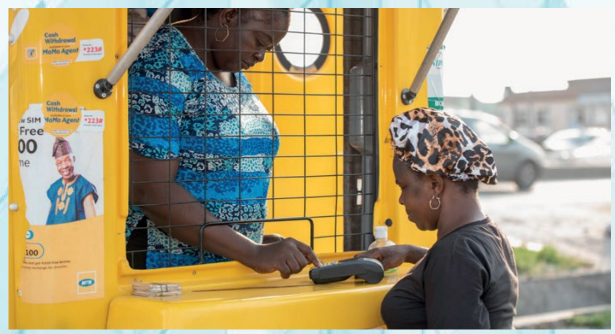

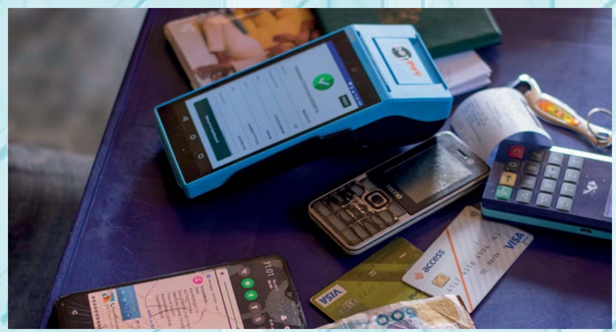

Digital Financial Services in Nigeria

STATE OF THE MARKET REPORT (2021)

LAGOS BUSINESS SCHOOL
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Acknowledgements and Credits

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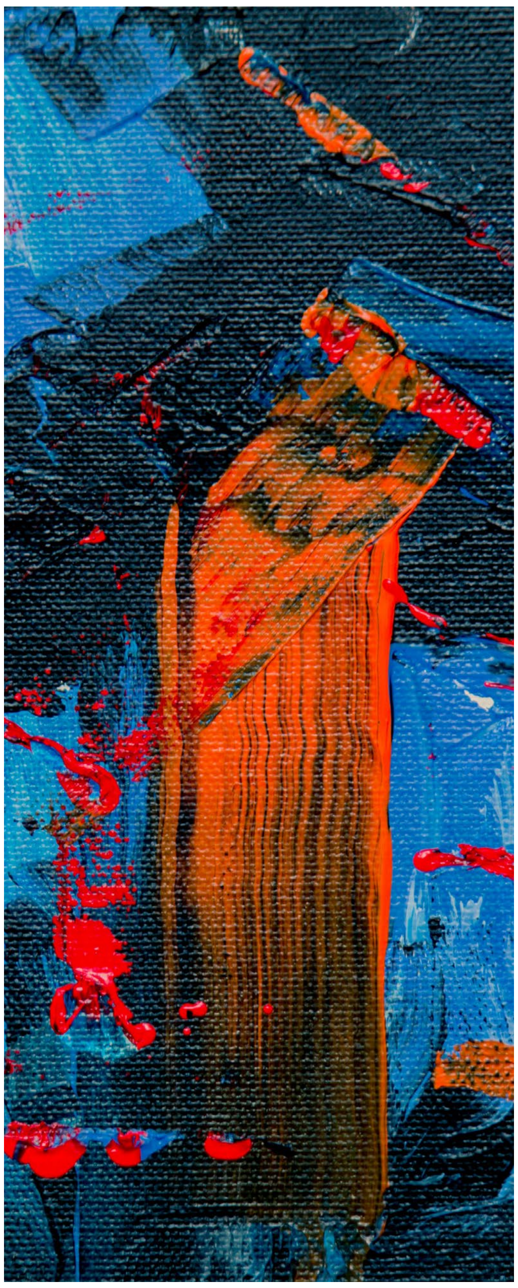

About Lagos Business School

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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.

Lagos Business School (LBS) is the graduate business school of Pan-Atlantic University (formerly Pan-African University). 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.

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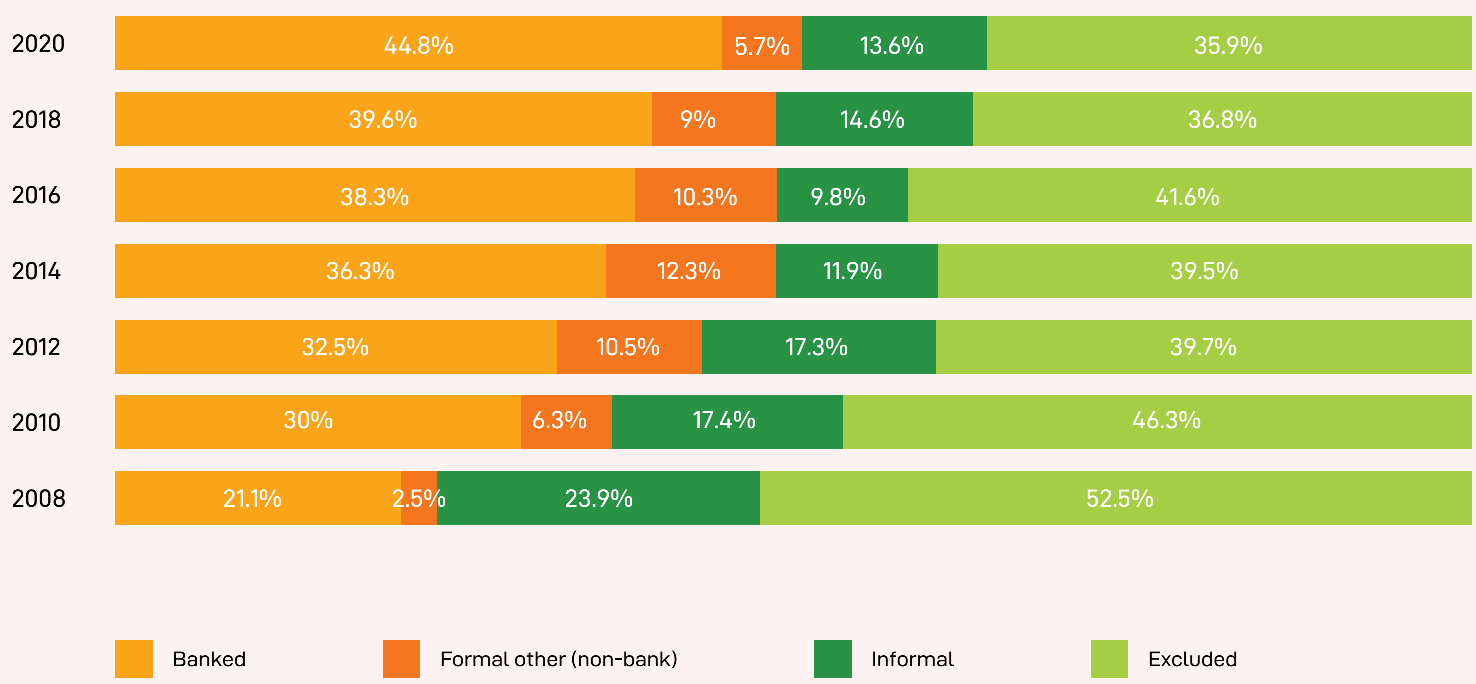
LBS has a robust Alumni association with over 6,000 members. This asset base, as well as the close relationship that exists with the corporate world, ensures that the programmes offered, as well as having international standards, also has local relevance. LBS is listed among the top 50 global Business Schools on The Economist magazine's 2018 Executive MBA ranking. The school has been ranked every year, since 2007 by the Financial Times of London, amongst the top global providers of open enrolment executive education and in custom executive education since 2015. LBS is the only school in Africa to feature on CEO Magazine's global MBA rankings.

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

Author's Note/ Foreword

Welcome to the 6th edition of our annual State of the Market Report on Digital Financial Services to advance financial inclusion in Nigeria. Since financial inclusion measurements begun in 2008; 2020 marked a pivotal year – the expiration of Nigeria's MAYA declaration commitment to 80% financial inclusion. With COVID-19 delaying the results of the key measures, Global Findex and Access to Finance (A2F) survey published by the World Bank's and Enhancing Financial Innovation and Access (EFInA), the year 2020 ended without feedback. Notwithstanding, the 2020 EFInA launch in 2021 shows more effort is required to address financial inclusion. With a growing population, the absolute numbers of excluded Nigerians are rising.

The impacts of COVID-19 highlighted the vulnerabilities of lower income Nigerians with shadow pandemics like food insecurity, job losses and gender-based violence (GBV), resulting in emergency humanitarian and financial aid interventions. Among the micro, small and medium enterprises (MSMEs), there was a surge to get businesses online supported by last-mile delivery logistics providers. With the lockdowns and bank branch closures, agents became dominant actors, providing cash-in cash-out (CICO) services. This has heightened the imperatives for inclusive digital finance; emphasising the importance of varying deployment models. Notwithstanding the structural limitations, we are confident that with alternative business models, progress is inevitable. The maiden State of the Market Report of 2016 mapped the digital financial services (DFS) ecosystem and business models for sustainability. Our 2017 focus was on policy, where; through the conduct of a policy evaluation, proposed key market-enabling policies to advance financial inclusion in Nigeria. Our policy focused on issues, relating to gender and women's financial inclusion. By 2018, we emphasised the importance of financial inclusion as a national imperative, highlighting the nexus between financial inclusion and economic development and also the linkages between financial inclusion, sustainable development goals (SDGs) and other macro-economic indicators. Our measure of the gender gap across socio-economic characteristics provided gender insights and interventions for SDG #5. In 2019, we went back to evaluate the policy landscape, examining progress made since the market-enabling policy recommendations of



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With the lockdowns and bank branch closures, agents became dominant actors, providing cash-in cash out (CICO) services.

Professor Olayinka David-West
November 2021

2017; evaluating progress, outstanding opportunities and interventions to get meaningful results. Like other pivots arising from the COVID-19 pandemic, our 2020 report was developed from presenting consumer strands across the socio-economic characteristics to deep dives into the financial habits and behaviours of three critical segments – rural dwellers, women and youths. Our supply side focus, examined product development practices and regulatory enablers, to coincide with the launch of the human-centred product development lab.

