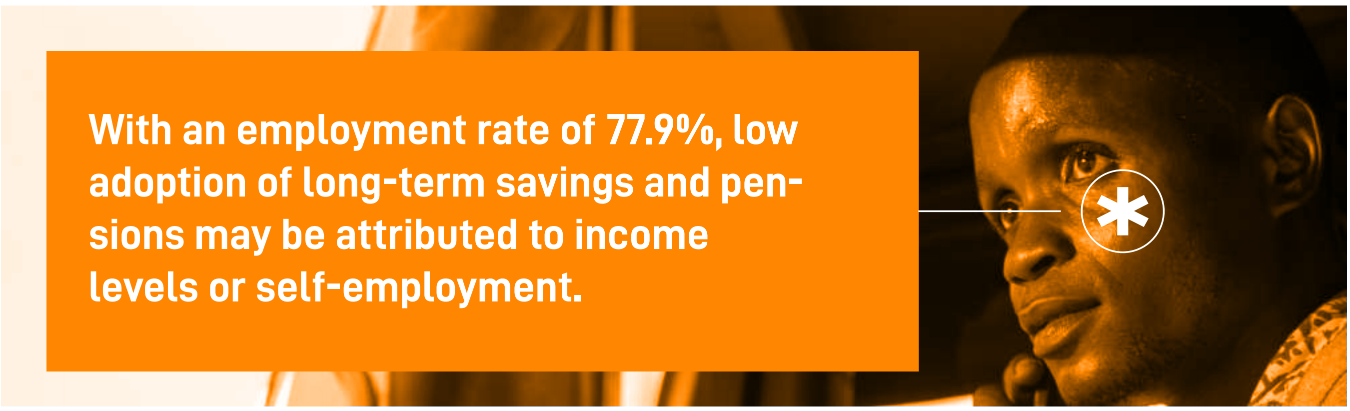
- Micro-pension products with health insurance options

Table 7: Pensions behaviours and attitudes - rural dwellers vs. national average

Behaviour and Attitudes Towards Old Age/Retirement	Rural Dwellers	Urban Dwellers	National Average
Have or currently receive pension (% that have or currently receive pension)	3.3%	4.4%	3.7%
Make regular contributions for old age (% that make regular contributions for old age)	27.6%	38.8%	31.7%
Make regular contributions for old age (% that make at least monthly regular contributions for old age)	23.8%	36.6%	28.5%

Compiled by author with data from EFInA 2018 survey

With an employment rate of 77.9%, low adoption of long-term savings and pensions may be attributed to income levels or self-employment.



Investment

Table 8 indicates that rural dwellers subscribe to convertible asset-based investments as a safety net. Such assets include agricultural products like livestock.

OPPORTUNITY:

- Agriculture-based investments
- Collective investment schemes (mutual funds)

Table 8: Investment behaviours and attitudes - rural dwellers vs. national average

Behaviour and Attitudes Towards Investment	Rural Dwellers	Urban Dwellers	National Average
Investment (% that bought something with the intention of selling at a profit)	19.1%	12.4%	16.7%
Investment for emergencies (% that bought something with the intention of selling it for unexpected expenses)	9.7%	6.7%	8.6%
Investment for income (% that bought something with the intention of using it for income)	10.7%	9.8%	10.4%

Compiled by author with data from EFInA 2018 survey

DFS

While digital financial services can extend the access and use of financial services, low access and ownership to the entry level digital device (mobile phone) remains a limiting factor. However, physical merchants are accessible and preferred.

OPPORTUNITY:
- Merchant acceptance
- Agent Banking (CICO)
- Digital asset financing
- Digital literacy

Table 9: DFS behaviours and attitudes - rural dwellers vs. national average

Behaviour and Attitudes Towards Investment		Rural Dwellers	Urban Dwellers	National Average
Phone Ownership (% personally own mobile phones)		59.5%	84.9%	68.8%
Phone Access (% have access to mobile phones)		80.1%	94.2%	85.3%
Mobile Money Awareness (% Aware)		14.3%	30.2%	20.1%
Mobile Money Usage (% registered and/or use)		1.8%	4.5%	2.8%
Bank Agent Usage (% that use bank agents)		3.2%	3.5%	3.3%
Mobile money Agent Usage (% that use MM agents)		1.0%	1.5%	1.1%
Nearest Provision Shop (% walking distance)		82.5%	91.7%	85.9%
Rather deal face to face than an electronic machine (% that agree)		71.2%	66.4%	69.4%

Compiled by author with data from EFInA 2018 survey

Product Development Opportunities

This section presents financial product and service opportunities for rural dwellers in the under-banked (Table 10) and unbanked segments (Table 11).

Based on existing infrastructural factors, we also hypothesise levels of investment to sustainably provide these financial services.

Table 10: Product opportunities for under-banked rural dwellers

Market Size | 10.1 million

Savings/Investments		Payments		Credit		Insurance		Pension	
Simple	PA: H	Transfer money	PA: L	Low-value loans (collateral)	PA: M	Crop insurance	PA: H	Pension	N/A
	IR: H		IR: H		IR: L		IR: H		N/A
Fixed	PA: H	Receive money	PA: L	Medium-value loans (collateral)	PA: M	Business insurance	PA: H		
	IR: H		IR: H		IR: L		IR: H		
Group	PA: H	Card payments	PA: L	High-value loans (collateral)	N/A	Vehicle insurance	N/A		
	IR: H		IR: H		N/A		N/A		
				Group loans	PA: H	Health insurance	PA: M		
					IR: M		IR: H		
				Non-collateral-ised loans	PA: M	Asset insurance	PA: M		
					IR: M		IR: H		

Based on model by author with data from EFInA 2018 survey

PA – Product Appropriateness
IR – Investment Required
H – High
M – Medium
L – Low

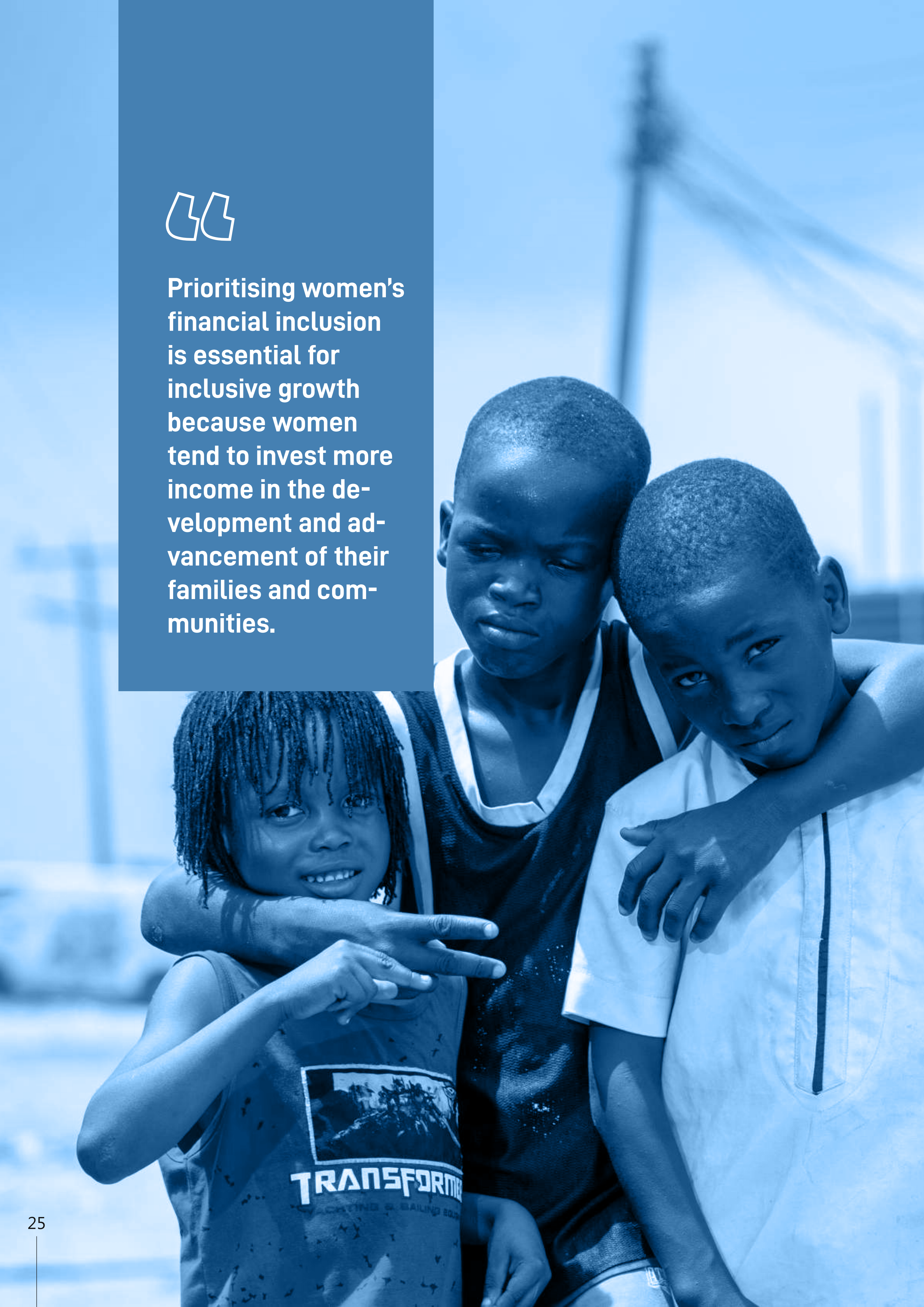
Table 11: Product opportunities for unbanked rural dwellers

Market Size | 28.8 million

Savings/Investments		Payments		Credit		Insurance		Pension	
Simple	PA: L	Transfer money	N/A	Low-value loans (collateral)	PA: M	Crop insurance	PA: H	Pension	N/A
	IR: H		N/A		IR: H		IR: H		N/A
Fixed	PA: M	Receive money	PA: M	Medium-value loans (collateral)	N/A	Business insurance	N/A		
	IR: H		IR: H		N/A		N/A		
Group	N/A	Card payments	N/A	High-value loans (collateral)	N/A	Vehicle insurance	N/A		
	N/A		N/A		N/A		N/A		
				Group loans	N/A	Health insurance	PA: M		
					N/A		IR: H		
				Non-collateral-ised loans	PA: M	Asset insurance	N/A		
					IR: H		N/A		

Based on model by author with data from EFInA 2018 survey

PA – Product Appropriateness
IR – Investment Required
H – High
M – Medium
L – Low



Prioritising women's financial inclusion is essential for inclusive growth because women tend to invest more income in the development and advancement of their families and communities.

Women

Introduction

Women constitute 50.1 percent of the adult population (EFInA, 2018). Constituting 56 percent (21 million) of the unbanked population, women are more financially excluded than men, but a large number of women utilise only informal financial services. Table 12 shows the distribution of women across financial access segments.

Prioritising women's financial inclusion is a priority for inclusive growth because women tend to invest more income in the development and advancement of their families and communities. Hence, female empowerment and financial inclusion schemes affects society at the grassroots. Empowering women also contributes to the Sustainable Development Goals (SDGs), particularly, SDG 5 — Gender Equality.

Insights into women's financial behaviour and attitudes will help FSPs develop products and services that meet women's unique financial needs.

Table 12: Distribution of women across financial access segments

	Banked	Under-banked	Unbanked
Total population (% estimated # of adult Nigerians)	48.6% 48.5 million	14.6% 14.6 million	36.8% 36.6 million
Proportion of women within population	43.7%	57.2%	55.9%
Addressable market size of women	21.2 million	8.3 million	20.5 million

Compiled by author with data from EFInA 2018 survey

Socio-Economic Characteristics

Table 13 summarises the socio-economic characteristics and trends of women compared with the national averages. Even though women are younger than their male counterparts, they are less educated, have fewer employment opportunities and earn less. Given their roles in the household, women are less likely to make financial decisions, including the use of financial services.

Table 13: Socio-economic data – women vs. Nigerian average

Socio-economic Characteristic		Women	Men	National Average
Location (% Rural Dwellers)		58.6%	68.0%	63.3%
Age (% 18 – 34 years)		58.5%	45.1%	51.8%
Marital Status (% Married)		70.1%	67.3%	68.7%
Education (% Secondary and Post-Secondary		46.5%	53.5%	50.0%
Household (HH) Size (% Six and higher)		37.7%	39.1%	38.4%
HH Head (% Household Head)		25.5%	78.5%	51.9%
Number of Income-earning HH members (% one)		52.8%	54.7%	53.8%
Personal Monthly Income (% below N35,000)		62.0%	52.8%	57.4%
Employment Status (% Employed)		65.6%	86.6%	76.0%

Compiled by author with data from EFInA 2018 survey

Behaviours & Attitudes

Savings

Table 14 shows that even though the value of women's monetary savings is lower and more infrequent than men, they are more comfortable with informal or home savings solutions.

OPPORTUNITY:

- Tailored savings products and solutions (simple, targeted, fixed and group)
- Last mile financial access points

Table 14: Behaviour and attitudes towards savings – women vs. Nigerian average

Behaviour and Attitude Towards Savings	Women	Men	National Average
Savings (% that saved in the past 12 months)	52.4%	57.3%	54.8%
Save formally (% that save with formal institutions)	16.0%	25.1%	20.5%
Save informally (% that save with informal institutions)	14.3%	10.4%	12.3%
Save informally (% that save at home or carry money around)	13.5%	13.9%	13.7%
Saving frequency (% that save at least monthly)	36.1%	39.4%	37.8%

Compiled by author with data from EFInA 2018 survey

Credit

While Table 15 shows that women are not big borrowers, access to credit from formal financial providers is low.

OPPORTUNITY:

- Individual and Group loans (with insurance options)
- Micro loans

Table 15: Behaviour and attitudes towards credit – women vs. Nigerian average

Behaviour and Attitudes Towards Credit	Women	Men	National Average
Credit (% that borrowed money in the past 12 months)	22.8%	29.1%	25.9%
Borrow formally (% that borrow from formal institutions)	1.2%	1.3%	1.3%
Borrow informally (% that borrow from informal institutions)	5.5%	7.0%	6.2%
Borrow informally (% that borrow from family & friends)	16.5%	21.1%	18.8%
Borrow airtime (% that borrowed airtime in the past 12 mths)	22.4%	30.1%	26.3%
Borrow airtime (% that borrowed airtime at least monthly)	11.6%	15.0%	13.3%

Compiled by author with data from EFInA 2018 survey

Payments

As illustrated in Table 16, while men receive more remittances than women, the direction of flows shows that women receive more remittance inflows than outflows. In addition, even though women make fewer utility payments, cash is their dominant payment instrument.

OPPORTUNITY:

- Agent banking (CICO)

Table 16: Behaviour and attitudes towards payment – women vs. Nigerian average

Behaviour and Attitudes Towards Payment		Women	Men	National Average
Receive money (% that received money from family & friends)		35.9%	36.7%	36.3%
Receive formally (% that received via formal institutions)		14.9%	19.4%	17.2%
Receive via family & friends (% through family & friends)		19.8%	16.0%	17.9%
Send money (% that sent money to family & friends)		13.8%	23.4%	18.6%
Send formally (% that sent via formal institutions)		8.4%	16.0%	12.2%
Send via family & friends (% that sent via family & friends)		4.8%	6.4%	5.6%
Cash payment for goods & services (% that pay by cash at least monthly)		98.1%	97.6%	97.8%
Payment for goods & services with ATM/debit card (% that pay by with ATM/debit cards at least monthly)		4.1%	8.0%	6.1%
Payment for goods & services by bank transfers (% that pay by bank transfers at least monthly)		1.7%	3.7%	2.7%
USSD payment for goods & services (% that pay via USSD at least monthly)		2.1%	4.2%	3.2%
Payment for goods & services by ATM transfer (% that pay by ATM transfer at least monthly)		2.3%	3.4%	2.8%
Payment for goods & services via agents (% that pay via agents at least monthly)		0.1%	0.1%	0.1%
Payment for goods & services via bank branch (% that pay via bank branch at least monthly)		1.5%	2.5%	2.0%
Payment for goods & services via mobile money (% that pay via mobile money at least monthly)		0.2%	0.5%	0.3%
Payment for utilities (% that paid for utilities in the past 12 months)		26.6%	35.9%	31.3%
Payment for utilities - Cash (% that pay for utilities with cash)		26.5%	35.6%	31.0%
Payment for utilities – ATM/Debit card (% that pay for utilities with ATM/Debit card)		1.6%	3.8%	2.7%
Payment for utilities – Bank transfer (% that pay for utilities by bank transfer)		0.8%	1.9%	1.3%
Payment for utilities – Bank USSD (% that pay for utilities via bank USSD)		0.7%	2.2%	1.4%
Payment for utilities – ATM (% that pay for utilities via ATM)		1.2%	1.8%	1.5%
Payment for utilities – Bank branch (% that pay for utilities via bank branch)		0.9%	1.5%	1.2%

Compiled by author with data from EFInA 2018 survey

Protection

As demonstrated with rural dwellers, Table 17 further highlights the financial vulnerabilities experienced by women. Even though women have lower household responsibilities, their financial contributions to the household are evident in their support and management of emergencies. Financial health emergencies are also burdensome to women's finances.

