

# BANKING



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## Leveraging collaboration to bring 46m people into financial system by 2025

HOPE MOSES-ASHIKE

In Nigeria, the potential for increasing financial inclusion is ripe, particularly among young people.

A recent Financial Inclusion Insights study conducted by InterMedia with funding from the Bill & Melinda Gates Foundation, reveals that individuals unaware of mobile money are largely 60 percent of young people of 15-34 years, educated (70%) and employed (60%). This group has the financial skills and equipment required to register and use mobile money, and could potentially use the service to pay school fees.

Additional finding shows that more than 4 in 10 Nigerians experience some form of economic vulnerability. Financial inclusion is needed to create resilience. Most of the vulnerable are numerate and few are literate. Nine in 10 are poor and close to two-thirds live in rural areas. The most common forms of economic vulnerability include forgoing food, fuel or medical care. However, financially included adults living below the poverty line are more likely to have a plan for weathering financial shocks.

Registered bank users who actively use their account are experimenting with more advanced services, compared to past years. More are now saving and transferring money across accounts. Encouraging consumers to deepen their relationship with an account is critical

to building retention, especially at a time when the industry is prone to attrition.

Olayinka David-West is a senior fellow, Information Systems and Academic Director, Lagos Business School. She teaches in the area of information system and information technology. David-West is particularly interested in how technology and technological advancement are affecting business and society. In the course of her teaching, she conducted research in financial services sector, where she sees a lot of technology advancement improving access to service. In an interview with BusinessDay, she gives insight on the benefits of digital financial service and financial inclusion.

The academic director believes digital financial services can increase access to more people than ever before. This, she said, can be achieved by taking advantage of mobile connectivity, which now covers over 90 percent of the world's poor, digital accounts which are much more affordable to manage and provide on a large scale than traditional bank accounts.

"We need to create jobs. It is important because when we look at the Nigerian population, we have a lot of youths coming out of the university but no jobs. Digital helps us to create jobs."

She looked at how mobile phones can be used as a platform to deliver financial services. "The whole idea is that a lot of Nigerians today are unbanked. We have the financial



Olayinka David-West

inclusion strategy in the country, which seeks to put 80 percent of Nigeria's adult population into the formal and informal banking space by 2020. So technically, we have only three more years, and if you look at the way population is growing and the size of the adult population, we have about 18 million people to address within the next three years.

Now this financial inclusion strategy, which has a 2020 target deadline, should be taken at a national strategy not the CBN strategy. Not everybody sees the benefit. What we need to do is plug into this system and begin to drive the benefits. We do not need to start everything again from scratch.

To address this, why is it important to bring people in the financial system? It is not just because telecoms are available or banks,

but what are the benefits to everybody? Let us start with the context of CBN and choosing cashless. When CBN started cashless, one of the things we were mindful of is, it costs a lot to print and transport cash around the country. However, we have been able to achieve some form of cashless amongst the banks but that is still a very small population, because if you look at what BVN revealed, by the time we did the BVN registrations, we found that there were only 25 million accounts in Nigeria. But we have 96 to 98 million adults, so where are the others?

We have this issue about where BVN has helped us understand whom we are addressing as a market. So the banks are providing convenient products and services digitally. They started with Internet banking but not everybody had

a computer, now we do it on phone. So how can I deliver financial services to someone who has a Nokia or a simple phone that does not have any graphics whatsoever, that is one of the objectives.

Another thing you look at is the fact that globally, it costs the poor people more to transact business because they have to go to the bank or pay for goods in cash. If they do not have insurance products and they have medical emergency, or someone in the family dies, and being that they did not have the opportunity to save, they go and borrow money. Now, they do not have financial history; no access to a formal credit provider. While people are complaining that banks' interest rates are high, if you go outside, it is higher because they know that the risk is also higher. And when you talk about access to finance, even SMEs find it challenging, which is also a form of financial exclusion. What the businesses are saying is, some of the SMEs are not registered, some do all their transactions outside the formal system, so when you say you want to grow your business, you come to a bank, the bank does not know you, so they have to start building a relationship with you for them to know who you are and how you do your business.

One of the challenges we are facing is how we can bring people out of poverty sustainably. Talking about poverty, we need to get people out of poverty by understanding what their needs are. We need to understand how

they spend money. Even if you are poor, it does not mean you do not spend, it only means that what you are spending on is lower, you are spending small amount and you are spending more frequently. The poor people are technically paying more to access services.

This is not just a Nigerian problem. Globally, there are two billion people excluded from financial services. About two years ago, we were celebrating 7 billion people on earth. If 2 billion are excluded from financial services, what are we going to do? And those 2 billion are typically the most vulnerable, in the sense that they are the poorest. When you say vulnerable, there are different types of vulnerability we can look at. It may be economic vulnerability where some of them are unemployed; there is also the vulnerability of settlement and location."

David-West noted that digital financial services, and the complementary commercial and regulatory infrastructures that support them, are still in their nascent stages in Nigeria.

On this, she said: "A critical first step in expanding the reach of digital financial services is growing our network of cash-in, cash-out agents. In order to do so, we will likely have to broaden the purpose of this network beyond just digital finance. A shared agent network, serving a variety of needs for providers of many different services, will be more useful to consumers, and will therefore have a better chance at success."

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