The financial inclusion levels, especially among vulnerable segments like rural dwellers, women and youths, continue to highlight the lack of access to - utility of and quality of affordable financial services that present business opportunities for financial services providers and regulators. One such opportunity is through strategic alliance and partnerships to drive customer acquisition, enhance the customer experience through digital and physical infrastructure, and enrich the customer value propositions. This State of the Market Report focuses on identifying such partnership opportunities.

In this report, we present consumer dynamics of the rural dwellers, women and youth segments, identifying opportunities for customer acquisition, customer experience and value propositions warranting partnerships; acknowledging that partnership lifecycle practices may enable or inhibit the potential opportunities. We present a thorough analysis synopsis of the partnership practice and processes among financial service providers and propose a framework for partnerships. Our analysis of the financial services ecosystem is incomplete without the regulatory perspectives that highlight the regulatory imperatives for successful inter-firm partnerships.

A critical component of the business model that enhances the delivery of digital financial services are diverse partnerships that enhance reach, scale and scope (products and services). Beyond the business goals and motives, there are additional critical dimensions that influence and direct these business-to-business (B2B) alliances. First, is value alignment - recognising each entity as unique and independent, with its beliefs, norms, and values. Second, the economic objectives and third, legal and regulatory alignments.

The efficacy of partnerships is a trust-building factor for consumers and treated with great care. We hope the tools provided in this report will support financial services providers in the diligent execution of the partnership lifecycle towards building relationships that will advance financial inclusion.

Since our inception report, we continue to advocate sustainable business models in the deployment of digital financial services to advance financial inclusion in Nigeria. The journey continues as we seek to close the financial inclusion and gender gaps. Guided by lessons from India, we are bullish on the payment service bank (PSB) licenses to provide access and mindful that products matter. Hence, we advocate human-centred product development strategies to enhance adoption and market differentiation. Let us not forget the eNaira which poses new opportunities being the fiat-backed digital equivalent of the traditional Naira. How do we get wallets into the hands of every Nigerian and have them use it for their day-to-day activities?

Acronyms

Acronym	Description
A2F	Access to Finance
ATM	Automated Teller Machine
B2B	Business to Business
B2G	Business to Government
BM	Business Model
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
FAS	Financial Access Survey
FIDU	Financial Inclusion Delivery Unit
FSI	Financial Services Industry
FSRCC	Financial Services Regulation Coordinating Committee
FSP	Financial Service Provider
GDP	Gross Domestic Product
ICT	Information and Communications Technology

KYC	Know-Your-Customer
Acronym	Description
MFB	Microfinance Bank
MDA	Ministries, Departments and Agencies
MMO	Mobile Money Operator
MNO	Mobile Network Operator
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NCC	National Communications Commission
NEC	National Economic Council
NFIS	National Financial Inclusion Strategy
NIN	National Identity Number
P2P	Person-to-Person
POS	Point of Sale
PSB	Payment Service Bank
ROI	Return on Investment
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

Introduction

While digital financial services (DFS) are alternative low-cost solutions, DFS could not scale exponentially or address financial inclusion gaps, particularly among rural dwellers, women and youths, the focus segments in the revised National Financial Inclusion Strategy (NFIS).This is despite the involvement of new actors and regulations. More so, driving inclusive digital finance among these segments requires digital infrastructure investments, consumer awareness, literacy and regulatory interventions. No financial services provider can deliver affordable and accessible financial services sustainably, especially to the excluded segments. This is because the design and delivery of DFS requires diverse assets, resources and capabilities that may not be owned by a single institution or captured in its business model. This calls for strategic partnerships and alliances which may be in the form of Business to Business (B2B), Business to Government (B2G), and Government to Government (G2G).

This year's State of the Market Report takes a holistic approach to understand how partnerships, or the lack thereof, impact DFS product development and delivery. It attempts to understand the motivation, nature, process, drivers and inhibitors of strategic partnerships and alliances for delivering DFS to Nigeria's excluded and underbanked segments, sustainably. The report also identifies the typical partnership models that FSPs use, the partnership initiation processes that FSPs engage in, as well as the partnership evaluation models in play.

Supply-Side Insights

In designing and delivering compelling value propositions to the customers, FSP business models typically leverage the capabilities of other value chain actors and partners to bridge their capability gaps. Beyond this, the motivation for partnerships is also driven by the need for firms to improve their value proposition to both customers and stakeholders and at the same time, expand their product offerings into different customer segments and locations. The partnership formation process involves different steps; beginning with initiation, documentation, implementation, performance management, scaling and exit. Although not many FSPs have formalised the partnership formation process, we have identified key components of the initiation process to include partner identification (selection), due diligence, partner fit assessment and goal alignment, partner's culture and capability profiling.

Typical B2B partnership models include joint ventures and revenue sharing models. The critical success factors for their efficacy should be defined and executed in terms of mutual respect, goal congruence, trust, partner capability, clarity of roles and responsibilities, disclosure of conflict of interest, record tracking mechanisms, sustained desire to win, clearly defined and robust evaluation process and expectations regarding transparency and commitment of partners. Notwithstanding, B2B partnerships in the DFS ecosystem may fail due to the misalignment of objectives, as well as compliance with extant regulations; with several FSPs identifying a dedicated partnership officer/executive as an enabler. Poor dispute resolution frameworks and the inadequacy of legal documentation could mar the success of partnerships. In executing such strategic partnerships, entities should conduct sufficient due diligence to ensure strategic alignment and foster a systematic partnership lifecycle clearly highlighting communication systems, roles and responsibilities, implementation dynamics and exit/disengagement methods.

Demand-Side Insights

A cursory look at our three focal segments – rural dwellers, women and youths provides insights for product development and partnerships to drive financial inclusion. The 2020 Access to Finance Survey by Enhancing Financial Innovation and Access (EFInA) reports about 41.9 million rural dwellers lack access to formal financial services. These rural dwellers are in dire need of tailored savings products such as simple, target, and group/family savings. Their profiles show that there is an opportunity to develop payment products around CICO agents and alternative self-service channels that are readily available. Product opportunities for protection and managing emergencies include micro-pensions and micro-insurance, while investment opportunity is in high-liquidating, agriculture-based investment.

In the women's segment, gender norms remain definitive of women's financial exclusion with about 29.5 million of women either excluded or underserved. However, women have strong social capital and are very productive. Their trust in social networks is an ideal opportunity to deliver tailored group savings, credit, micro-pension, and insurance products. A key requirement to achieving women's inclusion is deepening financial literacy by leveraging financial services agents. Unemployment is a key factor driving youth financial exclusion and vulnerability. Despite their affinity for digital technologies, access to formal financial services is an illusion to about 27.3 million youths. Their socio-economic, behaviour, psychometric, and gendered nuances suggest that savings and investment products such as mutual funds and target savings backed up with financial literacy and capability programmes for rational financial decision making are most appropriate. A key requirement to achieving this is through collaboration and strategic alliances between players and regulators in the DFS ecosystem.
To serve the excluded and underserved segments sustainably, a multi-stakeholder approach is needed.
An understanding of this provides opportunities for FSPs to identify areas of opportunities for the delivery of value propositions that address unique consumer financial services needs across target segments - rural, women and the youths.

While rural dwellers account for 65.6% of Nigeria's adult population, the majority are excluded or underserved, mainly self-employed with irregular monthly income below N35,000. To strengthen their economic lives, the government will need to partner with FSPs and development finance institutions to drive economic empowerment programmes to rural locations. There are also partnership opportunities to drive financial literacy programmes to rural dwellers by targeting savings groups, market associations and cooperatives, while FSPs can work closely with these groups to better understand the needs of rural dwellers as a way of developing products that are more targeted at their needs. Insights from the women segment suggest that women are more disadvantaged than men given gender norms that define their roles across households and communities. Women largely lack access to credit despite owning assets which can be collateralised in offering them credits. This is because in most cases, women are not the decision makers and would require approval from their husbands. Their trust in informal institutions and social networks is also an advantage for them as FSPs can work closely with these informal institutions in understanding their financial services needs and building products around these gender nuances for wider adoption. For the youths, strategic partnership between FSPs and research institutions can help ascertain capabilities gaps and possible areas of intervention. One notable example is the partnership between the Enterprise Development Centre and the MasterCard Foundation for youth capacity building and SME financing. The outcome of such partnership can help drive economic inclusion leading to job creation and onboarding more people into mainstream financial services.

> While rural dwellers account for 65.6% of Nigeria's adult population, the majority are excluded or underserved, mainly self-employed with irregular monthly income below N35,000.

Regulatory Insights

On the regulatory side, this year’s report takes cognisance of the fact that; inter-firm strategic partnerships have thrived as a methodology for navigating volatility, disruption, challenges and opportunities in the business environment. This is because the scope and success of strategic partnerships is influenced by the prevailing policies and regulations. Key strategic alliances in this domain include inter-agency engagements, joint committees, exposure of draft regulations to other stakeholders and agencies for review and feedback, stakeholder engagements, inter-agency Memorandum of Understanding (MOUs), guidelines and regulations. Our findings,show that informal quasi-legal and formal strategic contractual alliances have effectively driven inter-governmental collaboration and synergies among regulators. While these may have promoted growth of the DFS ecosystem, success has been setback by internal reorganisation within agencies, lack of adequate succession planning, divergent interests, power dynamics, policy discordance, and regulatory overlaps.

We found that motivation for inter-agency collaborations and strategic alliances is driven by regulatory strategies, incentives, regulations and frameworks. Regarding frameworks that promote collaborations and partnership in DFS and financial inclusion, while the revised NFIS identified the need for diverse strategic partnership models, this requires additional specific legislation or overarching regulation as a priority public policy.