OPPORTUNITY:

- Long-term savings
- Community health insurance schemes
- Other general insurance - crop, assets and business
- Financial education

Table 17: Behaviour and attitudes towards emergency management – women vs. Nigerian average

Behaviour and Attitudes Towards Emergency Management		Women	Men	National Average
Run out of money (% that ran out of money in the past 12 months)	⌄	42.1%	45.2%	43.6%
Used savings when out of money (% that used savings)	⌄	9.0%	12.1%	10.5%
Borrowed or received support from family & friends when ran out of money (% that borrowed/received support)	⌃	12.4%	11.6%	12.0%
Most expensive emergency in past 12 months (% that are serious illness of a household member)	⌄	14.3%	17.8%	16.1%
Micro-insurance awareness (% that are aware of micro-insurance)	⌄	12.8%	20.5%	16.7%
Have micro-insurance cover (% that have micro-insurance cover)	⌄	0.2%	0.7%	0.5%
Have other insurance cover (% that have other insurance cover)	⌄	0.7%	1.9%	1.3%

Compiled by author with data from EFInA 2018 survey

Pensions

Women's adoption of pension products is lower than the national average (see Table 18), further expanding their vulnerabilities. This is worsened when women are widowed.

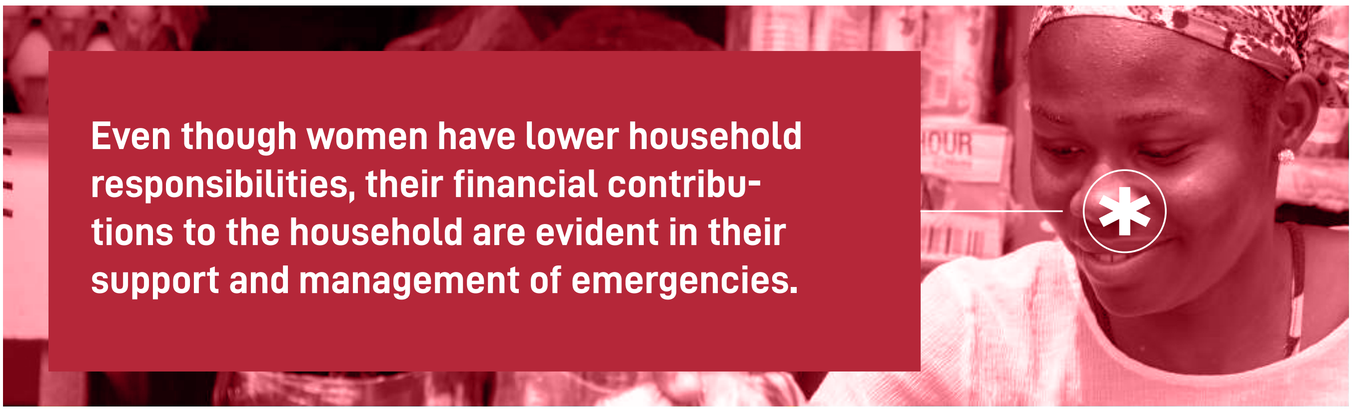
OPPORTUNITY:

- Micro-pension products with health insurance options
- Financial education

Table 18: Behaviour and attitudes towards old age/retirement – women vs. Nigerian average

Behaviour and Attitudes Towards Old Age/Retirement	Women	Men	National Average
Have or currently receive pension (% that have or currently receive pension)	3.1%	4.4%	3.7%
Make regular contributions for old age (% that make regular contributions for old age)	30.3%	33.1%	31.7%
Make regular contributions for old age (% that make at least monthly regular contributions for old age)	28.1%	28.8%	28.5%

Compiled by author with data from EFInA 2018 survey



Even though women have lower household responsibilities, their financial contributions to the household are evident in their support and management of emergencies.

Investment

Table 19 shows that women invest less than their male counterparts, probably because of lower income levels and lack of financial authority in the household.

OPPORTUNITY:

- Women empowerment schemes
- Financial education

Table 19: Behaviour and attitudes towards investment – women vs. Nigerian average

Behaviour and Attitudes Towards Investment		Women	Men	National Average
Investment (% that bought something with the intention of selling at a profit)	∨	14.4%	19.0%	16.7%
Investment for emergencies (% that bought something with the intention of selling it for unexpected expenses)	∨	6.9%	10.3%	8.6%
Investment for income (% that bought something with the intention of using it for income)	∨	8.6%	12.2%	10.4%

Compiled by author with data from EFInA 2018 survey

DFS

While women have access to and prefer physical channels like storefronts, digital exclusion rates are higher than men (see Table 20).

OPPORTUNITY:

- Merchant acceptance
- Female Agent banking (CICO)
- Women empowerment schemes
- Digital literacy
- Financial education

Table 20: Behaviour and attitudes towards digital financial services – women vs. Nigerian average

Behaviour and Attitudes Towards Investment		Women	Men	National Average
Phone Ownership (% personally own mobile phones)	∨	62.5%	75.1%	68.8%
Phone Access (% have access to mobile phones)	∨	83.5%	87.0%	85.3%
Mobile Money Awareness (% Aware)	∨	15.6%	24.6%	20.1%
Mobile Money Usage (% registered and/or use)	∨	1.8%	3.7%	2.8%
Bank Agent Usage (% that use bank agents)	∨	2.5%	4.1%	3.3%
Mobile money Agent Usage (% that use MM agents)	∨	0.7%	1.5%	1.1%
Nearest Provision Shop (% walking distance)	∧	87.8%	83.8%	85.9%
Rather deal face to face than an electronic machine (% that agree)	∧	70.1%	68.6%	69.4%

Compiled by author with data from EFInA 2018 survey

Product Development Opportunities

The opportunity tables of under-banked (Table 21) and unbanked (Table 22) women summarise the behaviours and attitudes of women towards the various financial products and services.

Table 21: Product opportunities for under-banked women

Market Size | 8.3 million

Savings/Investments		Payments		Credit		Insurance		Pension	
Simple	PA: H	Transfer money	N/A	Low-value loans (collateral)	PA: M	Crop insurance	PA: H	Pension	N/A
	IR: H		N/A		IR: L		IR: H		N/A
Fixed	PA: H	Receive money	PA: L	Medium-value loans (collateral)	N/A	Business insurance	PA: H		
	IR: H		IR: H		N/A		IR: H		
Group	PA: H	Card payments	N/A	High-value loans (collateral)	N/A	Vehicle insurance	PA: M		
	IR: H		N/A		N/A		IR: H		
				Group loans	PA: M	Health insurance	PA: M		
					IR: M		IR: H		
				Non-collateral-ised loans	PA: M	Asset insurance	N/A		
					IR: M		N/A		

Based on model by author with data from EFInA 2018 survey

PA – Product Appropriateness
IR – Investment Required
H – High
M – Medium
L – Low

Table 22: Product opportunities for unbanked women

Market Size | 20.5 million

Savings/Investments		Payments		Credit		Insurance		Pension	
Simple	PA: L	Transfer money	N/A	Low-value loans (collateral)	PA: M	Crop insurance	N/A	Pension	N/A
	IR: H		N/A		IR: H		N/A		N/A
Fixed	PA: M	Receive money	PA: M	Medium-value loans (collateral)	N/A	Business insurance	N/A		
	IR: H		IR: H		N/A		N/A		
Group	N/A	Card payments	N/A	High-value loans (collateral)	N/A	Vehicle insurance	N/A		
	N/A		N/A		N/A		N/A		
				Group loans	N/A	Health insurance	PA: M		
					N/A		IR: H		
				Non-collateral-ised loans	PA: L	Asset insurance	N/A		
					IR: H		N/A		

Based on model by author with data from EFInA 2018 survey

PA – Product Appropriateness
IR – Investment Required
H – High
M – Medium
L – Low

Nigerian youths have personal aspirations that require specialised financial products and services.

Youths

Introduction

In this analysis, we classify Nigerians between 18 to 34 years as 'youths', who represent 51.8 percent of the country's adult population and 55.4 percent (20.3 million) of the unbanked population (EFInA, 2018). Notwithstanding, the youth represent 48.8 percent of adult Nigerians utilising only informal financial services, creating a market opportunity for formal financial institutions.

Like other underserved groups, Nigerian youths have personal aspirations that require specialised financial products and services. Table 23 shows the distribution of youths across financial access segments.

Table 23: Distribution of youths across financial access segments

	Banked	Under-banked	Unbanked
Total population (% estimated # of adult Nigerians)	48.6% 48.5 million	14.6% 14.6 million	36.8% 36.6 million
Proportion of youths within population	50.1%	48.8%	55.4%
Addressable market size of youth	24.3 million	7.1 million	20.3 million

Compiled by author with data from EFInA 2018 survey

Socio-Economic Characteristics

Table 24 summarises the socio-economic characteristics and trends of Nigerian youth compared with the national averages. The higher education levels of the youth are evident with higher income opportunities and unemployment rates.

Table 24: Socio-economic data – youths vs. Nigerian average

Socio-economic Characteristic	Youth	Non-Youth	National Average
Region (% in the North East & North West)	38.6%	31.2%	35.0%
Gender (% Women)	62.4%	64.3%	50.1%
Age (% 18 – 34 years)	56.6%	43.2%	51.8%
Marital Status (% Married)	57.4%	80.9%	68.7%
Education (% Secondary and Post-Secondary	55.3%	44.3%	50.0%
Household (HH) Size (% Six and higher)	35.3%	41.8%	38.4%
HH Head (% Household Head)	34.5%	70.6%	51.9%
Number of Income-earning HH members (% one)	54.5%	53.0%	53.8%
Personal Monthly Income (% below N35,000)	63.8%	50.6%	57.4%
Employment Status (% Employed)	68.1%	84.6%	76.0%

Compiled by author with data from EFInA 2018 survey

Behaviours & Attitudes

Savings

Table 25 shows lower saving levels and frequency among the youth and a higher preference for home savings.

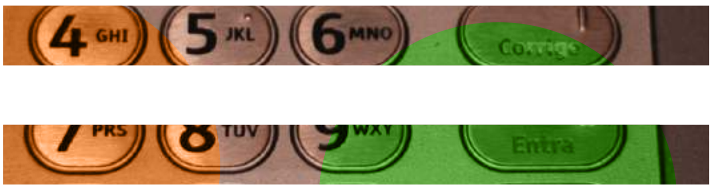
OPPORTUNITY:

- Digital savings (simple, targeted, fixed and group)

Table 25: Behaviour and Attitudes Towards Savings – Youths Vs. Nigerian Average

Behaviour and Attitude Towards Savings	Youth	Non-Youth	National Average
Savings (% that saved in the past 12 months)	53.7%	56.1%	54.8%
Save formally (% that save with formal institutions)	19.4%	21.7%	20.5%
Save informally (% that save with informal institutions)	11.9%	12.9%	12.3%
Save informally (% that save at home or carry money around)	14.6%	12.8%	13.7%
Saving frequency (% that save at least monthly)	37.3%	38.2%	37.8%

Compiled by author with data from EFInA 2018 survey



Credit

Table 26 shows that youths' borrowing is at par with national average, but higher preference for digital and service-based products like airtime.

OPPORTUNITY:

- Digital credit
- Micro loans

Table 26: Behaviour and attitudes towards credit – youth vs. Nigerian average

Behaviour and Attitudes Towards Credit	Youth	Non-Youth	National Average
Credit (% that borrowed money in the past 12 months)	25.6%	26.6%	25.9%
Borrow formally (% that borrow from formal institutions)	0.9%	1.7%	1.3%
Borrow informally (% that borrow from informal institutions)	4.5%	8.1%	6.2%
Borrow informally (% that borrow from family & friends)	20.4%	17.2%	18.8%
Borrow airtime (% that borrowed airtime in the past 12 mths)	32.4%	19.4%	26.3%
Borrow airtime (% that borrowed airtime at least monthly)	16.7%	9.6%	13.3%

Compiled by author with data from EFInA 2018 survey

Payments

Table 27 shows that youth remittance patterns are similar with the national average, with cash still being the leading payment instrument. In addition, youths' adoption of mobile channels and USSD protocols show preference for digital financial services solutions.

OPPORTUNITY:

- Digital (instant) payments

Table 27: Behaviour and attitudes towards payment – youths vs. Nigerian average

Behaviour and Attitudes Towards Payment		Youth	Non-Youth	National Average
Receive money (% that received money from family & friends)	^	36.3%	36.3%	36.3%
Receive formally (% that received via formal institutions)	v	17.0%	17.3%	17.2%
Receive via family & friends (% through family & friends)	v	17.9%	17.8%	17.9%
Send money (% that sent money to family & friends)	^	18.5%	18.7%	18.6%
Send formally (% that sent via formal institutions)	v	12.2%	12.2%	12.2%
Send via family & friends (% that sent via family & friends)	^	5.6%	5.6%	5.6%
Cash payment for goods & services (% that pay by cash at least monthly)	^	97.9%	97.8%	97.8%
Payment for goods & services with ATM/debit card (% that pay by with ATM/debit cards at least monthly)	^	6.5%	5.7%	6.1%
Payment for goods & services by bank transfers (% that pay by bank transfers at least monthly)	^	2.8%	2.7%	2.7%
USSD payment for goods & services (% that pay via USSD at least monthly)	^	4.0%	2.3%	3.2%
Payment for goods & services by ATM transfer (% that pay by ATM transfer at least monthly)	v	2.8%	2.9%	2.8%
Payment for goods & services via agents (% that pay via agents at least monthly)	^	0.1%	0.1%	0.1%
Payment for goods & services via bank branch (% that pay via bank branch at least monthly)	v	2.0%	2.0%	2.0%
Payment for goods & services via mobile money (% that pay via mobile money at least monthly)	^	0.3%	0.3%	0.3%
Payment for utilities (% that paid for utilities in the past 12 months)	v	26.6%	36.3%	31.3%
Payment for utilities - Cash (% that pay for utilities with cash)	v	26.4%	36.3%	31.0%
Payment for utilities – ATM/Debit card (% that pay for utilities with ATM/Debit card)	v	2.4%	3.0%	2.7%
Payment for utilities – Bank transfer (% that pay for utilities by bank transfer)	^	1.4%	1.3%	1.3%
Payment for utilities – Bank USSD (% that pay for utilities via bank USSD)	^	1.7%	1.2%	1.4%
Payment for utilities – ATM (% that pay for utilities via ATM)	v	1.3%	1.7%	1.5%
Payment for utilities – Bank branch (% that pay for utilities via bank branch)	^	1.2%	1.1%	1.2%

Compiled by author with data from EFInA 2018 survey

Protection

Like rural dwellers and women, Table 28 further highlights the financial vulnerabilities of Nigerian youths, who receive emergency support from friends and family. Financial health emergencies are also burdensome to their meager finances.

As shown in Table 28, a slightly lower proportion of youths run out of money when compared with the national average and about 10 percent of youths use their savings to cover these emergency expenses. On the other hand, a slightly higher proportion of youths borrow or receive support from family and friends in during emergencies when compared with older adults. The table also shows that the awareness and usage rates of both micro-insurance and regular insurance products are less among youths when compared with older Nigerian adults. However, a sizeable proportion, 15.1 percent, of youths report serious illness of a household member as their most expensive emergency of the year.

OPPORTUNITY:

- Long-term savings
- General insurance - Crop, business and asset
- Community health insurance schemes
- Financial education

Table 28: Behaviour and attitudes towards emergency management – youths vs. Nigerian average

Behaviour and Attitudes Towards Emergency Management	Youth	Non-Youth	National Average
Run out of money (% that ran out of money in the past 12 months)	42.9%	44.5%	43.6%
Used savings when out of money (% that used savings)	9.9%	11.2%	10.5%
Borrowed or received support from family & friends when ran out of money (% that borrowed/received support)	13.0%	10.9%	12.0%
Most expensive emergency in past 12 months (% that are serious illness of a household member)	15.1%	17.1%	16.1%
Micro-insurance awareness (% that are aware of micro-insurance)	14.6%	18.9%	16.7%
Have micro-insurance cover (% that have micro-insurance cover)	0.2%	0.8%	0.5%
Have other insurance cover (% that have other insurance cover)	1.0%	1.7%	1.3%

Compiled by author with data from EFInA 2018 survey

Pensions

The trends in Table 29 highlight youth participation in the contributory pension scheme; that may be an indication of formal employment opportunities.

OPPORTUNITY:

- Micro-pension products with health insurance options
- Financial education

Table 29: Behaviour and attitudes towards old age/retirement – youths vs. Nigerian average

Behaviour and Attitudes Towards Old Age/Retirement	Youth	Non-Youth	National Average
Have or currently receive pension (% that have or currently receive pension)	3.2%	4.3%	3.7%
Make regular contributions for old age (% that make regular contributions for old age)	30.6%	32.9%	31.7%
Make regular contributions for old age (% that make at least monthly regular contributions for old age)	27.7%	29.3%	28.5%

Compiled by author with data from EFInA 2018 survey

A sizeable proportion, 15.1 percent, of youths report serious illness of a household member as their most expensive emergency of the year.

Investment

As shown in Table 30, youth either invest purposefully as a future source of income or for unexpected expenses when compared with older adults, demonstrating the need to save for using convertible assets.

OPPORTUNITY:

- Collective investment schemes (mutual funds)
- Financial education

Table 30: Behaviour and attitudes towards investment – youths vs. Nigerian average

Behaviour and Attitudes Towards Investment	Youth	Non-Youth	National Average
Investment (% that bought something with the intention of selling at a profit)	16.3%	17.0%	16.7%
Investment for emergencies (% that bought something with the intention of selling it for unexpected expenses)	8.4%	8.9%	8.6%
Investment for income (% that bought something with the intention of using it for income)	10.1%	10.7%	10.4%

Compiled by author with data from EFInA 2018 survey

DFS

With access to digital assets like mobile phones and awareness of mobile money, youth adoption of digital financial services is higher (see Table 31). This confirms anecdotal evidence which shows that digital channels are a cost-effective and sustainable way to serve youth segments.

OPPORTUNITY:

- Digital financial services

Table 31: Behaviour and attitudes towards digital financial services – youths vs. Nigerian average

Behaviour and Attitudes Towards Investment	Youth	Non-Youth	National Average
Phone Ownership (% personally own mobile phones)	67.9%	69.8%	68.8%
Phone Access (% have access to mobile phones)	85.3%	85.2%	85.3%
Mobile Money Awareness (% Aware)	21.5%	18.6%	20.1%
Mobile Money Usage (% registered and/or use)	3.1%	2.4%	2.8%
Bank Agent Usage (% that use bank agents)	3.4%	3.2%	3.3%
Mobile money Agent Usage (% that use MM agents)	1.1%	1.1%	1.1%
Nearest Provision Shop (% walking distance)	87.0%	84.6%	85.9%
Rather deal face to face than an electronic machine (% that agree)	66.7%	72.3%	69.4%

Compiled by author with data from EFInA 2018 survey

Product Development Opportunities

The opportunity tables of under-banked (Table 32) and unbanked (Table 33) youths summarise the behaviours and attitudes of youths towards the various financial products and services.

Table 32: Product opportunities for under-banked youths

Market Size | 7.1 million

Savings/Investments		Payments		Credit		Insurance		Pension	
Simple	PA: H	Transfer money	N/A	Low-value loans (collateral)	PA: M	Crop insurance	PA: H	Pension	N/A
	IR: H		N/A		IR: L		IR: H		N/A
Fixed	PA: H	Receive money	PA: L	Medium-value loans (collateral)	PA: M	Business insurance	PA: H		
	IR: H		IR: H		IR: L		IR: H		
Group	PA: H	Card payments	N/A	High-value loans (collateral)	N/A	Vehicle insurance	PA: M		
	IR: H		N/A		N/A		IR: H		
				Group loans	PA: H	Health insurance	PA: M		
					IR: M		IR: H		
				Non-collateral-ised loans	PA: M	Asset insurance	PA: M		
					IR: M		IR: H		

Based on model by author with data from EFInA 2018 survey

PA – Product Appropriateness
IR – Investment Required
H – High
M – Medium
L – Low

Table 33: Product opportunities for unbanked youths

Market Size | 20.3 million

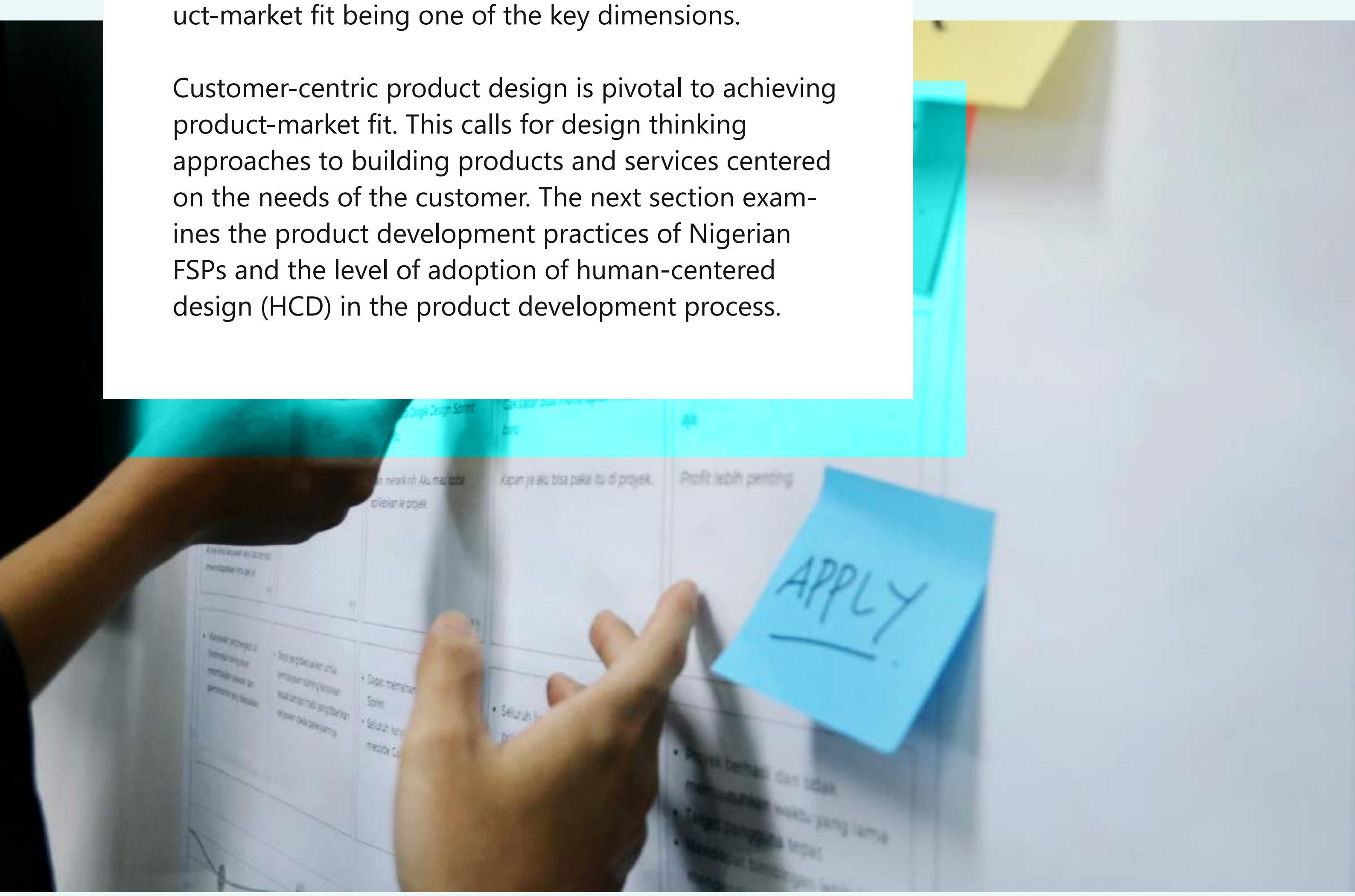
Savings/Investments		Payments		Credit		Insurance		Pension	
Simple	PA: L	Transfer money	N/A	Low-value loans (collateral)	PA: M	Crop insurance	PA: H	Pension	N/A
	IR: H		N/A		IR: H		IR: H		N/A
Fixed	PA: M	Receive money	PA: M	Medium-value loans (collateral)	N/A	Business insurance	N/A		
	IR: H		IR: H		N/A		N/A		
Group	N/A	Card payments	N/A	High-value loans (collateral)	N/A	Vehicle insurance	N/A		
	N/A		N/A		N/A		N/A		
				Group loans	N/A	Health insurance	PA: M		
					N/A		IR: H		
				Non-collateral-ised loans	PA: L	Asset insurance	N/A		
					IR: H		N/A		

Based on model by author with data from EFInA 2018 survey

PA – Product Appropriateness
IR – Investment Required
H – High
M – Medium
L – Low

The evolution of financial systems is beyond the bank branch. This transformation includes new paradigms - customers, products and services, payment systems, stores of value, payment instruments, channels, providers, and so on. Combining these with new digital technologies creates endless possibilities. The analyses show that financial products and services opportunities abound among the three customer segments presented. Despite the obvious opportunity, financial access and utilisation levels signify misalignments, with product-market fit being one of the key dimensions.

Customer-centric product design is pivotal to achieving product-market fit. This calls for design thinking approaches to building products and services centered on the needs of the customer. The next section examines the product development practices of Nigerian FSPs and the level of adoption of human-centered design (HCD) in the product development process.



State of Practice: Product Development

Introduction

In Nigeria, the poor quality of financial products and services is partly responsible for low financial inclusion rates. The underlying causes range from competitive pressures to product development practices. In this section, we present the state of product development practices among Nigerian FSPs. We introduce the five phase traditional product development approach, highlighting the current state of practice, enablers and inhibitors among providers. We also investigate fast-moving consumer goods (FMCG) companies already serving the mass market to glean insights from their product development practices.

Product development refers to the series of activities and iterations involved in bringing new products to market. While approaches differ across industry, product and organisation, the philosophy is universal. The traditional product development process comprises 5 distinct stages - concept, research, business analysis, product development, and product launch (see Figure 1).

CONCEPT	RESEARCH/MARKETS EXPLORATION	BUSINESS ANALYSIS	PRODUCT DEVELOPMENT	PRODUCT LAUNCH
Idea recognition	Market forecast	Business case	Process	Product forecasting
Idea sourcing	Market need-analysis	Sales forecasting	Team	Test market
Idea screening	Market segmentation	Target market	Technology requirement	Target launch date
Concept testing	Market sizing	Risk management	Trial production	Budget plan
Techniques	Growth potential	Capital expenses	Prototyping	Sales plan
People	Route to market	Resources	Refinement	Distribution plan
Process	People		Gender	Resources
Activation	Competition		Affinity group	
Control agents			Other resources	
Resources				

Figure 1: Traditional product development process

Practice Levels

To assess the product development practices among Nigerian FSPs, we conducted an exploratory study, interviewing a select sample of product managers. In addition to understanding the product development activities and nuances, the study also sought understanding of the resources and capabilities, infrastructure and communication requirements and mechanisms which they deployed.

A total of 9 FSPs were drawn from the banking, insurance, credit and other sub-sectors in the financial services ecosystem. To compare the state of practice findings, we assessed the practices of two fast-moving consumer goods (FMCG) companies. The findings and lessons are presented in the subsequent sections.

Using the traditional product development approach as our baseline, we introduce each activity prior to presenting the levels of observed practice and practice gaps. We conclude the section with enablers and inhibitors and key lessons from the FMCGs.

We expressed the practice levels as a percentage highlighting the extent to which FSPs adopt the practice area and constituent. The under-listed steps describe the approach:

1. Build classification/scoring system with 3 indicators -
— high;
— low;
— not available with scores of 1, 0.5 and 0 respectively.

2. List each of the activities for each practice area and score the observation of each activity

3. Compute the total score for each practice area

4. Compute the benchmark score, assuming each activity is awarded a high practice score of 1

5. For each practice area, compute the practice level as a percentage of item 3 divided by item 4

The percentage value obtained from the division of the practice level and benchmark score is reported in Figure 2.

Summary Findings from Product Development Ecosystem Study

IDEATION	70%	Idea recognition Control agents Idea source People Process	Activation Idea screening Techniques Resources	Concept Testing
MARKET RESEARCH	28%	Market needs analysis	Methods People Market segments	Growth potential Market forecasting Market sizing Route to market Competition
BUSINESS ANALYSIS	25%	Risk management	Target Market	Business case Capital expenses Sales forecasting Resources
PRODUCT DEVELOPMENT	60%	Team Refinement Product differentiation Other resources	Affinity group Process Technology requirement Gender based product	Prototyping Trial production
LAUNCH	31%	Distribution plan Test market	Product forecasting	Budget plan Target launch date Marketing plan Sales plan Resources
		HIGH PRACTICE		LOW PRACTICE

Figure 2: Product development practice levels observed (source: compiled by authors)

Figure 2 presents the product development practice levels observed among FSPs from concept to product launch. During each stage, providers report clusters of activities which are arranged in order of practice, from left to right, indicating high-low practices.

Product Development Lifecycle

Concept Ideation

The traditional product development process starts with concept generation or ideation where basic product concepts are generated, tested and certified.

The idea generation phase sources new product ideas from internal or external stakeholders including employees, customers, partners, suppliers, distributors and competitors. Aggregated ideas are screened to narrow the pool of ideas based on criteria such as ease of execution, level of returns and level of risk. During screening, beyond total investment, other considerations include the product's fit with the organisation's overall strategy and marketing mix. Other factors may include alignment with customer trends, environmental fit and congruence with the organisation's resources.

The next step is concept testing which entails building a detailed product from the customer's perspective and measuring customer receptiveness to the essential product elements. The constituent product elements - costs and utility components are presented to potential customers for feedback. Concept testing is typically executed via focus group discussions. After the iterations of concept testing and evaluation, a product concept with acceptance by the proposed target market advances to the research stage.

Level of Practice

FSPs source ideas from employees in different roles across the organisation, most importantly, the customer-facing departments. These ideas are aggregated at different levels of organisational hierarchy and categorised by current trends, market opportunities and competition offerings. In addition to direct contributions from employees, FSPs also include contributions from external stakeholders like customers, partners, and distributors.

"[Other] organisations have helped in improving our products by saying look, can you sort of come and run an ERP for payroll, management? Can people download their pay slips from it? Can I use it to manage the entire workforce management value chain?"– PSP Executive

Providers like mobile money operators observe trends in other markets and identify what works and is relevant in the local context.

"It is what we find that works in other markets. So for us, we study other markets like Libya, Brazil, and some African markets to know what works there so we can combine the value proposition with what we have here." Executive, Mobile Money Operator

Beyond that, most FSPs engage in research studies using desk review/research and focus group discussion methods to generate data. Deposit money banks also schedule brainstorming exercises among development teams to explore product opportunities.

Though the goal is to generate promising concepts that can be converted into viable products, many FSPs emphasise alignment of these concepts with the organisation's mandate and the criticality of management and regulatory approval processes.

During screening, beyond total investment, other considerations to consider include the product's fit with the organisation's overall strategy and marketing mix.

Practice Gaps

FSPs conduct idea sourcing, recognition, activation and screening tasks, but other activities like concept testing and other techniques and processes that help coordinate and filter unique ideas are less practiced (see Figure 2). Dependence on research data is not well embraced and this disposition confirms the limited resources and deficient technical procedures evident in FSPs. The low activity ratio among FSPs can also be tied to the fact that products are generic in the industry and, therefore, do not require much conceptualisation prior to development and launch.

In certain cases, directives from the organisations' leadership initiates a new product launch based on market observation or competitor activities with minimal effort or resources deployed to concept generation.

Research & Market Exploration

Research and market exploration includes market research to establish the product's need and value. By segmenting the market, FSPs define segments of interest, and determine growth potential of each segment and route to market.

Determining a product's market and addressable market size informs the resources to be deployed to the development of the product and its overall positioning in the market place.Determining the product's growth potential is based on projected adoption and utilisation levels over time and other assumptions. Conducting research also informs market realities like pricing, market value, current adoption and utilisation levels, as well as other market dynamics. Of critical importance is the product's route to market – the roadmap on how the product will move from the financial service provider through the various distribution intermediaries to the final consumer. This roadmap should be clearly distilled and any inhibitors to growth should be identified and managed if possible.

Level of Practice

FSPs devote significant time and effort to market need analysis to determine needs of prospects and existing customers.

"I have been involved in some ideation where we have to engage women in some marketplaces to ask them what the pain pointsare, and what the things we need to know. We are trying to build a product that will help them to save more and trying to attach some new product to it but we found that what we were thinking about was not what they even wanted and that led to the introduction of a new product to them." - Executive, Deposit Money Bank

This is primarily done through primary data collection, surveys or direct engagement meetings and focus group discussions. These approaches were observed to be common among MFBs and MFIs.