Closing the exclusion gap across the focus segments requires inter-agency collaborations to focus on the need for a more human-centric and visible alternative to narrow the wide gap that exists among the women and rural dwellers segments. Notwithstanding, the frameworks to push financial services to the rural frontiers have not been effective because of lack of policy consistency, policy coordination, policy integration, policy monitoring and evaluation. The government must continue to foster cross-sectoral collaboration in digital finance and for promoting financial inclusion.

“

... motivation for inter-agency collaborations and strategic alliances is driven by regulatory strategies, incentives, regulations and frameworks.

Introduction

With 52.5 million Nigerian adults living without bank accounts (EFInA 2020), Nigeria needs to scale its financial inclusion efforts sustainably and rapidly to meet the target of 95% by 2024. Despite the varied efforts to spur financial inclusion, especially with the revision of existing regulations, issuance of new licenses and definition of new licensing regimes, the slow growth indicates that these have been insufficient.

In the search for solutions to Nigeria's financial inclusion challenges, eliminating inhibitors requires the combination of the unique resources and skill sets of multiple sectors and stakeholders in the ecosystem. In emerging markets with positive financial inclusion outcomes, partnerships and strategic alliances have been contributory, enabling progression as actors leveraged each other's capabilities. Indeed, across markets and industries, bringing together groups that have hitherto not worked together can deliver important synergies required for the attainment of mutual goals. Digital financial services (DFS) facilitate financial inclusion by lowering the cost to serve the unbanked and underbanked. The 2020 EFInA Access to Financial Services in Nigeria survey report shows that much still needs to be done regarding financial inclusion in Nigeria, as many women, youths, and rural dwellers remain either unbanked or under-banked.

DFS implementations are structurally complex, requiring multiple competencies in banking, telecommunications, technology, marketing and distribution – competencies that may not be in the business model of a single operator. Thus, we have some combination of financial institutions, mobile network operators, agent network managers, and payment service providers, working together to form a seamless service delivery channel. Success of these commercial partnerships is crucial to unlocking the great potential that DFS can have for increasing access to affordable, mass-market financial services in Nigeria.

DFS' storied inability to scale exponentially in Nigeria and address financial inclusion gaps among the focus segments highlighted in the revised National Financial inclusion Strategy (NFIS), despite the advent of new operators and regulatory frameworks, calls for a deep dive of the private sector entities spearheading the different components of the DFS value delivery chain. Of particular interest would be how partnerships, or the lack thereof, across the demand, supply and policy dimensions affect consumer (market) and DFS product development and delivery (access, usage, quality and impact) opportunities.

This is what we have set out to do in this year's report.

> " In emerging markets with positive financial inclusion outcomes, partnerships and strategic alliances have been contributory, enabling progression as actors leveraged each other's capabilities.

KEY CONCEPTS

Adopting the typologies suggested by researchers such as Cao and Lumineau,[1] we use the terms "collaboration" and "contractual strategic alliances" in this study. The term "collaboration" refers to informal partnership that exists between two or more players. The term "contractual strategic alliance" is used to refer to formal, contractual, legal or quasi-legal arrangements and collaboration between two or more players.

In other places, the word partnership is used as a general term where one (or both types of relationships) exist.

[1] *Cao, Z. & Lumineau, F. (2015). Revisiting the interplay between contractual and relational governance: a qualitative and meta-analytic investigation. Journal of Operational Management, Vols. 33-34, 15-42.*

Supply-Side Partnerships (B2B)

Supply-Side Partnerships (B2B)

This section presents findings from our study on the nature of partnership practices by financial service providers (FSPs) in the Nigerian financial services ecosystem. The study focused on the different partnership practices of the FSPs that include – partnership rationales, partner selection, partner due diligence, partnership initiation, and partnership performance management. The output of the study is a framework that FSPs could adopt for effective partnerships.

The results of the study present the diverse partnership structures among entities and institutions, and is followed by partnership rationales and motivation before taking a deep dive into the engagement practices, processes, monitoring and assessment practices. The findings end with a framework for partnership lifecycle management.

Types of Partnership

Financial service providers engage with different players to serve their customers through some forms of partnership. Over the years, they have adopted different models. For example, mobile money and bank agents' partner with banks and other players in the ecosystem. Asides from agents, banks also partner with fintechs, owners of businesses etc to carry out financial services via:

REVENUE SHARING MODEL:

Also known as a profit-sharing agreement. This model describes an arrangement in which all partners agree to distribute business profits or losses according to predefined criteria. In this model, partners are part-owners of the business value proposition and are entitled to a proportion of the distributable profits/loss. Changes in responsibilities or a shift in contribution can lead to resentment amongst business partners if they feel their profit-sharing agreement is no longer in line with how much each partner is contributing to the business. In many cases, a profit-sharing agreement is sufficient and never needs to be changed, but there is also a possibility that changes may need to occur over time.

FEE-BASED MODEL:

This is also known as the pay-off model where a main provider is paying a fee to get the service of another service provider or partner. In this case, an FSP selects and engages a partner that has no financial interest in the firm. Instead, the selected partner earns a graduated amount or share in the total profit based on their performance and contribution to the business value delivered. Fees may be a fixed amount or a certain percentage of the revenue. Also, in this type of partnership, the primary service provider drives the process and decides who should be, or not be a secondary provider. This usually eliminates the necessity of sharing the same values and interests.

“ In many cases, a profit-sharing agreement is sufficient and never needs to be changed, but there is also a possibility that changes may need to occur over time.

Rationale for Partnership

Why do DFS organisations enter partnerships with other players within and outside the DFS ecosystem? Partners play a crucial role in exploiting economies of scale and serve as platforms for low-cost entry into new markets, new industries and new industry segments. Partners can also help manage risks, uncertainties and lower the cost of doing business. Some of the themes identified include:

1. VALUE PROPOSITION

Inter and intra-DFS ecosystem partnerships aim at achieving strategic objectives and improving customer value proposition.

> **"We start by looking at our needs, what do we need to achieve, what do we need to do to ensure that our customers get the best value and take us as their preferred bank. So, we then look for a vendor that can help us achieve that objective"**
> – MFB

> **"We have a lot of organisations that come to us for different types of partnership, but we've not been able to onboard a lot of them because they do not fall into our immediate strategic objectives"**
> – MMO

These partnerships help to address financial inclusion challenges and expand formal financial services to the underserved and women. This has also helped mainstream financial institutions to strategically organise their systems and innovate for more stability, wider coverage and success. Fintechs have also combined their resources and innovations with other players, especially the mainstream financial institutions, to better cater to new customer segments and expand their reach.

2. GOAL EXPANSION

Players also enter partnerships to scale their products, increase coverage locally and internationally and generate more revenue. They also enter partnerships to fulfil some level of regulatory compliance. While some partners are responsible to the regulators, others are responsible to their fellow partners and with this, it becomes easier to provide easy and convenient access to financial services to customers:

> **"We partner with banks to create a wallet for them. Partnership gives us the layer to handle some regulatory directives. We collect terms from our partners in line with regulatory requirements as they are responsible to the regulators while we are responsible to them. In a bit, we have been able to express some regulatory directions and we have some MoUs and SLEs (Service Level Expectations) that are binding us in line with regulatory directions.**

"

Partners play a crucial role in exploiting economies of scale and serve as platforms for low-cost entry into new markets, new industries and new industry segments.

Partnership Initiation and Formation Process

PARTNER SELECTION

The choice of operators to partner with is determined by the objectives of each respective stakeholder. The process of partnering is a two-way thing, i.e., "we go to them, and they come to us". This process happens after the management boards have given their consent and approval:

> **Of course, before selecting any partner, we must go through a selection criterion. There must be a request for proposal from all the partners. Most of the time, we go for at least a minimum of 3 vendors to provide their quotations. Just like I mentioned earlier that before doing any kind of engagement, we are going to get management approval for engaging and an internal committee will be set up to look at the agreement and the proposal and discuss anything we are going to discuss".**

PARTNER DUE DILIGENCE

Most FSPs prioritise due diligence because it helps them avoid regulatory infractions and also identify the appropriate partners based on regulatory compliance and competencies.

> **"It was due diligence, number one. We go the route of regulating those, like I said. Are we supposed to do this with this target market? So, we clear with the CBN and then you do proper due diligence on the kind of licenses these people need to have. Then you do proper due diligence too on the people you're dealing with. You don't want to get involved in money laundering, even in agency banking the account opening requirement is thorough. We asked them for people that can vouch for them; we check if they have credit bureau issues; we do not want to do deal with people with these issues".**

PARTNER FIT ASSESSMENT AND GOAL ALIGNMENT

Due diligence is necessary to ascertain alignment of goals with potential partners under consideration as well as determine their capability fit. However, difficulties arise when one party expects other partners to be guided by its own cardinal pillars /goals. Partner fit entails determining the level of the congruence of organisational culture (including beliefs, ethics, and core values), vision and other critical areas that both partners consider critical to their brand and what they stand for. It is therefore important to examine the extent to which the goals of all intending partners align before going into the partnership. However, there tends to be areas of difficulties, especially in situations where a partner already outlines its cardinal pillars and expects the other partner to be guided by it.

> **"Certainly, so if you do not have a fit in our organisational goal, then there will be no need for us to partner. If you don't believe in certain things that we believe in, you cannot be our partner. For example, you cannot be doing things to harm humanity and you want to partner with us, we won't partner with you".**
> – MMO

> **"Whatever we do, we are guided by these five cardinal pillars. So, anybody that we know that can fit into any of these, we do not hesitate. We initiate conversations and at the end of the day, we end up signing MOUs"**
> - Financial Association

CULTURE AND PARTNER CAPABILITY

FSPs carry out background checks on prospective partners to avoid partnering with the wrong organisation. While some organisations seek referrals to dependable partners with the right-fit, others review the track records of prospective partner(s) under consideration.