"I remember those days that we wanted to commence our housing loan. We went for research in Ogun State for affordable housing. We had a focus group discussion. So at the end of the day, when we commenced it, we set up some specific approach in term of houses we needed to invest on or pay for the clients."– Executive, Microfinance Bank

Sales and customer service teams and field agents are responsible for on-site data collection. Banks, aggregators and, sometimes, MFBs and MFIs with good technology infrastructure and online presence leverage online interactions with customers to determine customer needs, while MFBs and MFIs, as well as micro insurance providers sometimes take advantage of partnerships with e-commerce platforms and other digital platforms to obtain relevant customer data.

Market segmentation is one area that is engaged by FSPs but at different levels. MFBs and MFIs have peculiar interest in bottom-of-the-pyramid segments, particularly targeting farmer groups, artisans, cooperatives and trade associations.

During market research, FSPs also execute competition analysis and identify market gaps. FSPs are conscious of the need to study and understand trends and more importantly identify potential gaps in competitors' practices because of the strong influence of competitors in the industry.

Practice Gaps

FSPs use available data gathered to identify and navigate market challenges that pertain, not only to the market need analysis but to other important areas of market research including market segmentation, market sizing and product growth potential and route to market.

The low activity ratio of market research at this stage of the product development process (see Figure 2) suggests that FSPs do not prioritise market exploration. This impacts their ability to accurately estimate product growth potential and the overall inflows over the product life-cycle. The journey of building ideas into viable products has better chances for success when the route to market to serve different consumer segments is identified based on market research.

The current practice in the industry suggests that providers primarily give preference to and leverage existing routes and channels rather than harness new ones.

Market vs. Customer Research

MARKET RESEARCH	CUSTOMER RESEARCH
Market forecast	Identifying priority customer segments
Market need-analysis	Surfacing hypothesis and assumptions
Market segmentation	Reviewing secondary research
Market sizing	Brainstorming ideas
Growth potential	Developing concepts
Route to market	Concept testing Individual and small group discussions Low fidelity prototyping High fidelity prototyping
People	Synthesis
Competition	Concept refinement

Figure 3: Market vs Customer Research

Research is essential to the success of any product development project. It provides insights about a market and customers which helps FSPs to create better products and services, execute marketing campaigns with greater impact, be more competitive and increase their chances for success. We will consider two kinds of research - market research and customer research.

Market research attempts to gather important data about an FSP's brand, industry perceptions and some-times, entire markets. It provides information about market needs, market size, competitors and customers and tends to be quantitative. This kind of research answers the "WHAT" of markets and helps to identify missed opportunities and gaps.

Customer research on the other hand focuses more on understanding customers (existing and prospective). It attempts to identify customer attitudes, perception, satisfaction, even psychographics with the goal of developing better products and services that would resonate.[1] A popular example is the human-centered design method, popularised by Ideo.

Both types of research are important and complement each other in the product development process.

[1] ResearchGeek, Market Research vs. User Research – 3 Key Differences Explained, April 2020. Available at https://researchgeek.co.uk/market-research-vs-user-research/

Business Analysis

Business analysis reveals the potential profitability of a product to be launched.

During this stage, a cost-benefit analysis is carried out to prove the product's potential. This analysis is based on a conservative sales forecast following a resource deployment plan, also known as the product's business case.

Metrics such as the product's incremental contribution margin, the gross profit margin, the internal rate of return and the net present value are estimated based on projections.

An estimate of capital and recurring costs as well as incremental overheads will be calculated based on projected revenues from the product at its estimated price. In addition, all risks associated with the launch of the product will be identified with their appropriate mitigations.

Business analysis reveals the potential profitability of a product to be launched.

Level of Practice

Business analysis remains a critical tool in the product development process, yet, from our observations, it is less utilised by FSPs. Among the bevy of activities under this stage, risk management appears to be more paramount to providers.

"Like I said at the product conceptualisation and development, all the functionary units including risk are involved. So, all the risk exposure deliberations are handled at that stage. We have what we call the product papers, so in that document every aspect of that product is articulated and documented including the risk mitigants" - Executive, Mobile Money Operator

This is not surprising because risk management is an essential part of the financial services business. Risk management is usually integrated into compliance requirements set by the regulators in order to safeguard depositors' funds. It is important to note that risk management practices in a financial institution are dependent on the size of risk associated with the institution. Banks, micro pensions, MFBs, MFIs and switching companies have more sophisticated approaches to risk management and "every employee" is either a risk monitor or risk manager, thus risk management responsibilities cut across units and departments, including but not limited to compliance, quality control, operations, finance, and information technology.

"Generally, risk management is built into the fabric. Everybody is a risk monitor, a risk manager at the same time, even in the hierarchy that we have, from branch to area..." - Executive, Microfinance Institution

Deposit money banks, switches and aggregators do not prioritise identifying target markets (unlike MFBs and MFIs) and thus serve the market with homogenous / identical products. This disposition limits their ability to tap into the benefits of targeting well-defined and identified target markets.

Practice Gaps

It is possible that FSPs do not recognise the entire spectrum of business analysis as an integral part of the product development process.

While the study found that FSPs practice risk management, there is little evidence that sales forecasting, capital expenses determination and adoption of business cases are adopted during product development.

Sales forecasting can provide estimates on cash inflow and outflow, enabling FSPs to enhance returns from the launch of new products. Adopting business cases will help FSPs to determine product feasibility, viability and identify compelling value propositions that meet market needs at a competitive cost.

Product Development

This is where an actual prototype is built and tested.

This prototype (or multiple prototypes depending on the number of customer segments being targeted and the amount of resources available for deployment) incorporates all the features, benefits and attributes the real product is expected to have.

The development and deployment of the prototype serves to confirm the desirability of the product idea. Additional tests, such as focus group discussions and other actual tests with customers, are also carried out to confirm if the prototype has real market value. Pilot tests of the prototype are conducted, first, on a small sample of users, and later, a more elaborate test can be carried out with a larger group for extensive feedback that would help refine the prototype.

If uncertainties still exist after initial tests with customers, more extensive tests are carried out to discover gaps and design errors, and potentially strengthen the product's overall value proposition. The amount of resources available for prototype development and testing will determine the extent of testing.

Level of Practice

Product development activities transform concepts into products. The activities include prototyping, product refinement, product design, designing for affinity and gender groups, and trial production. The current practice shows no particular sequence in the product development activities and an average FSP simply approaches the process on a 'no-fixed structure' basis.

The product development team consists of employees from cross-functional units, namely information technology, operations, branding, marketing, risk management, e-business/digital banking (for deposit money banks) and product design, with the average size of ten members. The project lead, in most cases, is either from the Strategy, Technical, Programmes or Business Development department.

In terms of activities, product refinement is commonly practiced post-pilot, based on feedback obtained during product or market testing.

"Yes, refining the product is very easy for us because, like I said, we have our tech team in-house and feedback is very critical to our success, we have a very effective customer service which also sits within this building and toll-free lines where customers can always call to complain about the product or get their issues resolved. When there is a particular, consistent complaint on a particular product, that serves as strong feedback for us." - Executive, Mobile Money Operator

"What we do is, most times we look for a bank or a partner we can run the product with for like a pilot period, two week, three weeks, four weeks and then we gather feedback from customers. How did you see the product? Was it useful? and all that... and we put those processes together and if we need to tweak, we tweak before we finally push out" - Executive, An Aggregator

Product differentiation is another commonly practiced activity in the industry. Although products are generic, individual firms are making some effort to introduce diversity in areas such as branding, delivery modes, benefits and rewards to customers. A variety in benefits and rewards is prominent among MFBs and MFIs.

A good example is an MFI that offers a savings product with scholarship benefits for the children of the account owners, or, a credit product with maternal care benefits. This practice is currently embraced and innovation in this regard is gaining momentum.

Partnerships also play a major role in product development and FSPs are taking advantage of different modes of industry collaboration to deliver innovative products. These include local and international collaborations with governments, channel suppliers, agent network, technology providers, investors, international agencies and companies.

"So there are projects we have executed that speak specifically to those that are vulnerable, those that have limited access, and we think about cash distribution programs/projects that we are working with bank partners, working with NGO partners and women in the north.- Executive, Switching Company

"Sometimes we have partnerships to deploy some products, so we have to work with banks, pension companies. – Executive, Mobile Money Operator

Given the availability of resources and (partnership) collateral, banks and switches/aggregators leverage robust technology to deliver products, unlike MFBs and MFIs that operate at a lower scale and depend on an outsourcing model for technology and automation.

"For other channel partners, which majority handles technology aspects, they would be bringing their own existing expertise to the table..." Executive, Microfinance Bank

Product development with gender intentionality (or for affinity groups) is common with MFBs and MFIs and mobile money operators targeting bottom-of-the-pyramid segments: market women, female entrepreneurs, youths and farmers.

"Yes we do, so at the heart of financial inclusion is impact, is the intention for impact and that intention seeks to identify those who are traditionally underserved and you know women, people with low income individuals, the older population, those are the kind of people that come to mind, vulnerable kids, and all that. So there are projects we have executed that speak specifically to those that are vulnerable, those that have limited access..." - Executive, Switching Company

Partnerships also play a major role in product development and FSPs are taking advantage of different modes of industry collaboration to deliver innovative products.

Practice Gaps

Experimentation and prototyping are practices that do not seem to appeal to FSPs.

Developing new products requires having the right teams with necessary skills. Financial service providers are confronted with high turnover of employees with technology and development know-how. It is challenging for FSPs like switches/aggregators to cope with frequent attrition of information technology staff.

Gender and affinity-based products are lacking in the markets served by banks. Many products are homogenous, yet they are developed with the intent to serve diverse markets albeit with minimal customisation.

Product Launch

The traditional product development process ends with the product launch.
Products with substantive business cases are more likely to secure management approval and proceed to launch. Hence, key decision making tools and activities include budget preparation and development of a marketing plan. The budget presents assumptions and related costs and projected revenues while the marketing plan articulates, among other things, the product goals and objectives, unique selling proposition and go-to-market strategy.

Other important considerations for product launch include:

1. Timing: Macroeconomic factors can determine product success. For example, an economic recession characterised by job losses may not be an ideal period to launch expensive new products. Indeed, such events can be converted into opportunities with consumers requiring products to overcome recessionary shocks.

2. Geography/Location: The decision on where to launch the product is determined by location of the target customer and budget committed to the product launch. Some organisations adopt a methodical launch across regions while others can afford to do a nationwide rollout.

3. Promotion: The decisions guiding the application of above-the-line (ATL) or below-the-line (BTL) marketing techniques are determined by the target customer and the organisation's budget.

Level of Practice

Key activities during product launch include test market selling, distribution planning, product forecasting, budget planning, market planning and sales planning.

Test marketing is widely practiced in the industry, albeit in different ways. For technology-linked products that are offered by switches, mobile money operators and deposit money banks, the internal/closed-group testing method is adopted. In this case, only select employees of the organisation (or a small group) are engaged to test a product in a closed-door setting.

"...there is a small scale pilot which is with the internal customers, which is me and my colleagues, so we are the internal customers, and then expanded retail team, who are the guys who manage the retail product on the field and then we also sample a number of our key agent for a soft live deployment before giving out the products to the customers in general.- Executive, Mobile Money Operator

Other FSPs like deposit money banks, MFIs, MFBs, and micro credit providers follow the external approach that directly engages a section of the large market or regional market. In this case, a stage-by-stage roll out of the product that allows continuous feedback for improvement is deemed appropriate. Test market selling can last from days to months depending on scope and desirable outcomes. Product distribution planning is an integral part of marketing strategies to reach target customers in different geographies. FSPs latch on to existing industry-wide distribution channels to deliver products. Hence, this allows them to leverage technology to compete and reach the last mile. FSPs leverage the existing distribution channels and do not necessarily build new ones.

"Through that and across these channels, we partner with various providers, so payments, platforms, internet switches, and as I said, we also do have sorts like third party sellers (ecommerce sites and online marketplace), and our products are available there. – Executive, Micro-insurance Provider

The findings show that the time to go through the entire product development cycle, from concept generation to product launch, varies based on the sub-sector. Micro credit institutions have the shortest time to market, and are able to launch products in a month or less. For deposit money banks and mobile money operators, the duration is about 3-6 months; MFBs and MFIs take up to 6 months or longer especially when the product requires extensive pilot testing. For example, school fees loans which must be understudied in one or two academic years. The same applies to other special products with other FSPs.

"For the educational loan, we look for 2 years because the maximum length for one or two products within educational segment is two years. And so, a pilot used to run for that 2 years. So it depends on the product features..." - Executive, Microfinance institution

Identified Gaps

There are significant gaps observed in the launch process. Most service providers in this study seem not to use product forecasting tools to plan product awareness and distribution, and forecast product needs before launch. This is common among firms with limited resources (MFIs, MFBs, micro insurance and pension) hampered by their inability to pull talent and technological infrastructure necessary to execute the spectrum of product launch activities.

Product distribution planning is an integral part of marketing strategies to reach target customers in different geographies.

Enabling & Inhibiting Factors

Enablers

The factors that enable product development and innovation include market engagement, digital capability, partnerships and alliances, timely regulatory approvals, supporting structures and efficient processes.

Market engagement: Innovation thrives when FSPs are well informed through adequate feedback from markets they want to serve. According to our study, there are two major viewpoints to this, namely (a) customer feedback and (b) competition levels. Scoping product ideas through customer engagement and international benchmarks enables FSPs acquire primary information and ideas that will serve the market.

Digital capability: Innovation requires technology with the requisite expertise and, in most cases, the larger part of the business leverages technology to save cost and time. This combination - the need to develop innovative products and provide effective and efficient services - requires investments to build and enhance technology capabilities that are more available to deep-pocketed institutions.

Partnerships and alliances: In today's digital economy, partnerships and alliances provide opportunities that FSPs can access to build competitive advantage. More so, the constraints imposed by limited resources are more reasons to explore partnerships. Through partnerships, most innovation that runs on the back of automation, artificial intelligence (AI) driven solutions, etc. can be achieved seamlessly. No doubt it is important to build adequate skills in-house, but this may not be achieved in a short time when speed to market is extremely important.

Timely regulatory approvals: New and innovative products require that FSPs obtain regulatory approval within the limited window of opportunities before changes and market dynamics render product ideas obsolete. FSPs will need to work closely with regulators to ramp up the approval process in more effective ways.

Supporting structures and efficient processes: Organisational structures and processes, when rightly positioned, are key drivers and enablers of innovation. In today's financial services ecosystem, structures and processes should evolve into environments that encourage innovation. The best approach to eliminate hurdles is innovating around structures and exploring more opportunities to create value.'

"I say in a bid to try to appropriate these opportunities, we innovate around the structures ..." Executive, Switching Company

Inhibitors

Factors limiting FSPs' ability to produce compelling products and meet market expectations include: regulation, talent and manpower, IT infrastructure, security, third-party service charge, finance, market information and awareness, and partnerships.

Regulation: While regulators are growing and more receptive to new ideas, FSPs believe that policy makers are yet to create the enabling environment that encourages innovation which can move the financial inclusion needle.

• Mobile money operators encounter regulatory inhibitors which discourage product innovation. Major highlights are the Central Bank regulations and Federal Government Treasury Single Account (TSA) policy.

• The uncertainty about the regulatory environment, due to changing and sometimes conflicting policies, also poses concerns for providers considering launching new products.

• Long approval cycles. This increases time to market and the ability to meet customer needs at the right time.

Talent and manpower: Developing a new product requires talent with competencies and capabilities, either internally sourced or delivered through partnerships. Financial service product development projects require the combined inputs of experts ranging from product development managers, market research analysts, and software developers. Getting the right talent is a limiting factor for ecosystem actors with limited financial resources as they are unable to recruit better talent and miss out on learning and development opportunities. Talent scarcity also results in high turnover rates.

IT infrastructure: The major challenge with infrastructure manifests in network failure. This is a common problem for service providers and operators that have to depend on reliable networks to support payment channels and the operations of agents in remote locations. Product performance is greatly impacted by poor network service, leading to huge costs to both service providers and customers. The inability to leverage co-location of infrastructure to serve a larger market has also limited providers' ability to expand to more consumers in a sustainable and viable manner.

Security: Security challenges emanate from the activities of hackers, cyber fraudsters and safety of lives and properties. Sometimes, vandalisation of network infrastructure impacts the quality of service provided, the customer experience and hampers the providers' efforts to meet consumers' demands. The insurgency challenge in some northern regions of Nigeria is also a deterrent to financial service providers from venturing into those regions.

Access to capital: Financial inclusion is a long term effort and requires patient capital from investors and providers. However, access to long term capital remains a challenge. The lack of a strong business case limits the willingness of investors and providers to invest long term in order to build / activate the lower-income segment of the market.

Market information and awareness: Micro-insurance providers identify the lack of awareness and understanding of insurance products as a major challenge to the sector, with less than 2 percent penetration of the Nigerian adult population. The narrative is similar for micro-pension administrators.

Strategic alliances: With more than 60 million financially excluded Nigerians, financial inclusion requires scale that in turn warrants strategic alliances. In emerging markets with positive financial inclusion outcomes, strategic alliances were contributory, enabling progression as actors leverage one another's capabilities. These alliances are established in order to improve product appropriateness and lower costs.

Other challenges include financial literacy and language barriers; as well as cultural challenges and low technology adoption.

Lessons from FMCGs

For many years, the FMCG industry has enjoyed undeniable success in reaching the mass market with their products.

The remarkable success of FMCGs in creating and delivering new products to the mass market, year on year, suggests that the FMCG sector holds several key ideas which FSPs may glean from. Of particular interest to us are their route-to-market concepts combining direct and indirect channels, with considerable investments in last mile distribution networks and infrastructure.

Ideation: FMCGs typically get product ideas from their parent companies in other markets and adapt to local market realities while accounting for diversities in cultures, per capita income, consumer behaviour, etc. Local context is the “x-factor” that determines the FMCG’s product success in the market. Thus, significant resources are invested into market / field research, engaging research agencies and partners to conduct studies on the product idea before progressing to the development stage. This ensures adequate understanding of the consumers’ reality before committing more resources to development.

Business case: FMCGs use business cases, enabling them to successfully determine product viability, associated risks, competition analysis and capital expenses required for entry into a new product or market segment. These business cases must present clear profitability potential before transitioning to later product development phases. The apparent absence of a solid business case may be responsible for FSPs’ reluctance to go all-in on financial inclusion of the mass market. Just as FMCGs are guided by profitability potential informed by rigorous research, convincing FSPs to invest or commit to moving the financial inclusion needle with new products, processes and strategies will require the same.

Market research: An understanding of the market is critical to FMCGs and informs the call to invest or diversify into new customer segments due to insights gained in the research process. FMCGs arguably live and thrive on the strength of their market research. The nature of their business is established on huge volumes, with low profit margins. Thus, comprehensive research to acquire insights about the customer, as well as the market opportunity by considering market size, growth drivers, distribution and the competitive dynamics are very important considerations in their process. They also have clear product forecasting, sales and distribution plans.

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The flawless execution of product development activities is futile if the product does not get regulatory approval. The hat-trick of product development includes knowledge and understanding of the demographics, behaviours and attitudes of customer segments, human-centred or customer-centric product development practices and regulatory approval. The next chapter expounds product development from the policy and regulatory lens.

Product Development Policies & Regulations

Introduction

The financial services ecosystem is a critical market infrastructure in any country; hence its management and regulation are instrumental in promoting a healthy financial services ecosystem. Supporting our narrative on product development, this chapter examines the role of regulators and regulatory and supervisory frameworks on product innovation. The first part of this section introduces the topic, summarising insights from industry reports and benchmarks. We then present salient policies and regulations guiding new product development in Nigeria prior to presenting the findings of a policy review study conducted.

> **The financial services ecosystem is a critical market infrastructure in any country; hence its management and regulation are instrumental in promoting a healthy financial services ecosystem.**

Role of regulators in the product development process

Financial system regulators bear a responsibility when it comes to moving the financial inclusion needle - effective regulatory oversight contributes to the success of financial inclusion campaigns. But what specific roles do regulators play when it comes to product development?

Create enabling frameworks

Digital technologies are contributory to the evolution and development of the financial ecosystem, driving product innovations in payments systems, the extension of credit and security. However, innovation also has a tendency to disrupt incumbent players, threaten or roil existing financial markets and potentially harm consumers, most of who lack sophistication, digital skills and financial education. Thus, the regulator is to advance market growth, transparency, competition, stability, safety, and consumer protection, whilst minimising risks.

Effective regulatory strategies are development oriented, prioritising public interest, aiming to incentivise good behaviour and self-regulation, avoiding undue dominance of players in markets, is risk based and not reflexively prescriptive, based on rule of law, with minimal administrative burdens.

Figure 3 illustrates the process flow from policy frameworks to inclusion and foundational blocks of an enabling environment.

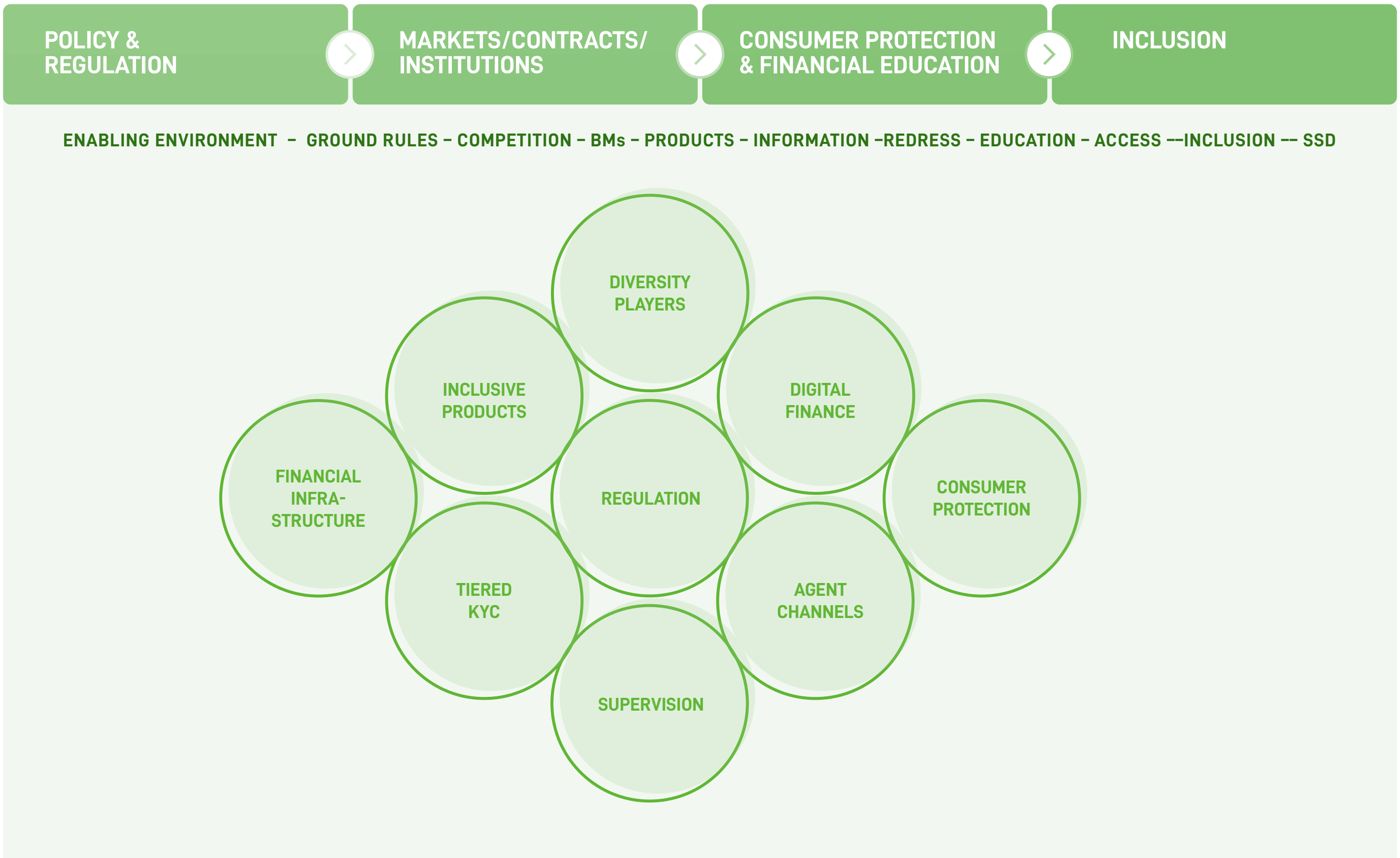


Figure 4: Enabling frameworks for product development and financial inclusion

Promote innovation and proportionality

Regulators face a catch-22 scenario. On the one hand, their primary mandate is to ensure financial system stability, integrity and consumer protection, while on the other hand, they are to reduce the shadow economy, making financial products available to all. In this digital era, this is synonymous with open innovation which could put financial systems at risk. While regulators do not want to stifle innovation, over-regulation could deter creativity, discourage new entrants and possibly eliminate incumbents. Hence, the need for proportionate regulation.

Regulators should foster an environment that supports innovative trailblazers, facilitates new product development addressing problems like financial exclusion while simultaneously mitigating risks (consumer, competition, financial system and regulatory).

Digital technology and supportive administrative frameworks

Technology and innovation are inextricably linked. Therefore, regulators must acknowledge and embrace existing technology, encourage its improvement, refinement and development of better versions. Digital technologies are critical societal infrastructure that governments (e-government) and regulators (RegTech, SupTech) must embrace and mainstream. In addition, they should harness institutional frameworks and cooperative agreements that reduce bureaucracy and excessive administrative burdens to lower costs-to-serve, whilst ensuring effective regulatory supervision and enforcement.

Promote low cost products and channels

Regulatory frameworks should promote and encourage the development of context relevant financial products that excluded and underserved population segments (particularly youths, women and rural dwellers) can access, understand and use.

Promote collaborations

Inclusion requires policy coherence across the legislative and regulatory landscape. Therefore, regulators should provide frameworks for promoting collaboration between relevant government ministries, departments and agencies (MDAs). This will advance efficiency and effectiveness of policies, processes, regulation, economic management, development plans and initiatives. Engagement and outreach with and between relevant private sector players and with civil society is also essential.

Public policy formulation cannot be done in isolation. Regulators and policy makers must begin with effective consultations with ecosystem stakeholders. There's also need to establish adequate feedback loops between regulators, financial service providers and other relevant stakeholders in the ecosystem to encourage discourse on collaborative ways to move the financial inclusion needle using existing regulatory levers and/or new reforms.

Incentivise customer centeredness

Regulators wield considerable influence over providers and should encourage their investment in customer-centricity - understanding consumer needs, behaviours and aspirations. They can achieve this by promoting convenience, safety and privacy concerns of consumers as principal tenets of service delivery. Of particular interest and priority should be the needs and interests of marginalised and vulnerable citizens such as youth, women and rural dwellers, whose interests must be carefully safeguarded.

Regulators should provide frameworks for promoting collaboration between relevant government ministries, departments and agencies (MDAs).

Despite good intentions, regulators can still inadvertently stifle financial service innovation / financial inclusion progress via poor, wrong or outdated frameworks, guidelines and policies. Hence the need for regulatory best practices. Below we explore some of these best practices:

Best Practices

Despite good intentions, regulators can still inadvertently stifle financial service innovation / financial inclusion progress via poor, wrong or outdated frameworks, guidelines and policies. Hence the need for regulatory best practices. Below we explore some of these best practices:

Market Driven Approaches/ Adaptive Governance

Inclusion requires adaptive governance frameworks and processes that enable governmental bodies to secure the buy-in of operators, enhance collaboration between government and all stakeholders, minimise the administrative burden of regulation, whilst improving national competitiveness.

This means frameworks should promote innovators (usually the private sector) and markets. The aim is to ensure that operators in the traded economy, not just local producers, have an enabling market environment to lower their production costs. Anti-competitive behaviour and monopolies must be discouraged, whilst good corporate governance and customer focus must be incentivisedto deliver high quality products and services.

The financial authorities should allow a diverse range of players in the financial service markets.[2] Furthermore, they must avoid policies, practices and processes that give undue market advantage to any set of players. The same principles should inform legal rules and regulation of similar practices or subjects, to ensure a level playing field for all players.

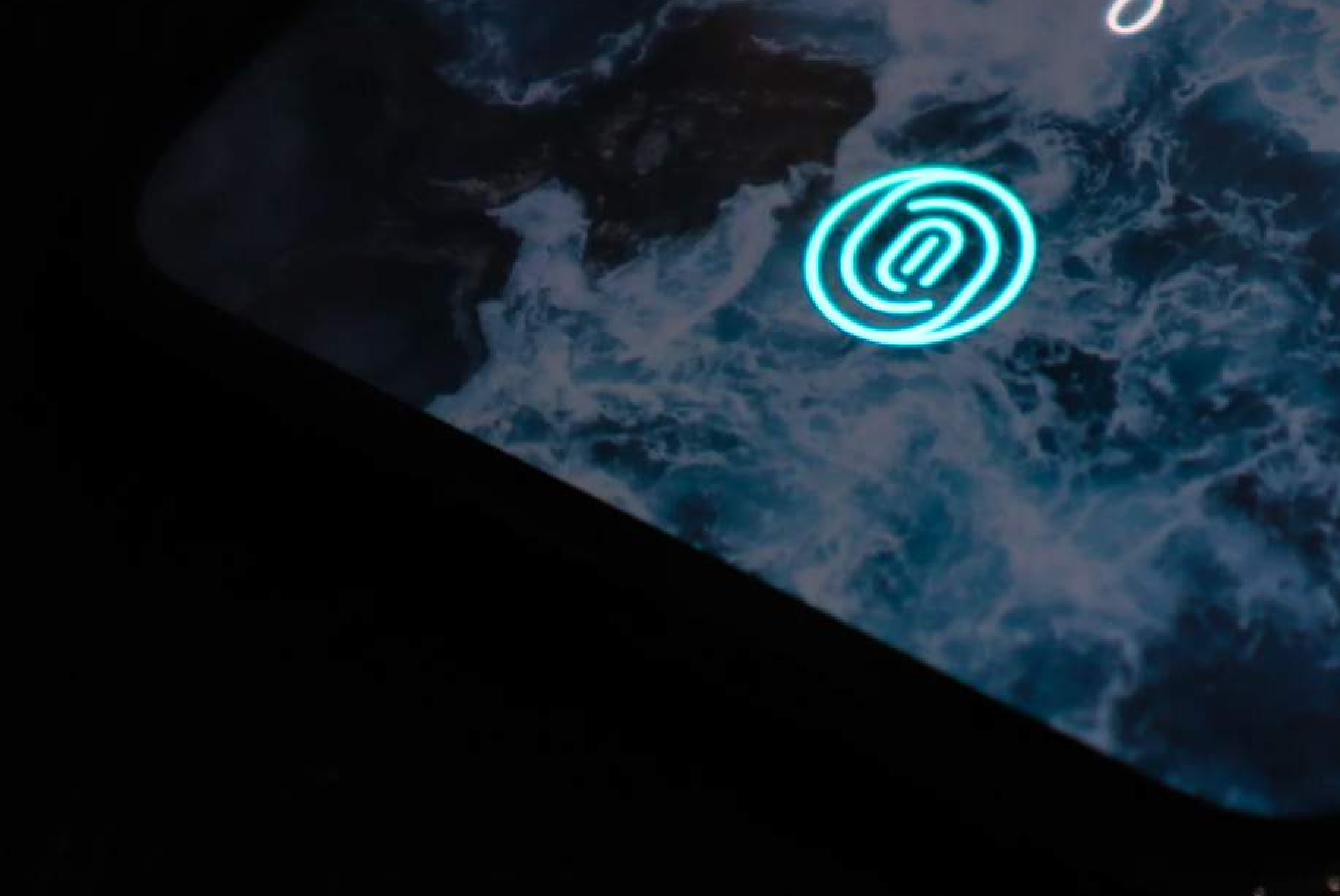
> **The aim is to ensure that operators in the traded economy, not just local producers, have an enabling market environment to lower their production costs.**

> **Anti-competitive behaviour and monopolies must be discouraged, whilst good corporate governance and customer focus must be incentivisedto deliver high quality products and services.**

[2] Monica Ballesteros Arias, Competition in Digital Financial Services, December, 2018. Available at: https://buff.ly/2ItwsuB

Digital Identity

The necessity of proving identity to access formal financial services is often a deterrent to inclusion, particularly where multiple documentation is required.[3] Establishing a viable national identification framework and tiered Know Your Customer (KYC) regime to lower these barriers as well as mitigate the risks associated with extending services to informal and less documented customer segments, is important.



[3] AFI Global, Biometric Identification of Customers - Pathway to Greater Financial Inclusion?, June 2013. Available at: https://buff.ly/3njgQcg

Consumer Protection and Financial Education

Financial stability, financial integrity, and financial consumer protection are mutually reinforcing, interdependent[4] and must be simultaneously advanced. In an increasingly digital world, proliferation of digital financial products and services, the lack of financial literacy and sophistication of the average consumer, effective financial consumer protection is more important than ever, more so with the global drive for financial inclusion.