> **"We also have an audit team that goes to confirm the vendor, their facilities, etc. We also request for referrals, in terms of references on what they've done in the past and we confirm from those references. If an organisation says they have done something for company ABC, we also go to confirm if truly they have done those things"**
> - MFB

REQUIREMENT DOCUMENTATION

Partnerships that pass maturity checks are usually those that are guided by the required documentation. These may include non-disclosure agreements, which are in most cases followed by a Memorandum of Understanding and Service Level Agreement. In developing these documents, our findings revealed that some providers who undertake strategic partnerships are guided by internal organisational policies while many reported not having such in place. Apart from these internal policies on partnerships, the nature of financial services provision places responsibilities on intending partners to comply with extant regulations and guidelines applicable to their industry, services and/or activities for which the partnership is being considered. This is because the cost of non-compliance could far outweigh the gains of the partnership.

> "Any partnership that fails to achieve the defined goals within the agreed timeline has failed the maturity check.

Monitoring & Evaluation

EVALUATING PARTNERSHIPS

Partnerships require commitment of resources; thus, there must be a deliberate action plan to ensure that partnerships meet stakeholders' expectations.

GROWTH ASSESSMENT

The progress/success of a partnership is measured based on objectives and set indicators which are pre-determined before the partnership commences.

> **"For the growth process, coming from the objectives we set for that particular partnership, we also have indices to check those objectives. So, if we look at those indices and we see that some of the indices are being achieved or are in the trajectory of where we are going to in terms of achieving the objective, we know that things are moving the way we want it to move"**
> – MFB

MATURITY CHECK

Intermittently, partners check whether the goal of the partnership has been achieved or not. This helps partners compare their expectations with current reality based on pre-defined timelines. Any partnership that fails to achieve the defined goals within the agreed timeline has failed the maturity check. While there may be some factors that inhibit partnership maturity, periodic reviews by partners help to assess the situation and if needed, extend the maturity window.

> **"Then if the objective at the end of the day is achieved, we know that it has reached the maturity stage. If we say, in 6 months I want to achieve x, and by those 6 months, you are able to achieve it, we know that it has actually gotten to maturity"– MFB**

EXIT

The terms for opting out of a partnership are often stated in the Memorandum of Understanding. However, some players expect a minimum of six months' notice before the termination of the partnership.

> **"And if for any reason we must break up, you must give us six months' notice. We always discuss what we call projections".**

Major reasons for exiting partnerships include the inability of a partner to fulfil its obligations, delayed processes or lack of needed expertise and infrastructure to remain relevant in the partnership.

> **"In terms of exit, in the agreement that we signed, there's also an exit process, which is agreed by the two parties. But before the end of the contract, if there are issues, we can still go ahead and terminate that contract, that is if any of the partners does not live up to the SLAs signed. We, as an organisation can go ahead and say we are ending this particular contract. But if everything goes on well, at the end of the tenure that was signed, if it is two years, if it is 6 months, we can then exit from that partnership. There is a process of how to exit, it is already written down in the document that was signed by both parties before the beginning of the contract"**
> – MFB.

> **"The SLA or agreement gives room to exit even without prejudice, without penalty on our side or on the side of the other parties"**
> – PSB

Effective Partnership Imperatives

CRITICAL SUCCESS FACTORS (CSFS)

Not every partnership works out. However, some organisations have been able to manage long term partnerships which yielded the desired outcomes. Some of the critical success factors highlighted include

1. MUTUAL RESPECT –

Respect for the uniqueness and independence of each organisation coming into the partnership is the foundation of success. Organisations have their respective core values, strategic goals and motivations which usually translate into differing goals for initiating the partnership. The power of partnership lies in harnessing the strengths of each partner's strengths, resources and capabilities. Organisations in successful partnerships recognised and acknowledged the intrinsic motivations, goals, core values and intentions of their partner organisations.

2. GOAL CONGRUENCE –

Partners must reconcile the different goals and motivations of all respective partners. Partners approached the relationship in good faith and focused on building a mutually beneficial partnership for all partners in line with their respective corporate objectives.

3. TRUST–

If respect is the foundation of successful partnerships, trust is the adhesive cord. Trust between partners facilitates information sharing, development of joint products and enables the organisations to compete against common threats. Seamless cooperation requires each partner to believe the other party will not act against their interest. Cooperation between partners is enabled through both formal control mechanisms and trust and the former cannot serve as a substitute for the latter. The absence of trust severely impacts the ability of a partnership to attain its goals and objectives. It is necessary that partners trust one other and approach negotiations, actions and intentions with sincerity.

4. CAPABILITY–

A partnership has higher chances of succeeding when the partners have competency in managing partnerships. This competency usually stems from experience working with other players within the industry. In situations where an organisation was entering a partnership for the first time, active learning and adjusting on-the-go reduced the mistakes.

5. CLARITY OF ROLES AND RESPONSIBILITIES –

A partnership management structure is essential and should be led by executives who are skilful at relationship building. (Leaders and decision makers also need to be wary of creating a position that infringes on another manager's area of responsibility). Organisations can use a variety of tools used in formal process planning, such as Galbraith's RACI responsibility chart. The RACI chart (i.e. an acronym for responsible, approve, consult, inform) is a matrix in which rows reflect decisions that need to be made (e.g., product development, product price, package price) and columns include all the roles which could potentially be involved (e.g., sales, finance, manufacturing). To use the matrix, senior management can fill out the chart and present it to the various affected parties to clarify where responsibilities lie. Alternatively, senior managers may desire a more interactive approach and the matrix can be used for this purpose as well. In this case, senior managers would first ask all parties to fill out the chart, indicating their perception of which decision each group has responsibility for (R), must approve (A), should be consulted on (C), or must later be informed of (I) (i.e., sometimes a fifth category of "no formal role" is also included). Then, disagreements would be noted and resolved in an iterative process, until all parties are clear on their role for each type of decision. In addition to clarifying responsibilities, it is important to reward managers for fulfilling those responsibilities, in this case by making at least a portion of the compensation of partnership management contingent on the performance of the partnership.

6. MARKET CONDITIONS AND INCENTIVES -

Market conditions and incentives are quite significant in determining the conclusion of partnership arrangements and their implementation. Despite regulatory arrangements, one major motivation for operators to seek out partners within the ecosystem is if partnering up makes economic sense and there is a route to structure them according to the economic logic of the market.

7. TRACK RECORD OF SUCCESSFUL PARTNERSHIPS –

An organisation's partnership history also matters. Knowing the list of partners which prospective organisations have in their portfolio and the outcomes of those partnerships will influence the choice of partners. Are the prospective partners engaged in partnerships/collaborations with competitors? What is the state of these partnerships (including employee attitudes towards the partner)?What benefits is this firm receiving from the competitor and so on.

8. AIM FOR WIN-WIN OUTCOMES –

Some FSPs struggle to balance competition and collaboration. Many partnerships have ended prematurely because one (or more partners) focused on competition rather than collaboration. But having an intensely competitive mindset and seeing the partnership as a zero-sum game is a very short-term perspective. Successful partnerships require participants with a cooperative mindset for long term success, even though maintaining this over a long time is also difficult.

9. CREATE A ROBUST PARTNERSHIP EVALUATION PROCESS –

Organisations need to intermittently evaluate the quality of individual partnerships and the strategic health of those relationships. Each firm should create a partner evaluation process which can be applied consistently and reliably to assess the health of its partnerships in terms of both financial and nonfinancial criteria. The key result areas and key performance indicators of the partnership should include both lagging indicators (incremental revenues, profits, etc.) and leading indicators such as capability development, market share, new product development/launch and internal process improvement. The assessment system should include an analysis of the compatibility of the firms in terms of attributes including but not limited to decision-making styles, ethical values, customer orientation and leader communication styles.

10. TRANSPARENCY AND COMMITMENT –

Sharing information, maintaining clear lines of communication, and having honest discussions around difficult issues are important. Lack of transparency, either perceived or actual, can erode trust and good faith among partners. It is important to acknowledge individual partner benefits but the focus should remain on creating a partnership with a shared vision and definition of success.

Enablers and Inhibitors of Strategic Partnerships

PARTNERSHIP ENABLERS

ALIGNMENT OF OBJECTIVES AND REGULATION

Managing partnerships is difficult enough but there are also factors that foster a conducive environment for partnerships to thrive. Most respondents highlighted Alignment of Objectives and Regulation as major enabling factors.

> **"One of the factors that lead to success of most collaborations is you aligning your own objective with that of the partner"**
> – MFB

> **"And of course, the enablers: regulators makes us ensure that whatever kind of partnership we go into, there are partnership we give update on, like these are the kinds of partnerships we do, these are the kind of services they render to us, etc"**
> – MFB

> **"I feel the regulators should create an enabling environment where players can interact with them freely and raise relevant issues, because we are the practitioners in the field. They should not just sit somewhere and bring in regulations"**
> - Financial Association.

> **"I think what regulators should do, basically, is to just have a policy that will guide everyone, so we can all have a uniform partnership structure within the ecosystem. The way I deal with partner A should be the same way bank B does with partner A. We can have something uniform, so we know we are all moving in the same direction"**
> – MFB.

A DEDICATED OFFICER/EXECUTIVE FOR PARTNERSHIPS

Some organisations identified having dedicated officers to manage partnerships as a contributory enabler for partnership success. The dedicated officer(s) for partnership is usually from the Corporate Business or General Services department. However, only a few FSPs have a dedicated officer for managing partnerships with other players in the ecosystem. Some players assign this role to all involved administrators.

> **"As a start-up, it may be a bit challenging to have someone to be exclusively dedicated to partnership, it depends on the nature of the unit"**
> – PSB

PARTNERSHIP INHIBITORS

Managing partnerships is difficult Frequent policy changes by the CBN were major concerns when considering or planning partnerships.

> **"Today you're already doing business. We have put money for marketing, putting (up) the platform, the infrastructure, the technology and CBN just changes the game plan. Look at what happened to the BDCs last week".**

> **"But you know globally, in any business, people would want to do a lot of things, but they might be restricted based on regulation, except it's not a regulated sector"**
> – MNO

> **"Most of the challenges we go through in partnership is slowness in response time. When you have a partner and there are issues, the way they respond to you is not in the speed of time that you expect. That is why for us to avoid such, we have SLAs that are signed and agreed between the two parties so that all these shortcomings and challenges don't come up. And in case they come up, there are basic responses to our demands, responses to support and the rest"**
> – MFB

The lack of efficient feedback loops has also hindered the smooth operation of partnerships by players in the ecosystem.