[4] CGAP, Financial Inclusion - Linkages to Stability, Integrity and Protection, November 2012. Available at: https://buff.ly/2UCdFQN

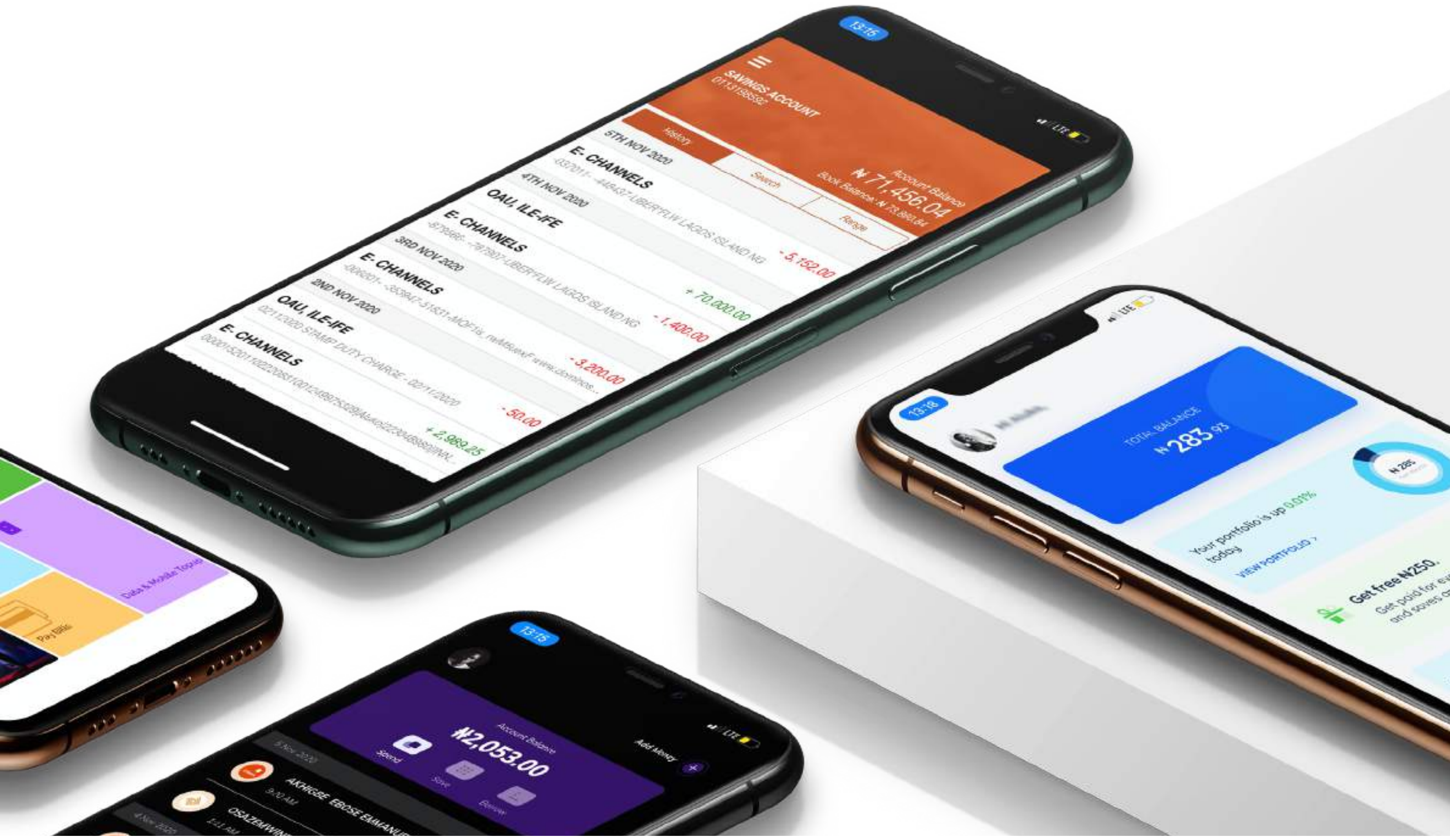
Open APIs

Open application programming interfaces (APIs) provide a platform to leverage mutually reinforcing collaborations between innovators and FSPs, and enhance the adoption of innovation and increase diversity of options to consumers. Essentially, open APIs enable FSPs to open up their platforms for other service providers and developers to offer a variety of complementary and competing products to their customers and vice versa.

They help transition customers beyond having a bank account, to using financial products and generating a track record of financial transactions which facilitates easier estimation of their credit worthiness. This, in turn, potentially leads to access to even more credit and other services.

Mobile Money

This refers to a service in which the mobile phone is used to access financial services.[5] In 2020, mobile phones are not just ubiquitous but a majority of citizens, particularly in developing countries like Nigeria increasingly have access to one. This development has provided a platform for value-added services, including financial services. This is one way of reaching the unbanked and underbanked who either do not have access to a bank account, bank branch or whose needs are not adequately met by traditional banks.



[5] GSMA, Mobile Money Definitions, July 2010. Available at: https://buff.ly/38zRUsW

Regulatory Sandboxes

A regulatory sandbox is a framework established by financial authorities that allows innovators control-test their innovations under the regulator's supervision. It should normally facilitate the introduction of new products and services that balance financial ecosystem stability, integrity and consumer protection.

Enabling regulatory frameworks for financial inclusion are characterised by the adoption of innovations that safely allow for an increased usage of financial services by large segments of the population, especially by the poor and marginalised. These frameworks are guided by several best practice guidelines in order to ensure regulators get it right and avoid hampering any progress recorded thus far.

Salient regulations and policies on product development

The policy and regulatory frameworks financial services ecosystem guiding the development and operations of new products are dimensioned as follows:

- **Payments, Pricing and Fees**
- **Consumer Protection, Competition and Data Privacy**

A. Payment/Pricing/Fees

Banking, Payments, Money Transfer and other financial products

Guide to Charges by Banks, Other Financial and Non-Bank Financial Institutions, 2020

This guide not only provides a basis for the application of charges, but also specifies charges on various products and services offered by banks and other financial institutions regulated by the CBN

Financial Institutions are required to present any new product, service or charge not covered by this Guide to the Central Bank of Nigeria for prior written approval. Electronic banking rules - intra/interbank/non-account holders subject to tiered KYC transfers, Electronic Funds Transfer (EFT) & bulk payments, Card/ATM/USSD/Merchant Service commission and fees, PIN issue/reissue. Agent banking transactions - Cash-in/Cash-out/Intra/Inter scheme money transfer fees, etc.

Consumer Complaints Management System (CCMS) must generate a unique reference code for each complaint lodged, which must be given to the customer.

Customers must be informed of "negotiable" charges (generally non-inclusive products like equipment lease, loan facilities, discountable instruments, etc.) and the agreement must be recorded by verifiable means.
Interest provided on local currency savings deposits products are negotiable subject to a minimum of 10% per annum of Monetary Policy Rate.

Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria, 2020

PSBs can only deploy products/services in rural and unbanked locations. They can only carry out payments and remittances (including inbound cross-border personal remittances) service within Nigeria. Moreso, PSBs cannot provide any form of credit (loan) or advances product/service nor accept any closed scheme electronic value (e.g. airtime) as a form of deposit or payment.

Banking, Payments, Money Transfer and other financial products

A PSB parent/associate/related entities is mandated not to engage in discriminatory and/or differential pricing in products/services offered to other PSBs and/or CBN licensed institutions.

PSBs are required to set up consumer help desks (physical and online) at their main offices and coordinating centres, while complying with the CBN Consumer protection framework and AML/CFT Regulations.

Guidelines on Global Standing Instruction (GSI) (Individuals), 2020

All CBN licensed financial institutions can recover past due debt obligations (only the principal and interest component) from defaulting customers through a direct set-off from deposits/investments held by the customer in accounts with other financial institutions. This debt settlement provision is only applicable to the following financial products: individual savings and current accounts, individual domiciliary accounts, electronic wallets, investment/deposit accounts, and joint accounts.

Expansion of the Scope of Regional Banks in Nigerian - Revised CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations, 2020

Regional banks are mandated to offer products and services in a minimum of 3 geo-political zones of the country not later than December 2020.

Reduction of Chargeback Period for ATM, POS and WEB Transactions in the Guidelines for the Operation of Electronic Payment Channels, 2020

Effective June 8, 2020, financial institutions are required to:

Instantly reverse failed on-us ATM transactions. However, where this is impossible due to technical glitches, manual reversal should not exceed 24hours

Reversal of failed not-on-us ATM transactions; and refunds on disputed/-failed POS/Web transactions shall not exceed 48 hours.

Banking, Payments, Money Transfer and other financial products

Regulatory Forbearance for the Restructuring of Credit Facilities of other Financial Institutions Impact by COVID-19, 2020

Effective March 2020, 5% interest rate per annum shall be applied on all CBN credit facilities availed through participating OFIs. Also, consumers shall be granted a one-year moratorium on all principal payments.

Regulatory and Supervisory Guidelines for the Operations of Mortgage Guarantee Companies (MGC), 2019

Though a mortgage company can grant full or partial guarantee of residential mortgage loans, it cannot accept demand, savings and time deposits nor grant consumer commercial or mortgage loans.
MGCs cannot finance real estate construction, originate primary mortgages, manage pension funds/schemes nor foreign exchange, commodity and equity trading.

Implementation of Cashless Policy, 2019

To encourage cashless transactions and improve adoption of DFS, all financial service providers in the nation are required to charge individuals - 3% processing fees for withdrawals and 2% processing fees for lodgment, whilst charging corporate organisations 5% processing fees for withdrawals and 3% processing fees for lodgment

Includes Mobile Money Operators (MMOs) float accounts, deposits of Microfinance Banks (MFBs) and Primary Mortgage Institutions (PMIs) with Deposit Money Banks (DMBs).

Revised Standards on Nigeria Uniform Bank Account Number (NUBAN) for Banks and Other Financial Institutions

All banks and other financial institutions must provide a NUBAN of 10 digits to customers. This NUBAN must be unique within each deposit taking institution. Other financial institutions are to comply fully with this directive by March 15, 2021.

Banking, Payments, Money Transfer and other financial products

Review of Process for Merchants Collections on Electronic Transactions, 2019

Banks shall unbundle merchant settlement amounts and charge applicable taxes and duties on individual transactions as stipulated by other CBN regulations. Noteworthy is 50% service charge capped at N1,000 for merchants.

Operation of Mobile Money Wallets by Deposit Money Banks (DMBs), 2020

DMBs do not require prior approval to offer mobile money wallet services. However, they shall notify the CBN before commencement of these services and must operate within the extant regulations on mobile money operations.

Revised CBN Microfinance Banks Guidelines, 2020

Microfinance banks can only develop and launch products within their geographical area of operation as stipulated in this guideline.

Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria, 2019

This regulation sets out guidelines for end-to-end electronic payment of salaries, pensions and other remittances, suppliers and revenue collection in Nigeria, for both the public and private sector. It requires FSPs to publish customer service/ contact centres details via multiple media

channels and maintain customer service contact centres, promptly attend to all electronic payment enquiries and challenges within stipulated timelines; and report of customer complaints, indicating resolution status.

Guidelines on Operations of Electronic Payment Channels in Nigeria, 2020

The guideline specifies standards for operations, security, maintenance, fees and dispute resolution for the deployment and use of ATM Operations, Point of Sale (POS) Card Acceptance Service, Mobile Point of Sale (MPOS) Acceptance service and Web Acceptance Service by financial institutions

Banking, Payments, Money Transfer and other financial products

Relevant service criteria include:
– All ATM charges shall be fully disclosed to customers.
– ATMs shall issue receipts, where requested by a customer.
– Receipt prints and screen display are legible.
– Cash is available in the ATMs at all times.
– There is appropriate monitoring mechanism to determine failure todispense cash.

Statutory Charges on Receipts to Nigeria Postal Service under the Stamp Duties Act, 2016

DMBs and other financial institutions are to charge N50 stamp duty per electronic transfer and teller deposits from N1,000 and above. Charges are payable by the recipient of the fund.
Other financial institutions are to remit their stamp duty collections to any DMB of their choice.

Secured Transactions in Movable Assets Act, 2017

The Act facilitates the use of movable property as collateral for both SME and consumer lending through a web-based registry in order to increase financial inclusion.

Pension Products

Guidelines for Micro Pension Plan 2018

Guidelines provide modalities for Micro Pension Plans meant to provide pensions to the self-employed and persons operating in the informal sector. Electronic registration should be made available by all PFAs. Contingent withdrawals may occur 3 months after making the initial contribution. Retirement benefits withdrawal is permitted upon retirement and attaining the age of 50 years or on health grounds. PFA shall inform Micro Pension retiree on the various options of accessing retirement benefits.Any contribution after retirement shall be treated as Voluntary Contributions (VC).

Revised Fee Structure in the Pension Industry, 2018

Stipulates fees structure for Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFC), by PenCom. Active Contributor may, subject to a formal application made to the PFA, switch from one Fund Type to another Fund Type within a given PFA, once in 12 months without paying any fees.

Insurance Products

Market Conduct and Business Practice Guidelines for Insurance Institutions

The Guidelines set out minimum standards required for licensing and authorisation of insurers, intermediaries and other insurance institutions, dealing with clients (including fair trade practices and strong market conduct), policyholders, shareholders and other stakeholders

Rules include:
Product approval applications shall include risk analysis, 5-year business plan and reinsurer’s consent letter;

– Refrain from marketing any product unless approved

– Avoid false and misleading advertising;

– Provide adequate and timely information in easily understandable language and full particulars of the insurance company;

– Maintain customers confidentiality;

– Salient points of insurance contracts shall be explained to the customer before execution;

– Notify the insured of any warrantyimposed under the policy, majoror unusual restrictions, and exclusions.

Telecommunication Services

By Section 108 of the Nigerian Communications Act, the Nigerian Communications Commission is responsible for the approval of tariffs and other charges for the provision of service by licensed telecommunication service providers. Pricing plans and policies to note include:

Conditions for Approval – **New Tariff Plans & Modification of Tariff Plans**

Rules include:

– All Tariffs new or modification(s) must be submitted to the Commission for consideration and approval.

– No product/ service is exempt from tariff approval.

– Service/ product must be offered with the terms and conditions stated in the business rules as approved by the Commission. There should be NO automatic renewal of a plan without the customer's consent.

– Approved Operator Tariff plans

The following regulations establish rules for pricing of rates of products and services:

– Determination of USSD Pricing, 2019

– Determination of Voice Interconnection Rates, 2013

– Determination of Voice & SMS Interconnection rates, 2009

– Determination of Mobile Voice Termination rate, 2018

– Determination of interconnection rate, 2006

B. Consumer Protection, Competition and Data Privacy

All Companies and Businesses	**Data Protection Regulations, 2019** Data must be collected and processed for lawful purposes with the consent of the data subject. Data collected shall be adequate, accurate and without prejudice to the dignity of human person and only stored for a certain period. Personal data shall be treated with due diligence in order to prevent any harm to data subjects.
	Constitution of the Federal Republic of Nigeria, 1999 (**as amended**) Section 37 of the constitution provides for right to private and family life. The privacy of citizens, their homes, correspondence, telephone conversations and telegraphic communications is hereby guaranteed and protected.
	Cybercrimes (**Prohibition, Prevention, etc.**) **Act, 2015** This Act specifies punishment for crimes committed in cyberspace and data privacy breaches. Part IV, Section 38 specifies the duty of financial institutions safeguard customer's assets, retain records and ensure protection of subscriber's information.
	Freedom of Information Act, 2011 Section 14 of the Freedom of Information Act protects personal data. It restricts the disclosure of information which contains personal information by public institutions except where the involved data subject consents to its disclosure or where the information is publicly available.

All Companies and Businesses

Access to Registered Information in the National Identity Database Regulations, 2017

Section 26 of this Act requires the approval of the Commission before a corporate body or anybody can have access to data stored in their database. The Act also empowers the NIMC to collect, collate and process data of Nigerian citizens and residents.

Federal Competition and Consumer Protection Act, 2018

Under this Act, consumers rights include:

– Right to be given information in plain and understandable language;

– Right of disclosure of prices of goods and services;

– Right to adequate trade description and to have products correctly labelled;

– Right to be given adequate information of every transaction;

– Right not be given a condition before making a purchase;

– Right to reject goods;

– Rights against unfair prices and terms; and

– Right to safe, good quality goods and services.

Banking, Payments, Money Transfer and other financial products

CBN Consumer Protection Regulations, 2019

Regulations prioritise equal access to basic services without regard to social status, physical ability, marital status, gender, age, religion, tribe or ideology.