Partner Management (as an organisation function)

DISPUTE MANAGEMENT

> **"For disputes; like I mentioned, at the beginning of the partnership before we actually sign off documents, we have in the MOU that also states how we resolve disputes. The MOU can tell if we agree that for any kind of dispute, we go through arbitration or for any kind of dispute, we go through coming together to discuss to have a common ground before going for arbitration"**
> – MFB.

> **"Our contract is very robust, so it entails the dispute resolution strategy in terms of what needs to be done at any point in time. ... there has not been a case where we have a serious dispute situation; but if it happens, it is stated in the contract in terms of what we can do"**
> – MMO

LEGAL REQUIREMENTS/ DOCUMENTATION

Before going into any partnership, involved parties identify what they intend to achieve and proceed with a non-disclosure agreement, followed by an MOU and/or SLA. These documents are signed by both parties before the actual launch of the partnership. Some respondents agreed that there was a policy document on partnership in their organisation, while others said that they don't have such. However, at every point in the partnership, it is important to comply with CBN's guidelines and regulations.

> **"But we are guided by those circulars and those frameworks and we try to always ensure that our business complies with the CBN regulations".**

> **"We look at the SLA when we are going into the contract, because there are a lot of documents we consider before going into the contract. We have the award letter, we have the SLA, when it comes to application, we also need to look at the source code, those people who are going to draft the source code"**
> – PSB

Demand-Side Insights

Demand-Side Insights

Introduction

This section covers market opportunities for financial inclusion across three focused segments – rural dwellers, women and youths. In each segment, consumer insights across socio-economic profiles, behaviours and attitudes are presented across key financial services needs such as savings, credits, investment, payments and DFS. The consumer narrative is also updated to feature psychometric and financial health profiles of the respective segments to propose product opportunities for financial inclusion. The consumer insights section concludes by identifying the role of demand-side strategic partnerships towards driving financial inclusion. All data presented in Tables 1 to 33 are sourced from the EFInA 2020 Access to Finance national survey. Variables were recorded and computed (where necessary), analysed and compiled by the authors for the purpose of this report.

Key Definitions

SOCIO-ECONOMIC PROFILE:

This is a measure of social and economic factors such as income, education, employment, marital status, occupation, location, etc. that describe an individual's status within a community and how these factors significantly affect the quality of life of the individual.

FINANCIAL CAPABILITY:

The Center for Financial Inclusion (CFI) defines financial capability as the combination of attitude, knowledge, skills, and self-efficacy needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment that includes, but is not limited to, access to appropriate financial services.

BEHAVIOURAL PROFILE:

This describes how an individual or a group of individuals behave, and their relationship with an organisation or institution in terms of access to and use of information, products, technology, and so on. In this report, we examine the behaviour of the focus segments toward savings, credit, investment, payment, protection and emergencies and digital financial services. We use data to answer key questions such as how do individuals within the focus segments use their money, plan and prioritise their finances, shape income and expenses, build reserves, and cultivate receivables?

PSYCHOMETRICS:

These describe the individual's personality – why they behave the way they do, and how these attributes motivate them, providing an understanding of their personality, behaviour and reasoning skills. The psychometric attribute is measured in terms of sense of control, efficacy, self-esteem, openness, trust, optimism, dependability, conscientiousness etc.

FINANCIAL HEALTH:

This describes an individual's state of monetary affairs or the ability to handle financial needs and wants. People are financially healthy when they use available tools and strategies to effectively meet their basic needs, remain resilient in the face of unexpected shocks and cultivate economic opportunities which can translate to a healthy economy and social progress.

Legend

The tabular charts in the following sections show the directionality (arrows) and magnitude (colour) of the different variables that characterise the socio-economic, behavioural, and psychometric attributes of the focused segments - rural, women, and youths.

DIRECTIONALITY:

The arrows indicate the rate of change between the variable (in focus) and the national average under each focused segment. The up arrow represents a positive difference while the down arrow shows a negative difference.

MAGNITUDE:

The red, amber and green (RAG) indicators represent the magnitude of change recorded between the variable under the focused segment and its national average. Red indicates marked negative difference, while amber represents a marginal positive (up arrow) or negative (down arrow). Finally, green represents a marked positive difference.

Segment Profiles

RURAL DWELLER SEGMENT

In Table 1, the EFInA 2020 access to finance household survey shows that 65.6% or 69.7 million of the 106m adult Nigerians are rural dwellers. Of these 69.7 million adults, about 15.9% or 11.1 million rural dwellers are underbanked compared to 10.1 million underbanked rural dwellers in 2018. The unbanked rural dwellers also grew by 0.9% from 28.8m in 2018 to 30.8m in 2020, making the proportion of the unbanked (44.2%) the largest. This further validates our previous findings that rurality[2] remains one of the striking features of financial exclusion in Nigeria.

With an addressable market of 30.8 million adults, the unbanked rural segment presents significant financial inclusion opportunities. There is equally an untapped market in the under-banked segment where rural dwellers account for an addressable market size of 11.1 million adults of the total 14.4 million underbanked adults.

TABLE 1: PROPORTION AND MARKET OPPORTUNITY IN NIGERIA'S UNBANKED AND UNDER-BANKED RURAL SEGMENT

	Banked	Under-banked	Unbanked
The population of each strand within the total population (% of National average)	50.5% (53.6 million)	13.6% (14.4 million)	35.9% (38.1 million)
The proportion of rural dwellers within FAS*	39.9%	15.9%	44.2%
The addressable market for rural dwellers in each strand	27.8 million	11.1 million	30.8 million

**Financial Access Strand (FAS)*

There are more financial services consumers in rural areas (27.8 million) compared to banked adults in urban and peri-urban areas (25.8 million). While the proportion of both rural and non-rural dwellers grew between 2018 and 2020, the proportion of banked rural dwellers also grew in the same period under review. This suggests that the Nigerian rural population is growing faster than the non-rural population and presents a significant opportunity for financial inclusion. The uniqueness of this segment could be a critical lens towards unravelling the diverse opportunities that exist in this segment. These features are presented in the sections under socio-economic, behavioural and psychometric profiles of the rural dwellers.

[2] *Digital Financial Services in Nigeria: State of the Market Report 2019, p.14. Available at https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2020/11/SoMR_Full_Report_2019.pdf*

Socio-economic Profiles

The socio-economic profiles (see Table 2) of the rural dwellers show that the proportion of rural dwellers in the North-East and North-West (42.9%) at the end of 2020 remain significantly higher than the national average of 34.9%. The northern geo-political zones together account for more than half (58.9%) of all rural dwellers which is significantly higher than the national average of 49.4% (see Appendix C). The proportion (56.7%) of rural dwellers with secondary and post-secondary education is also significantly lower than the national average of 65%; and much lower than that of urban dwellers (80.9%). There was, however, an increase of 17.5% in rural dwellers with secondary and post-secondary education from the 39.2% recorded in 2018. The proportion (88.6%) of rural dwellers with monthly income lower than N35,000 is marginally higher than the national average of 86.6% but significantly higher than the 59.8% recorded in 2018[3]. There was a marginal decrease in the proportion of unemployed rural dwellers between 2018 and 2020. In terms of work commitment, about 12.7% of rural dwellers now work more in response to coping with the pressure of the COVID-19 pandemic.

TABLE 2: SOCIO-ECONOMIC PROFILE – RURAL DWELLERS VS. NATIONAL AVERAGE

Behaviour and Attitudes Towards Payment		Rural Dwellers	Urban Dwellers	National Average
Region (% in the North East & North West)	∧	42.9%	19.6%	34.9%
Gender (% Women)	∨	46.7%	57.0%	50.2%
Age (% 18-34 years)	∨	49.5%	48.7%	49.2%
Marital Status (% Married)	∧	71.6%	62.4%	68.4%
Education (% Secondary and Post-Secondary)	∨	56.7%	80.9%	65.0%
Household (HH) Size (% Six and Higher)	∧	37.6%	26.7%	33.8%
Employment Status (% Employed)	∧	77.2%	76.6%	77.0%
Personal Monthly Income (% below N35,000)	∧	88.6%	82.6%	86.6%
% that now work more due to COVID-19 impact	∧	12.7%	10.8%	12.1%

[3] *Digital Financial Services in Nigeria: State of the Market Report 2020, p.15. Available at https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2021/01/SOMR%202020_compressed.pdf*

Behaviours and Attitudes of the Rural Dwellers towards Financial Products

SAVINGS

In Table 3, the EFInA 2020 data shows that rural dwellers save and while the proportion that save (56.1%) are not as high as the national average of 60.3%, rural dwellers still represent an addressable market size of 39.1 million adults. 21.7 million rural dwellers save with informal institutions such as thrifts, cooperatives or family and friends.

It is also interesting to highlight that about 43.9% or 30.6m of Nigeria's rural dwellers do not save, presenting another sizable market opportunity for scaling digital financial services. The impact of the COVID-19 pandemic is evident as 23.6% of them now rely on their savings as the main source of income in the absence of other income generating jobs.