Business models, strategies and processes should be designed to meet the needs of the financially excluded, such as low-income consumers, women, seniors, physically challenged and the non-literate.

FSP's must not charge early liquidation fees for consumer and SME loans with variable interest rate.

Transaction documents (including e-documents) must not be misleading, be written in clear, legible and simple English language, in a minimum font size of 10. An oral explanation must be provided; if the customer requests or is perceived to lack understanding, or is illiterate, in a language they understand.

Financial institutions must protect the privacy and confidentiality of consumer information and assets

Financial institutions must obtain the written consent of consumers to collect and process their personal data and provide them with the option to withdraw the consent at any time

Consumers personal data must not be transferred to a third party without their express consent, except in compliance with a legal obligation

Guideline on Nigerian Payments System Risk and Information Security Management Framework, 2020

This Guideline identifies and addresses sources of information security risks, systemic risks, credit risks, liquidity risk, operational risks, legal risks and settlement risk within the Nigerian Payments System Landscape.

Credit Reporting Act, 2017

Section 8 and 9 of this Act addresses confidentiality rights of data subjects and obligation of data subjects of update information respectively in credit transactions (specifically regulating the credit bureau of Nigeria).

Banking, Payments, Money Transfer and other financial products

Consumer Protection Framework, 2016

Section 2.6 of this framework mandates banks and other financial institutions to establish guidelines to safeguard consumer assets and privacy against unauthorized access. Areas to be covered include: Fraud and Data Privacy.

Regulatory Framework for The Use of Unstructured Supplementary Service Data (USSD) For Financial Services In Nigeria, 2018

This framework establishes rules and risk mitigation considerations for financial institutions implementing USSD for their financial services/products to protect the customer. In this framework, financial institutions must:

ensure at least, radio encryption between users' SIM-enabled device and base stations

avail the customers the option to opt in/out of the USSD channel for financial transactions

not use the USSD service to relay details of other electronic banking channels (in case of banks) to their customers

installproper message authentication mechanism to validate that requests/responses as generated through authenticated users.

Nigeria Financial Services Industry IT Standards Blueprint, 2019

One of the objectives of this framework is to provide standards for IT governance and to help curb cyber security.

Bank Verification Number (BVN) Project, 2014, Regulatory Framework for Bank Verification Number (BVN) Operations and Watch-List for the Nigerian Banking Industry, 2017 and its Amendment, 2018

All stakeholders (DMBs, OFIs, MMOs, PSPs, Credit Bureaus, PSPs, Law Enforcement Agencies amongst others) may have access to consumers BVN information ONLY after providing a valid court order, subject to the approval of the CBN.

Banking, Payments, Money Transfer and other financial products

Guidelines on Mobile Money Services in Nigeria, 2015

This guideline specifies the minimum technical and business requirements for the various participants recognized for the mobile money services in Nigeria. It provides minimum security standard for mobile payment solutions and stipulates requirements to mitigate risks arising from the operations of MMOs.

Guidelines on Electronic Banking in Nigeria, 2003

This guideline provides standards for deploying technology solutions in the areas of communication, delivery channels, hardware, software, settlement and security for electronic banking in Nigeria. It also specifies legal guidelines to address issues on banking regulations and consumer rights protection

Guidelines for Card Issuance and Usage, 2014

– Only banks licensed by the CBN with clearing capacity can issue payment cards to consumers and corporations. However, banks without clearing capacity can issue in conjunction with those with clearing capacity

– All payment card transactions shall be subjected to the Nigerian Financial Intelligence Unit (NFIU) reporting requirements

– Card issuers shall continually educate and inform cardholders on security, withdrawal limits, billing cycles cost and charges issues, help line, and dispute resolution processes etc. regarding their card usage

– Card issuers must not levy any charge not explicitly indicated to the customer or cardholder.

– The issuer must take full responsibility of the payment card security and the losses incurred on account of breach of security or failure of the security mechanism, except if the issuer establishes security breach on the part of the card holder

Insurance Products	**Market conduct and Business Practice Guidelines for Insurance Institution in Nigeria**
	Guidelines for Microinsurance Operation in Nigeria, 2018 Terms, coverage and delivery mechanisms of microinsurance products should be presented to consumers in a clear and unambiguous form. All microinsurance products, brochures/flyers, terms and conditions, as well as claims forms, must be submitted by the micro insurer for approval by Pension Commission before introduction/selling to the target market/public. All micro insurers must have an internal conflict resolution mechanism in place for addressing disputes and complaint.
Telecommunication Services	**Internet Code Practice, 2019** An internet access service provider (IASP) shall take reasonable measures to protect customer information from unauthorized use, disclosure, or access An IASP must notify affected customers and the NCC of any breach relating to the customer's information within 48 hours of its occurrence, by email and text message An IASP must include in its terms and conditions of service, a clear set of rules for the use of the service that complies with the Cybercrime Act, 2014, Child Online Protection Policy and all other applicable laws and regulations An IASP shall have measures in place for the immediate blocking of access to child sexual abuse content, once notified by the Commission
	Consumer Code of Practice Regulations, 2007
	The Registration of Telephone Subscribers Regulation (RTTS Regulation) 2011
	The Nigerian Communications (Enforcement Process, etc.) Regulations, 2019
	Guidelines for the Provision of Internet Service
	Competition Practices Regulations, 2007

Health/Medical Financial Products

National Health Act, 2014

Section 26 of this Act mandates health care providers to ensure that all information concerning a user, including information relating to his or her health status, treatment or stay in a health establishment is kept confidential.

Policies that Impact the Product Development Process

Critical to the achievement of Nigeria's financial inclusion aspirations is consistent policy assessment and advocacy to ensure a market-enabling environment for financial inclusion. To achieve this, tracking the implementation of agreed consensus on policy reforms and policy direction are required to aid development of sustainable business models, inclusive products and hopefully quicker attainment of financial inclusion targets. This study identifies policies and frameworks that enable and inhibit the development of inclusive financial products and services, justifications and possible improvement areas.

Approach

The SIDFS initiative embarked on a research incursion to identify how policies, legislation and regulatory measures targeted at providing citizens access to formal financial services, have influenced the development of inclusive financial services and products by FSPs. The survey also sought to discover possible changes and interventions that can help FSPs tackle their product development challenges.

Table 34: Research approach summary

Approach	Qualitative
Population	FSPs, Regulators, and Development Partners
Sample	150
Method	Self-administered surveys, telephone interviews
Data analysis	Descriptive & Thematic analysis
Response Rate	41 respondents (27%)

FINDINGS

Which public policy, legislation and regulatory measures significantly motivate FSPs to develop inclusive financial products and services?

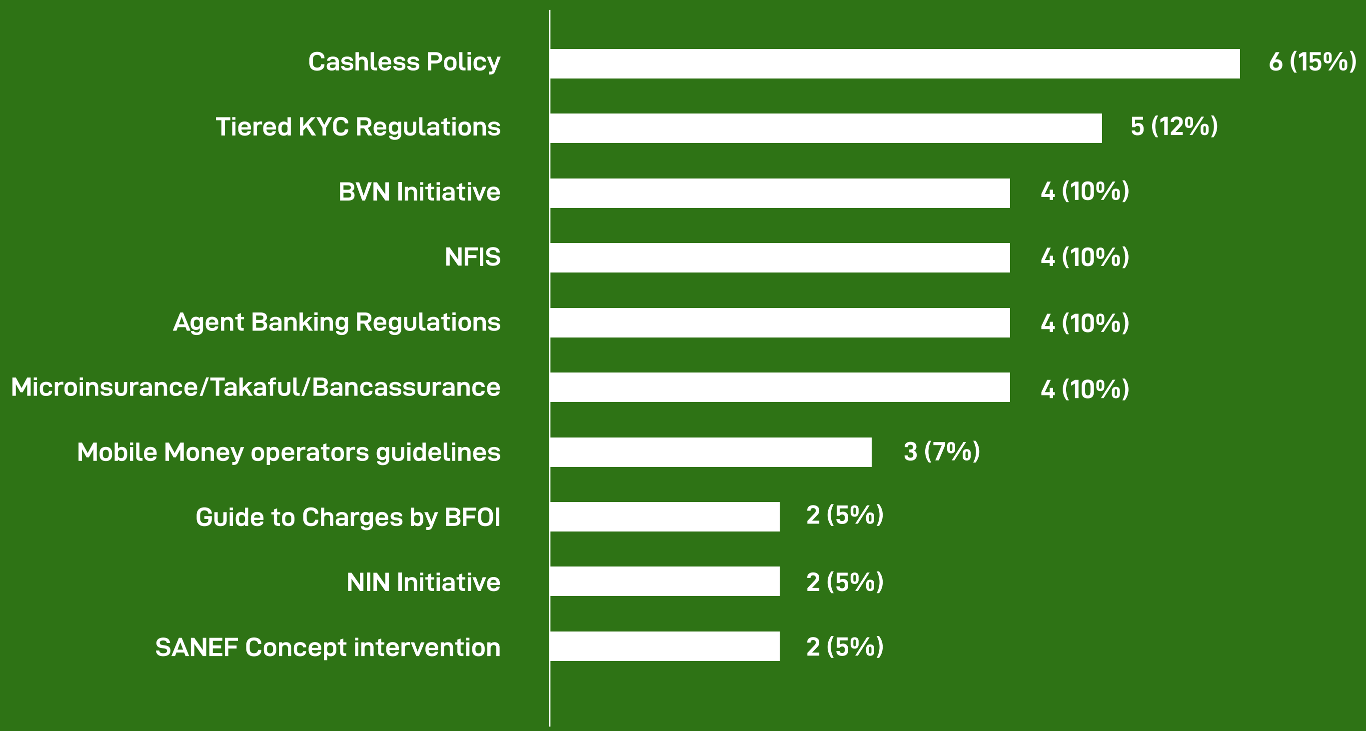


Figure 5: Survey responses to the question on regulatory measures that significantly motivate inclusive product development

Cashless Policy

The CBN's Cashless Policy is an initiative to reduce the amount of physical cash in circulation thereby encouraging the use of electronic platforms for settlement or payment for goods and services.

Advantages

The initiative forced FSPs to explore digital payment solutions targeting both the banked and unbanked.

> *"Cashless policy has helped to curb some of the negative consequences associated with the high usage of physical cash and enabled financial service providers to leverage on technology as a payment option for their customers"*
> *– Respondent 29*

Recommendations

The process of digitising cash requires financial and digital infra-structure and devices that are sourced internationally. Thus, the duty waivers on DFS equipment is a recommended incentive.

> *"Federal government needs to be more directly involved, providing necessary incentives to FSPs and merchants, e.g. provide pervasive broadband, broadband tax rebates, duty waivers/reduction on pieces of equipment required to grow DFS, e.g. ATM, POS terminals, mobile phone"*
> *– Respondent 2*

"Federal government needs to be more directly involved, providing necessary incentives to FSPs and merchants

Tiered KYC

The three-tiered KYC regime introduced by the CBN implemented flexible account opening requirements for low-value and medium-value accountholders subject to prescribed thresholds.

Advantages

Allows banks reach more financially excluded people whose exclusion was due to inability to fulfil previous KYC requirements

"...with the tiered KYC, KYC was simplified, overcoming a major barrier to inclusion" –Respondent 8

Recommendations

1. Develop framework for e-KYC in Nigeria

"I recommend the development of a framework for e-KYC in Nigeria"
- Respondent 8

2. Push tiered KYC to include telcos and other financial institutions

"push the same KYC legislation to regulators of other financial services such as NAICOM as it relates to policy documentation"
- Respondent 26

"Push the same KYC legislation to regulators of other financial services such as NAICOM as it relates to policy documentation

Agent Banking Licensing, Framework and Regulations

The CBN introduced agent banking guidelines in 2013. The guidelines enable financial institutions and MMOs can appoint third parties as agents to provide financial services on their behalf to members of the public. The CBN's regulatory framework also includes a super-agent framework, responsible for monitoring and supervising the activities of agents, including the volume and value of transactions for each type of service they offer.

Advantages

Allows banks reach and target the underserved and excluded, particularly those at the last mile.

"Relaxation of agency banking enrolment and operational procedures by SANEF has allowed banks to target the unbanked and financially excluded using Agent/SANEF network"
– Respondent 17

Recommendations

Removal of stamp duties for agency banking transactions

"We need to remove or reduce stamp duties from transactions that go through Agency banking platforms. The CBN needs to differentiate between the Merchant Terminals and Terminals within the Agency Banking Sector."
– Respondent 24

"The CBN needs to differentiate between the Merchant Terminals and Terminals within the Agency Banking Sector.

Micro Pension Guidelines

The Micro Pension Scheme is designed to help income earners in the informal sector (traders, artisans, professionals and other self-employed people who do not qualify for the contributory pension scheme to save conveniently for retirement.

Advantages

"The Micro-Pension plan, which is a fall out of the NFIS, has enabled PENCOM align the principles and intentions of the pension system to those in the informal sector. The plan entails a set of rules created by PENCOM for retirement savings account for the individuals at the base of the pyramid. Before this plan, though we were trying to engage a lot of people in the informal sector, they were subject to the same rules as those working in the formal sector" – Respondent 41

Recommendations

Partnership between PFAs and OFI to drive micro-pension plan

"How the micro-pension plan works is that a portion of your fund (60%) is earmarked for you as retirement savings while the other 40% is saved as contingency fund which you can withdraw at any point as long as it is 90 days after the first contribution.

However, a proper alignment or reform of the Micro-pension plan policy will be to have a partnership with other financial service providers (which we have been trying to build, but we have not been too successful). In this way, saving money for retirements will become an incentive, as they can use that 40% contingency fund or retirement savings even before they get to retirement age, to get other financial services such as credit/loan from other financial service providers. So, the contingency fund is used as collateral."
– Respondent 36

The Micro-Pension plan has enabled PENCOM align the principles and intentions of the pension system to those in the informal sector.

Mobile Money Operators Guidelines

Mobile money operator license and guidelines opened the market to mobile money and defined the rules of operation in Nigeria, identifying permitted operators

Advantages

1. Allowed more players and enabled providers extend services over different geographical locations to the last mile through e-wallets.

"Mobile money has allowed flexibility and enabled FSPs to extend services to a wider audience by creating wallets. For example, allowing commercial banks to run mobile money without requiring license" – Respondent 13

"Mobile money has provided different platforms where people can transact business irrespective of their location, be it urban or rural. It also contributed to the ease of doing business"
– Respondent 24

2. Opened the financial services market to digital innovation and competition to reach the unserved.

"Mobile money and agency banking guidelines have opened the market for innovation and competition" – Respondent 11

Recommendations

Interoperable platform between banks and MMOs to ease person-to-person transfer initiatives

"More can be achieved with mobile money, by enabling interoperability with all MMOs and NUBAN Accounts from the DMBs"
– Respondent 13

Mobile money has provided different platforms where people can transact business irrespective of their location, be it urban or rural.

Microinsurance, Takaful and Bancassurance Guidelines

The release of bancassurance, microinsurance and takaful guidelines allowed providers tackle the country's notoriously low penetration of insurance products.

Advantages

Encourages registration and penetration of insurance companies to reach the excluded

"These guidelines have increased insurance penetration, meeting national financial inclusion goals" – Respondent 6

The release of bancassurance, microinsurance and takaful guidelines allowed providers tackle the country's notoriously low penetration of insurance products.

FINDINGS

Which public policy, legislation and regulatory measures have posed significant obstacles to the development of inclusive financial products and services?