TABLE 3: SAVINGS BEHAVIOUR – RURAL DWELLERS VS. NATIONAL AVERAGE

Savings Behaviour and Attitude		Rural Dwellers	Urban Dwellers	National Average
Savings (% that saved in the past 12 months)	∨	56.1%	68.2%	60.3%
% that always save money for different reasons	∨	17.9%	26.5%	20.9%
Saved formally (% that saved with formal institutions)	∨	25.0%	45.6%	32.1%
Saved informally (% that saved with informal institutions)	∧	31.1%	22.7%	28.2%
% that did not save in the past 12 months	∨	43.9%	31.8%	39.7%
% whose main income source is now saving due to COVID-19	∨	23.6%	32.9%	26.8%

Behaviours and Attitudes of the Rural Dwellers towards Financial Products

CREDIT

Rural dwellers tend to borrow more than their urban counterparts and slightly higher than the national average of 26.5% (see Table 4). While the proportion (2.0%) of rural dwellers who borrow from formal financial institutions is marginally lower than the national average of 2.6%, evidence shows that rural dwellers tend to patronise informal sources more than urban dwellers and the national average. They also seem to be more comfortable borrowing from family and friends. In a similar fashion, rural dwellers who do not borrow are marginally lower than the national average. The data also shows that there were less rural dwellers that borrowed in 2020 compared to 2018[4]. With the pressure of COVID-19 on the economy, about 2.2% of rural dwellers have resorted to borrowing from informal sources to meet their credit needs while less than 1% access credit from formal financial institutions.

TABLE 4: CREDIT BEHAVIOUR – RURAL DWELLERS VS. NATIONAL AVERAGE

Credit Behaviour and Attitude		Rural Dwellers	Urban Dwellers	National Average
Credit (% that borrowed in the past 12 months)	^	27.8%	24.2%	26.5%
% that borrow from formal institutions	v	2.0%	3.7%	2.6%
% that borrow from informal institutions	v	8.1%	7.6%	8.0%
Borrow informally (% that borrow from family & friends)	^	17.7%	12.9%	16.0%
% that did not borrow in the past 12 months	v	72.2%	75.8%	73.5%
% borrow from informal sources due to COVID-19 impact	^	2.2%	2.1%	2.1%
% borrow from formal institutions due to COVID-19 impact	v	0.1%	0.5%	0.3%

PAYMENTS

Table 5 shows that like 2018, inward remittances to rural dwellers are higher than outbound remittances. Interesting to note is that, inflows from family and friends is predominantly higher (60.5%) than inflows from formal financial institutions (41.2%). The reverse is the case for outbound remittances where 44.6% of rural dwellers use formal institutions compared to 40.1% rural dwellers who make outbound remittances through friends and family. The use of digital tools such as ATM, cards, mobile money, USSD, etc. for payment of utilities and goods/services is quite low compared to use of cash, further confirming the strong affinity for cash among rural dwellers reported in 2018. Preference to use friends and family to send/receive remittances is significantly higher (50.3%) among rural dwellers compared to the national average of 41.9%.

[4] *DFS in Nigeria: State of the Market Report 2020, p.17. Available at https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2021/01/SOMR%202020_compressed.pdf*

TABLE 5: PAYMENT BEHAVIOUR – RURAL DWELLERS VS. NATIONAL AVERAGE

Payment Behaviour and Attitude		Rural Dwellers	Urban Dwellers	National Average
% that received from family & friends	∨	31.2%	50.1%	37.7%
% that received via formal institutions	∨	41.2%	60.1%	49.9%
% that receive via family & friends	∧	60.5%	45.4%	53.6%
% that received via agents	∨	4.2%	4.4%	4.3%
% that received via airtime which was sold for cash	∨	1.8%	2.0%	1.9%
% that sent money to family & friends	∨	15.5%	31.2%	20.9%
% that send via formal institutions	∨	44.6%	59.0%	52.0%
% that send via family & friends	∧	40.1%	25.7%	32.7%
% that send via agents	∧	13.0%	10.3%	11.6%
% that send via airtime which was sold for cash	∧	1.4%	1.0%	1.2%
% that use family & friends as most preferred send/receive method	∧	50.3%	31.9%	41.9%
% that pay for goods/services with cash in the past 12 months	∧	99.2%	98.3%	98.9%
% that pay for goods/services with ATM/Debit Card in the past 12 months	∨	6.0%	17.6%	10.0%
% that pay for goods/services via bank transfers in the past 12 months	∨	2.2%	9.7%	4.8%
% that pay for goods/services via USSD channel in the past 12 months	∨	4.5%	12.0%	7.1%
% that pay for goods/services via agents in the past 12 months	∨	2.2%	5.3%	3.2%
% that pay for goods at bank branches in the past 12 months	∨	1.8%	5.0%	2.9%
% that pay for goods/services via mobile money in the past 12 months	∨	0.5%	2.2%	1.1%
% that pay for utilities with cash	∨	98.1%	99.0%	98.6%
% that pay for utilities with card	∨	20.1%	29.7%	25.7%

TABLE 5: PAYMENT BEHAVIOUR – RURAL DWELLERS VS. NATIONAL AVERAGE (CONTD)

Payment Behaviour and Attitude	Rural Dwellers	Urban Dwellers	National Average
% that pay for utilities via bank transfers (internet or mobile app)	10.0%	21.0%	16.4%
% that pay for utilities via USSD channel	14.8%	23.1%	19.6%
% that pay for utilities via agents in the past 12 months	10.8%	15.4%	13.5%
% that pay for utilities at a bank branch	12.1%	20.3%	16.9%
% that pay for utilities via mobile money	3.8%	9.3%	7.0%

Protection and Emergency Management: Pension and Insurance

Table 6 reveals that compared to the national average of 32.6%, about 29.4% of rural dwellers are confident of protection during emergencies. About 22.1% of rural dwellers compared to a national average of 26.6% regularly make contributions towards meeting their financial needs during emergencies, albeit significantly lower than urban dwellers (35.4%). In terms of pension, adoption is as low as 5.1% which is a little lower than a national average of 6.8%. The low rate of insurance adoption among rural dwellers is also directly proportional to the low awareness of insurance products. In terms of emergency relief during the COVID-19 pandemic, more rural dwellers got support from friends, family and community members than they got from government or any other sources.

TABLE 6: PROTECTION AND EMERGENCY MANAGEMENT BEHAVIOUR – RURAL DWELLERS VS. NATIONAL AVERAGE

Protection Behaviour and Attitude		Rural Dwellers	Urban Dwellers	National Average
% that are very confident of protection during emergency	∨	29.4%	38.8%	32.6%
% that make regular contribution to meet financial needs	∨	22.1%	35.4%	26.6%
% that make regular contribution monthly	∨	42.5%	49.8%	45.8%
% that have/currently receive pension	∨	5.1%	10.2%	6.8%
% whose primary source of income is pension	∨	0.5%	1.1%	0.7%
% that are aware of micr0-pension	∨	5.7%	12.2%	7.9%
% that currently have micro-pension	∨	1.3%	2.6%	1.7%
% that currently have an insurance policy	∨	1.3%	3.3%	2.0%
% that can access insurance service	∨	1.4%	3.4%	2.1%
% that are aware of micro-insurance	∨	9.0%	19.1%	12.5%
% that have micro-insurance cover	∨	4.6%	4.7%	4.7%
% that do not have any form of insurance	∨	98.7%	96.7%	98.8%
% that received COVID-19 emergency support from friends, family or community	∨	17.1%	25.5%	20.0%
% that received COVID-19 emergency support from govt	∧	8.0%	4.9%	6.9%
% that received COVID-19 emergency support from church/mosque	∨	7.5%	11.3%	8.8%

Investment

Table 7 shows that there were more rural dwellers (50.4%) that invested in 2020 when compared to urban dwellers (45.5%) and the national average of 48.7%. While rural dwellers invest money for different reasons, only 12.1% of rural dwellers always invest in cash-flow generating assets such as buying properties, equipment, livestock or stock market instruments. This proportion is slightly higher than the national average of 11.9%.

TABLE 7: INVESTMENT BEHAVIOUR – RURAL DWELLERS VS. NATIONAL AVERAGE

Behaviour and Attitude towards Investment		Rural Dwellers	Urban Dwellers	National Average
% that invested in the past 12 months	⌄	50.4%	45.5%	48.7%
% that invest money for the different reasons	⌃	71.8%	79.5%	74.5%
% that always invest money in assets to generate profit	⌄	12.1%	11.5%	11.9%

DFS

The opportunity to scale digital financial services among rural dwellers is immense with increasing mobile phone penetration of 74.8% in 2020, up from 59.5% in 2018[5]. With access (including third-party access) to mobile phones as high as 85.3%, more rural dwellers can be reached with digital financial services that leverage the use of cellular and internet enabled phones. Although mobile money penetration remains low, the high use of bank and mobile money agents (at 51.3%) presents an opportunity to deliver formal financial services at CICO locations.

TABLE 8: DFS BEHAVIOUR – RURAL DWELLERS VS. NATIONAL AVERAGE

Behaviour and Attitude towards DFS		Rural Dwellers	Urban Dwellers	National Average
% that personally own a mobile phone	⌄	74.8%	93.0%	81.0%
% that have access to a mobile phone	⌄	85.3%	96.1%	89.0%
% with registered mobile money account	⌄	4.8%	7.4%	6.3%
% active mobile money users	⌄	1.5%	3.9%	2.3%
% that have neither registered nor used mobile money	^	77.1%	66.4%	71.1%
% of rural dwellers with mobile money awareness	⌄	14.7%	35.5%	21.9%
% of rural dwellers that use agents	^	51.3%	43.5%	47.4%
% experienced a problem with an agent	⌄	16.3%	18.7%	17.7%

[5] *DFS in Nigeria: State of the Market Report 2020, p.22. Available at https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2021/01/SOMR%202020_compressed.pdf*

Psychometrics

Table 9 shows that about half of rural dwellers, which is slightly lower than the national average of 54.5%, believe that they have control over the events that affect their lives. More than two-third (73.5%) of rural dwellers are open – curious, creative and always willing to try new things. However, not so many rural dwellers have adequate knowledge of financial services. Even though they trust their financial services providers (which are majorly informal),their dependability (63.7%) is marginally higher than the national average of 63.3%, which perhaps accounts for their high success rate in terms of reliance on informal financial sources. They have high self-efficacy but not as impulsive as their urban counterparts. About 86% of rural dwellers have mental accounting bias which could negatively affect their budgeting and planning. In terms of trust in social networks, rural dwellers' trust (58.0%) in social networks is slightly higher than the national average of 57.1%.

TABLE 9: PSYCHOMETRIC TRAITS – RURAL DWELLERS VS. NATIONAL AVERAGE

Psychometric Profiles		Rural Dwellers	Urban Dwellers	National Average
Locus of control (belief in one's control over life's events)	∨	50.2%	62.7%	54.5%
Openness	∨	73.5%	74.1%	73.7%
Knowledge of financial services	∨	35.5%	43.4%	38.2%
Trust in financial services providers	∨	46.1%	51.5%	47.9%
Financial trust in immediate circumstances	∧	37.3%	29.5%	34.6%
Dependability	∧	63.7%	63.4%	63.3%
Self-Efficacy	∨	79.5%	83.2%	80.8%
Impulsivity	∨	36.8%	38.0%	37.2%
Mental accounting	∨	86.2%	86.6%	86.3%
Trust in social networks	∧	58.0%	55.3%	57.1%

Financial Capability and Financial Health

While financial capability refers to an individual's ability to manage money well by planning and saving for the future and building financial resilience for times of difficulty; financial health is much broader. It is describing an individual's state and stability in personal finances and financial affairs – measuring one's ability to meet financial obligations and being able to weather unexpected circumstances.

Table 10 shows that the majority of rural dwellers (66.4%) are able to plan ahead financially, budget and exercise control over their finances. This correlates with their low impulsivity reported in Table 9. However, less than half of rural dwellers are able to keep track of their history.

TABLE 10: FINANCIAL CAPABILITY AND FINANCIAL HEALTH – RURAL DWELLERS VS. NATIONAL AVERAGE

Financial Capability	Rural Dwellers	Urban Dwellers	National Average
% Financial Capability: Planning ahead financially	66.4%	73.6%	67.5%
% Financial Capability: Always invest money in assets	12.1%	11.5%	11.9%
% Financial Capability: Financial control and budgeting	60.4%	71.2%	64.1%
% Financial Capability: Know how much spent in the last 7days	43.5%	43.4%	43.6%
% that are able to keep track of money received and spent	45.0%	48.9%	46.4%
% that have the confidence to make complaint against an FSP	50.2%	62.7%	54.5%
Financial Health			
Financial Health: Spend	28.2%	27.8%	28.1%
Financial Health: Save	16.9%	19.7%	17.9%
Financial Health: Plan	18.7%	27.4%	21.6%
Financial Health: Resilience (% that get enough support in emergency)	28.9%	34.5%	30.8%

The aggregated scores across the financial health dimensions also show that on a scale of 1 to 3 (low, medium and high) they are conservative spenders and average in terms of saving and planning *(see Appendix C)*.

Gender Norms and Roles of the Rural Dwellers

In Table 11, we see that not so many rural women (34%) can make the final decision regarding taking jobs that help them earn income. On the contrary, about half of rural women defer to their spouses to decide to take up an income earning job (or not). Women are also negatively affected as about 86% of men in rural locations would not allow their wives to get a job that requires travel time. Female children are also affected as majority of rural dwellers (92%) will refuse their daughters taking up jobs that take them away from home. Less than half of rural women own assets or can sell such assets to raise money when needed without having to seek permission from anyone. It is important to note that about 52% of rural women have control over how money is used in the household. This is perhaps due to the fact that rural women are actively involved in cultivating receivables.

TABLE 11: GENDER ROLES AND NORMS – RURAL DWELLERS VS. NATIONAL AVERAGE

Gender roles and norms of across rural dwellers segment		Rural Dwellers	Urban Dwellers	National Average
% who has final say on whether to work to earn income or not – Myself*	⌄	34.0%	40.7%	36.6%
% who has final say on whether to work to earn income or not – Spouse*	⌄	51.8%	44.8%	49.1%
% that would never allow their wife travel to get a job**	⌄	86.0%	89.4%	87.0%
% that would never allow their daughter travel to get a job***	⌄	92.0%	95.3%	93.1%
% that have control on how money is used in the household*	⌄	52.0%	67.0%	57.9%
% that own assets – real estate, livestock, etc.*	⌄	38.6%	25.4%	22.7%
% that can you sell or lease any property without anyone's permission*	⌃	43.9%	46.0%	44.3%

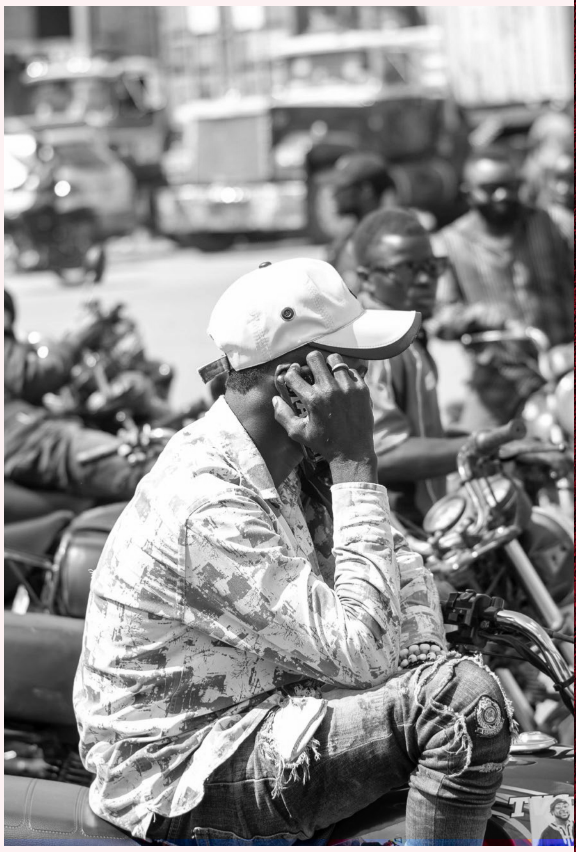
Note: *Women; **Men ***All Rural Dwellers

Product Opportunity

- Tailored savings products (simple, target and group/ family savings)

- CICO agents and alternative self-service channels

- Investment and insurance products (with some sort of guaranteed ROI)



Segment Profiles

THE WOMEN SEGMENT

In Table 1, the EFInA 2020 access to The gender gap persists even as women remain more financially excluded compared to men. The NFIS Refresh highlights women as a focus segment which also aligns with Goal 5 of the Sustainable Development Goals (SDG 5).

TABLE 12: PROPORTION AND MARKET OPPORTUNITY IN NIGERIA'S UNBANKED AND UNDER-BANKED WOMEN SEGMENT

	Banked	Under-banked	Unbanked
The population of each strand within the total population (%of National average)	50.5% (53.6 million)	13.6% (14.4 million)	35.9% (38.1 million)
The proportion of women within each strand	44.8%	15.3%	39.9%
The addressable market for women in each strand	23.9m	8.2m	21.3m

As of 2018, women constituted the largest population of unbanked and financially excluded persons in the country, utilising largely informal financial services[6]. Table 12 shows that in 2020, about 50.2% or 53.3 million Nigerian adults are women compared to 49.8% men (52.8 million). Despite women being more than men, there are less – 44.8% (23.9 million) banked women compared to men 56.3% (53.6 million), meaning that exclusion is still skewed towards women. Of the 53.3 million women, 15.3% or 8.2 million women remain underbanked while as much as 39.9% or 21.3 million women remain financially excluded. Although the number of underbanked women (8.2 million) is low compared to the unbanked, this women segment remains a low hanging fruit for FSPs to deliver innovative products and services. On the other hand, nearly 40% or about 21.3 million women are completely excluded without access to any form of financial services – formal or informal. This market segment remains critical if financial exclusion is to be fully addressed because women have been proven to be more productive when equipped with the right social, economic, and cultural tools.

[6] *DFS in Nigeria: State of the Market Report 2020, p.22. Available at https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2021/01/SOMR%202020_compressed.pdf*

Socio-economic Profiles

Table 13 shows that the population of women in the North-East and North-West was marginally lower than the national average. The percentage of women with post-primary education (60.5%) is significantly lower than the national average of 65.9%. There were also fewer (66.7%) employed women than men (87.3%). There is also an income gap where 91.9% of women earn monthly income below N35,000 ($US 85.25) compared to men and the national average. The data also shows that there are more youthful women than men. With regards to COVID-19, about 10% of women now take on more work to cushion the impact of the pandemic.

TABLE 13: SOCIO-ECONOMIC PROFILE – WOMEN SEGMENT VS. NATIONAL AVERAGE

Socio-economic Characteristic		Women	Men	National Average
Region (% in the North East & North West)	⌄	32.9%	36.9%	34.9%
Location (% Rural)	⌄	61.0%	70.3%	65.6%
Age (% 18-34 years)	^	55.4%	42.9%	49.2%
Marital Status (% Married)	^	68.8%	68.0%	68.4%
Education (% Secondary and Post-Secondary)	⌄	60.5%	69.6%	65.9%
Household (HH) Size (% Six and Higher)	⌄	33.7%	34.0%	33.8%
Employment Status (% Employed)	⌄	66.7%	87.3%	77.0%
Personal Monthly Income (% below N35,000)	^	91.9%	81.2%	86.6%
% that now work more due to COVID-19 impact	^	10.0%	14.1%	12.1%

Behaviours and Attitudes of the Rural Dwellers towards Financial Products

SAVINGS

Table 14 shows that despite having lower income than men (and below the national average), women are more comfortable saving with informal providers compared to men. The low level of unemployment among women compared to men can be attributed to their preference for informal sources as formal employment is one of the drivers of use of formal institutions for savings. The impact of the COVID-19 pandemic is also evident in women's financial lives as about 24.3% of all women who save now depend on their savings as their main source of income.