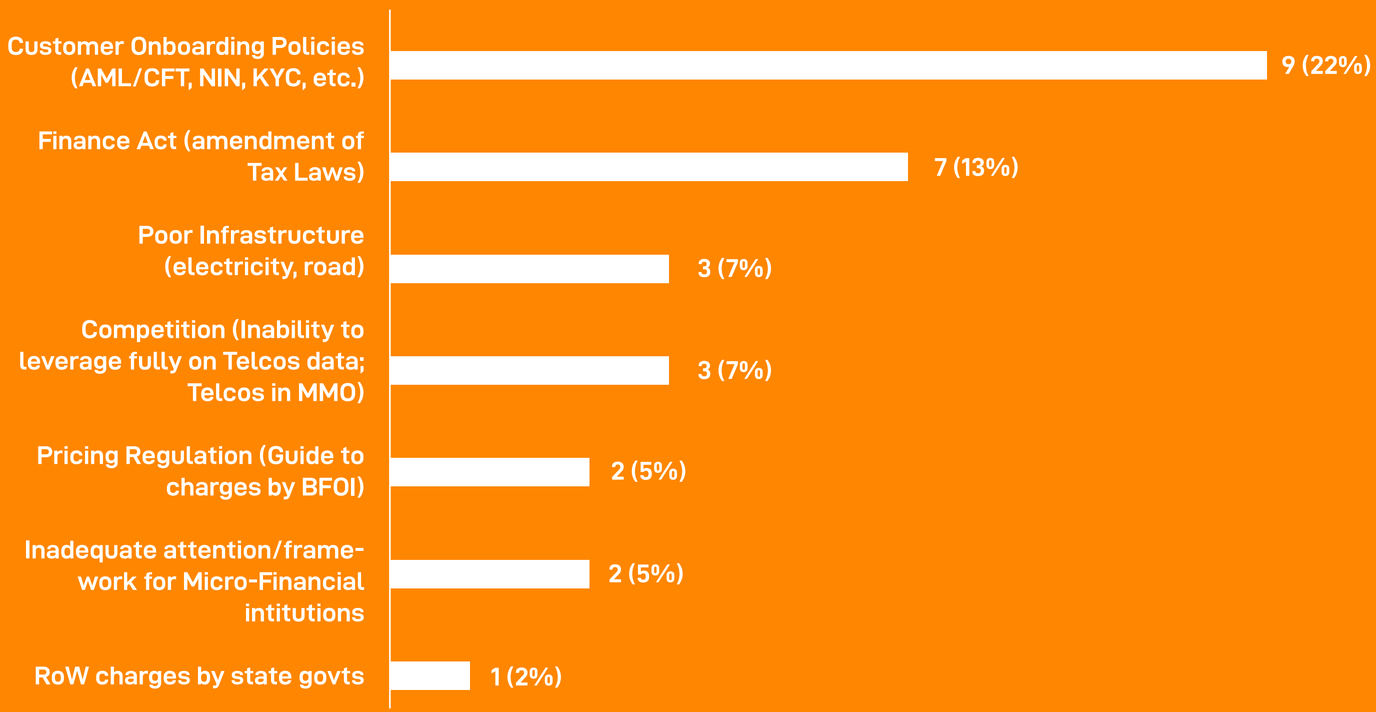


Figure 6: Survey responses to the question on regulatory measures that significantly inhibit inclusive product development

Finance Act 2020

The Finance Act 2020 reviewed and introduced changes to various tax regimes in Nigeria including the Value Added Tax and Stamp Duty Act.

Limitations

1. Stifles agent banking. Firstly, the non-aggregated charge for POS terminal is non-viable for agents. Secondly, the stamp duty charge on deposits from 10,000 and above limits agents because they are at cash-based locations and will need to deposit large sums of money for multiple people.

> *"The POS terminal is the agent's most viable tool and has gained high user acceptance. The stamp duty charge on agents added to the current fees makes it non-viable for agents. Merchants may be able to pass on the charges in their prices but not agents. The part on deposits is bad because agents at cash-based locations are the channels for transactions and need to deposit large sums of cash for multiple people. This policy limits that." – Respondent 20*

2. Discourages electronic payments and encourages cash payment, which negates the cashless policy initiative.

3. Inconsistent and unclear tax regulations lead to multiple taxation.

> *"Too many competing and conflicting policies which discourages the need to migrate to the digital space. On one side, the regulator is saying transactions should not be done across the counter manually. On the other side, the government is taxing or applying charges to transactions done online, even to simple things like when inflow comes into my account. Some policies are good, but too many other competing policies impeding the financial inclusion progress through digital financial services." – Respondent 36*

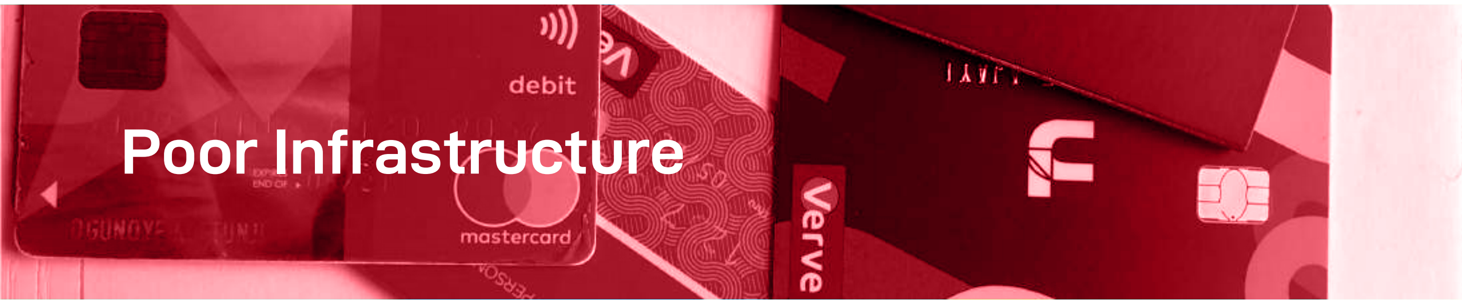
The non-aggregated charge for POS terminal is non-viable for agents.

Recommendations

1. Stop stamp duty on agent banking transactions

"Stop charging stamp duty on agency banking transactions. Make exemptions on stamp duty for agents. This will serve as a benefit for being an active agent as the waiver should only apply to active agents." - Respondent 24

"Regulators need to apply a Win-Win-Win approach. Policies need to benefit the end user, but also the FSP and the agents as well otherwise they won't be viable and won't attract investments" – Respondent 20



Poor Infrastructure

The business environment is impacted by the dearth of infrastructure necessary for FSPs to run their business sustainably.

The business environment is impacted by the dearth of infrastructure necessary for FSPs to run their business sustainably.

Limitations

1. High cost of doing business

"The lack of adequate and clear cut policy on electricity tariff; and poor road facilities has made the cost of doing business high" - Respondent 9

Customer Onboarding Policies for Banking and Other Financial Institutions (BOFI)

Financial service providers are required to onboard new customers by mandating them to fulfil KYC requirements. These usually result in considerable administrative costs for providers and can be inconvenient, and sometimes difficult, for customers.

> **Financial service providers are required to onboard new customers by mandating them to fulfil KYC requirements.**

Limitations

1. Difficulty with getting NIN, KYC & AML/CFT requirements, stifles customer buy-in and service adoption for banks, pension and insurance companies

— *"From our research, people prefer to save their money with fintechs than with other financial service providers. The flexibility of taking their money when they want and putting it back there is what they like. For instance, all they need to get on (the fintech) is an email address and some few information. KYC for them is not so detailed. The only difference or leverage the banks, PFAs, Insurance companies etc. have over the fintech is the trust element. However, it is a very tiny leverage compared to the larger picture as these fintechs can also be reached for complaints redress. So, we need to find a middle ground where we still have the trust element but at the same time also have the flexibility and convenience element" – Respondent 41*

— *"The NIN enrolment exercise and centres have not been favourable. It is challenging. Once we tell a prospective customer that he/she will require a NIN, they just back out, as the process of getting the NIN is very difficult. Most times, we must bear an extra cost to facilitate NIMC registration agents, to where the customers are for registration before they can sign up for a product or service. More so, this is not a sustainable strategy for us, as we are paying so much and getting very little." – Respondent 41*

2. Customer failure to divulge KYC information to insurance companies

— *"Many customers find it very difficult to share information like BVN, NIN etc with insurance companies. So, they do not complete their KYC details, and this affects their access to formal financial services and processing of transactions" – Respondent 18*

Recommendations

1. Allow banks onboard customers like fintechs, and pension companies onboard customers like banks

"The regulators need to rethink the whole customer on-boarding process to reflect the digital transformation taking place in the country, so that there would be an open playing field for everybody not necessarily be an advantage to only the fintechs. This is because, today, a fintech can on-board almost anybody. Still, the banks may not probably be able to as a result of some regulations like KYC, AML/CFT regulations, and so on that may hinder us." – Respondent 36

"Pension organisations should be allowed to onboard people like the banks do even over ATM machines. For instance, we onboard customers, then when customer savings gets to a certain threshold, they are restricted from getting money out of the system, until they complete the KYC information. This allows for the early stage of registration and on-boarding convenience, leading to easy adoption. Because, at the later stage, there is an incentive - that is their savings in the account - for them to willingly want to complete their KYC information for access." – Respondent 41

2. Allow FSPs act as agents for NIN registration

"The NIMC is at the implementation stage of the World Bank funded digital identity project, and is adopting an ecosystem approach as a strategy for implementation. This ecosystem approach is directed at involving Private and public sectors as NIMC's data collection agents following specified standards (which will be laid down by NIMC). This strategy was adopted by the government to reduce cost, move speedily, and ensure that enrollment centres are easily accessible. "
– Respondent 40

3. Sensitise customers on the importance of KYC details

"Customers need to be sensitized more, to be aware of the importance of KYC details for access to formal financial services and transactions"- Respondent 28

Pension organisations should be allowed to onboard people like the banks do even over ATM machines.

Pricing Regulations

The CBN's Guide to Charges by Banks and Other Financial Institutions regulates how much providers can charge customers for their products and services.

Limitations

1. Stifles innovation and competition - prices are pegged for FSPs; agents and merchants are charged high processing fees

> *"Last year, there was a directive slashing charges by banks and other financial institutions". As much as the regulators are trying to protect the consumers in terms of overcharges, it doesn't seem that there were conversations with financial service providers to evaluate what it costs them to provide such services to the consumers so as not to direct a charge that is below their cost of service. This is because there are high infrastructure costs to put these services out there for customers." – Respondent 36*

Recommendations

1. Regulators should consult FSPs when formulating policy

> *"When formulating policies, regulators should wear the hat of stakeholders who invest in services for profit; charges should be cost reflective. They should have inclusive discussions with financial service providers during policy formulation."*
> *– Respondent 14*

When formulating policies, regulators should wear the hat of stakeholders who invest in services for profit; charges should be cost reflective.

Competition

Nigeria currently operates a regulatory model that excludes the direct participation of telecoms operators as mobile money providers. The CBN's guideline for mobile money operators describes two models of mobile money services: the bank-led model and the non-bank led model (which explicitly excludes telecommunications providers).

Limitations

1. Stifles innovation in reaching those at the last mile

> *"Not allowing telcos in mobile money operations, limits reach to those at the last mile. Telcos have a wider geographical reach and presence." – Respondent 21*

2. Giving PSBs license, if not managed properly, can lead to unhealthy competition among players

> *"In the case of incorporating telcos into the banking/financial services space, though this is good, how are the regulators ensuring that the value of those already in the space is not eroded. Since there are already people in the financial service space like banks, though it is great to have the telcos and fintechs, there has to be a good framework, where everybody can have a healthy competition" – Respondent 36*

Recommendations

1. Provide a platform for telcos and providers to access customer data

> *"...looking at the customer on-boarding for digital platforms, how can stakeholders from every part of the DFS ecosystem collaborate to get this accomplished by leveraging on each other's strengths. Today, the telcos have data that can help know customers and their location. Can there be a platform where telcos data is available to everyone for use, to increase services and reach? This will be great, instead of regulating banks with old frameworks while fintechs continue to operate with more flexible and modern frameworks per se." – Respondent 36*

Today, the telcos have data that can help know customers and their location.

Inadequate Attention/Framework for Micro-Financial Institutions

To increase financial inclusion and improve access to financial services for low-income citizens, the CBN issued the Microfinance Policy, Regulatory and Supervisory Framework in December 2005, later revised in 2011. Microfinance institutions are to provide access to financial services such as micro-savings, micro-credits, and other financial products to the economically active poor.

> **“… to create a specialised framework that will guide the activities of the micro finance institutions.**

Limitations

1. Lack of standardisation in operations and consumer protection

> *"CBN leaving the responsibility of directing most of the affairs in the MFI industry to the Association of Non-Bank Micro Finance Institutions (ANMFI), makes room for no measure of standardisation in operations and consumer protection. We have seen situations where people do some impersonating things and bad stuff, and there is no way to identify those that are fit for purpose as deemed by the CBN." – Respondent 35*

Recommendations

1. Specialised framework for MFIs

> *"I recommend that the CBN works with the Ministry of Finance, Ministry of Trade and other pertinent government institutions, to create a specialised framework that will guide the activities of the micro finance institutions. This will provide some form of standardisation and an avenue to track and get information which can then help policymaking in the future. Because, what we see now, is that the information the CBN has now is what they get from the institutions they regulate directly and closely. So imagine the gap that exists with the micro-finance space having no close supervision or standardisation." – Respondent 35*

General Insights and Recommendations

1. Creating and maintaining the right enabling environment has been the most impactful policy / regulatory intervention impacting product development and financial inclusion.

RECOMMENDATIONS

Regulators should continue to encourage diversity of players, avoid undue dominance by any player or sector, whilst consumer protection should be actively monitored.

2. Measures supporting digital infrastructure and transactions are critical in promoting product development and financial inclusion

RECOMMENDATIONS

Concerted efforts should be made to improve infrastructure and incentivise more investment and lower providers' operating costs.

3. Good regulatory quality effects (market directed, risk based prudential financial inclusion regulations, proportionate measures, effective stakeholder consultation and monitoring) appear to have greater influence on incentivising FSP competition and innovation and accomplishing financial safety objectives, rather than mere rules based/compliance related measures.

RECOMMENDATIONS

Regulators should ensure adequate stakeholder consultation, market friendly regulations that enhance the ease of doing business, reduced administrative and compliance burdens, especially for SMEs.

4. Risk based measures that focus on essential objectives and allow for innovation and openness to experiment appear to be more influential in promoting inclusive product development than prescriptive and rules-based measures.

RECOMMENDATIONS

Regulatory innovation and openness to experimentation in order to promote inclusive products is highly recommended.

5. Minimum digital identity is imperative for product development/ financial stability.

RECOMMENDATIONS

E-KYC and measures to align regulations on other players with the latitude enjoyed by fintechs, followed by restrictions after recruitment to manage AML/CFT risks, may be more effective in driving quicker inclusion.

6. Focused implementation of financial inclusion policies, and alignment with financial inclusion objectives to avoid counterproductive results, is required to drive development of inclusive products and services.

RECOMMENDATIONS

Coherence in policy and regulatory measures related to or impact financial inclusion should be pursued by all relevant regulators. For example, these measures could be cleared through the Refreshed NFIS steering committees.

7. The data supports existing literature that a national financial inclusion strategy "can support coordination among public and private sector stakeholders and provide an organising framework for financial inclusion policies and regulations to be implemented".

RECOMMENDATIONS

Coordinating the implementation of financial inclusion through the Financial Inclusion Secretariat (FIS), Financial Services Regulation Coordinating Committee (FSRCC) and the National Economic Council (NEC) and propagating financial inclusion to the unit governments should be strengthened.

There has been considerable effort by the policy makers to promote product development and this report presents insights into what works. A regulatory sandbox draft framework was issued this year and Payment Service Banks were licensed (albeit with scholarly skepticism as to their viability and utility).[6] However, at this point, the inclusion target for 2020 appears illusory. A recommendation made earlier appears apt: "*Regulators should consider business models before issuing regulations and offer more incentives to operators to innovate customer value propositions. At least, they should not make it more difficult for them to do so.*"[7]

6. E.g., Mondato, Payments Banks: Nigeria Takes a Page from India, August 27 2019. Available at: https://blog.mondato.com/payments-banks-nigeria-page-from-india/

7. Editor's Note, Effective Business Models are required for Optimally Delivering Services to the Larger Market Policy Tracker, August 2020. Available at: https://lbs.us16.list-manage.com/track/-click?u=f56f1a382462033ba0949288e&id=b5d79ab87f&e=230ea88cea

Concluding Remarks

Nigeria's financial inclusion journey has been a slow march with minimal progress recorded year on year. The failure of financial inclusion campaigns to capture the attention of the under-served and excluded underscores poor product-market fit plaguing many of the products and services being offered to them.

Partly responsible for this is the seeming homogeneity of FSP products offerings. The data suggests that a new approach towards product innovation and development is necessary. Deeper understanding of the customer segments, particularly the three segments explored in this report (rural dwellers, women and youths) will enable providers to explore more innovative products and delivery mechanisms. As was evidenced in this report, these three segments have divergent and peculiar attitudes and behaviours towards various financial products.

Investing in and embracing evidence-based research along with human-centred design principles will enable providers to harness these insights to develop the right products and messaging. But unearthing these insights will require a willingness to step out of comfort zones and explore new product development practices and philosophies.

The regulatory sandbox framework supports intentions to advance product innovation. Nevertheless, the implementation, adoption and management modalities of the sandbox will determine its impact in advancing financial inclusion. Alongside such innovation environments, innovation of regulatory processes like the product approval process that enable FSPs move swiftly and leverage opportunities and gaps in the industry are critical.

In sum, the hat-trick of customer segmentation, customer-centric product development and regulatory frameworks and practices are essential to create diverse and appropriate product innovations.

Digital Financial Services in Nigeria

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