TABLE 14: SAVINGS BEHAVIOUR AND ATTITUDES – WOMEN SEGMENT VS. NATIONAL AVERAGE

Savings Behaviour and Attitude		Women	Men	National Average
Savings (% that saved in the past 12 months)	∨	55.7%	64.9%	60.3%
Saved formally (% that saved with formal institutions)	∨	25.1%	39.1%	32.1%
Saved informally (% that saved with informal institutions)	∧	30.6%	25.8%	28.2%
% that did not save in the past 12 months	∧	44.3%	35.1%	39.7%
% whose main income source is now saving due to COVID-19	∨	24.3%	29.3%	26.8%

Behaviours and Attitudes of the Rural Dwellers towards Financial Products

CREDIT

As shown in Table 15, women do not borrow as much as men. However, they use informal sources more than men. While women save more with friends and family as shown in Table 14, the proportion of women that borrow from family and friends is lower than those who save with friends and family and the proportion of men that borrow from friends and family (17.5%). The COVID-19 pandemic had no major impact on the borrowing behaviour of women as less than 3% of women were involved in borrowing due to the pandemic. Unsurprisingly, more women preferred informal credit providers during the pandemic.

TABLE 15: CREDIT BEHAVIOUR – WOMEN SEGMENT VS. NATIONAL AVERAGE

Credit Behaviour and Attitude	Women	Men	National Average
Credit (% that borrowed in the past 12 months)	24.5%	28.6%	26.5%
% that borrow from formal institutions	2.1%	3.1%	2.6%
% that borrow from informal institutions	8.1-%	7.9%	8.0%
Borrow informally (% that borrow from family & friends)	14.5%	17.6%	16.0%
% that did not borrow in the past 12 months	75.5%	71.4%	73.5%
% borrow from informal sources due to COVID-19 impact	2.0%	2.1%	2.1%
% borrow from formal institutions due to COVID-19 impact	0.3%	0.4%	0.3%

PAYMENTS

Women receive remittances more than they send (Table 16) and prefer using friends and family more than any other source, including formal institutions. The use of digital tools such as USSD, cards, internet banking and mobile money is not prevalent among women when compared to the use of informal mechanisms such as family and friends. Women also have a high affinity for cash.

TABLE 16: PAYMENT BEHAVIOUR – WOMEN SEGMENT VS. NATIONAL AVERAGE

Payment Behaviour and Attitude		Women	Men	National Average
% that received from family & friends		36.1%	39.3%	37.7%
% that received via formal institutions		46.0%	53.5%	49.9%
% that receive via family & friends		56.7%	50.7%	53.6%
% that received via agents		3.6%	4.9%	4.3%
% that received via airtime which was sold for cash		1.8%	2.0%	1.9%
% that sent money to family & friends		16.5%	25.4%	20.9%
% that send via formal institutions		48.9%	54.0%	52.0%
% that send via family & friends		33.6%	32.2%	32.7%
% that send via agents		12.4%	11.1%	11.6%
% that send via airtime which was sold for cash		1.5%	1.0%	1.2%
% that use family & friends as most preferred send/receive method		24.8%	21.7%	22.9%
% that pay for goods/services with cash in the past 12 months		99.1%	98.7%	98.9%
% that pay for goods/services with ATM/Debit Card in the past 12 months		8.2%	11.7%	10.0%
% that pay for goods/services via bank transfers in the past 12 months		3.6%	6.0%	4.8%
% that pay for goods/services via USSD channel in the past 12 months		5.3%	8.9%	7.1%
% that pay for goods/services via agents in the past 12 months		2.4%	4.1%	3.2%
% that pay for goods at bank branches in the past 12 months		2.2%	3.6%	2.9%
% that pay for goods/services via mobile money in the past 12 months		0.7%	1.5%	1.1%
% that pay for utilities with cash		98.7%	98.6%	98.6%
% that pay for utilities with card		21.2%	29.5%	25.7%

TABLE 16: PAYMENT BEHAVIOUR – WOMEN SEGMENT VS. NATIONAL AVERAGE (CONTD.)

Payment Behaviour and Attitude		Women	Men	National Average
% that pay for utilities via bank transfers (internet or mobile app)	⌄	13.2%	19.1%	16.4%
% that pay for utilities via USSD channel	⌄	15.4%	23.2%	19.6%
% that pay for utilities via agents in the past 12 months	⌄	11.5%	15.1%	13.5%
% that pay for utilities at a bank branch	⌄	13.9%	19.4%	16.9%
% that pay for utilities via mobile money	⌄	4.7%	9.0%	7.0%

Protection and Emergency Management: Pension and Insurance

Just like everyone else, women are vulnerable during emergencies as only about 29.4% are very confident of protection during emergencies (Table 17). More so, less than one-third of women make regular contributions towards meeting their financial needs, further demonstrated by their low adoption of pension and insurance products. The data also shows that women received more emergency support from family, friends and community members during the COVID-19 pandemic than all other sources combined.

TABLE 17: PROTECTION AND EMERGENCY BEHAVIOUR – WOMEN SEGMENT VS. NATIONAL AVERAGE

Protection Behaviour and Attitude		Women	Men	National Average
% that are very confident of protection during emergency	∨	29.4%	32.2%	30.0%
% that make regular contribution to meet financial needs	∨	23.1%	30.2%	26.5%
% that make regular contribution least monthly	∨	40.8%	49.7%	45.8%
% that have/currently receive pension	∨	3.8%	9.8%	6.8%
% whose primary source of income is pension	∨	0.3%	1.1%	0.7%
% that are aware of micr0-pension	∨	5.9%	9.9%	7.9%
% that currently have micro-pension	∨	1.1%	2.4%	1.7%
% that currently have an insurance policy	∨	1.1%	2.9%	2.0%
% that can access insurance service	∨	1.2%	3.0%	2.1%
% that are aware of micro-insurance	∨	10.2%	14.8%	12.5%
% that have micro-insurance cover	∨	2.7%	6.0%	4.7%
% that do not have any form of insurance	∧	98.9%	97.1%	98.0%
% that received COVID-19 emergency support from friends, family or community	∧	21.4%	18.5%	20.0%
% that received COVID-19COVID-19 emergency support from govt	∨	6.2%	7.7%	6.9%
% that received COVID-19 emergency support from church/mosque	∨	9.3%	8.3%	8.8%

Investment

The proportion of women (40.2%) who invested in the preceding 12 months was significantly lower than men (57.3%) (Table 18). Also, although few women invest or set aside money for different reasons, more women make significant effort to invest in profit-generating assets, albeit lower than their male counterparts and the national average.

TABLE 18: INVESTMENT BEHAVIOUR – WOMEN SEGMENT VS. NATIONAL AVERAGE

Behaviour and Attitude towards Investment		Women	Men	National Average
% that invested in the past 12 months		40.2%	57.3%	48.7%
% that save money for the different reasons		17.9%	23.09%	20.9%
% that invest money in assets to generate profit		40.2%	57.3%	48.7%

DFS

In terms of DFS adoption, though lower than men, over two-third of women own a mobile phone (76.9%), up from 62.5% recorded in 2018[7] (Table 19). When ownership is combined with third-party access, more women (87.2%) can now access a mobile phone. Like other segments, adoption of mobile money is still very low among women. However, a significant proportion (49.2%) of the women segment use financial services agents for CICO transactions.

TABLE 19: DFS BEHAVIOUR – WOMEN SEGMENT VS. NATIONAL AVERAGE

Behaviour and Attitude towards DFS		Women	Men	National Average
% that personally own a mobile phone	⌄	76.9%	85.1%	81.0%
% that have access to a mobile phone	⌄	87.2%	90.8%	89.0%
% with registered mobile money account	⌄	3.6%	8.2%	6.3%
% active mobile money users	⌄	1.2%	3.4%	2.3%
% that have neither registered nor used mobile money	⌃	74.4%	68.8%	71.1%
% of women with mobile money awareness	⌄	18.3%	25.5%	21.9%
% of women that use agents	⌄	49.2%	53.7%	51.8%
% experienced a problem with an agent	⌄	13.7%	20.4%	17.7%

[7] *Digital Financial Services in Nigeria: State of the Market Report 2019, p.14. Available at https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2020/11/SoMR_Full_Report_2019.pdf*

Psychometrics

Table 20 shows that about half of the women segment believe they have control over their lives with as high as 72% openness to trying new things. Most women; however, do not have adequate knowledge of financial services. Less than half of them trust their financial services providers while more than half trust their social networks. They are also highly self-efficacious and also dependable.

TABLE 20: PSYCHOMETRIC TRAITS – WOMEN SEGMENT VS. NATIONAL AVERAGE

Psychometric Profiles	Women	Men	National Average
Locus of control (belief in one's control over life's events)	50.4%	58.7%	54.5%
Openness	72.0%	75.5%	73.7%
Knowledge of financial services	34.9%	41.5%	38.2%
Trust in financial services providers	45.0%	51.0%	47.9%
Financial trust in immediate circumstances	32.2%	37.1%	34.6%
Dependability	61.4%	65.8%	63.6%
Self-Efficacy	79.2%	82.4%	80.8%
Impulsivity	34.2%	40.2%	37.2%
Trust in social networks	56.8%	57.4%	57.1%

Financial Capability and Financial Health

One key component of women's financial health is their ability to undertake active and intentional engagement, including activities such as planning and prioritisation. As shown in Table 21, about 65% of women plan ahead financially but make limited investment in assets. However, a significant number of them have control over their finances and are able to budget based on their income. This helps them manage sudden financial emergencies.A good proportion of women also are able to keep track of their financial spend. However, not so many are able to get enough support during emergencies.

TABLE 21: FINANCIAL CAPABILITY AND FINANCIAL HEALTH OF WOMEN VS. NATIONAL AVERAGE

Financial Capability	Women	Men	National Average
% Financial Capability: Planning ahead financially	65.0%	70.1%	67.5%
% Financial Capability: Always invest money in assets	9.2%	14.6%	11.9%
% Financial Capability: Financial control and budgeting	60.4%	67.8%	64.1%
% Financial Capability: Know how much spent in the last 7days	40.2%	46.8%	43.5%
% that are able to keep track of money received and spent	43.6%	49.2%	46.4%
% that have the confidence to make complaint against an FSP	50.4%	58.7%	54.5%
Financial Health			
Financial Health: Spend	28.6%	27.5%	28.1%
Financial Health: Save	14.1%	21.7%	17.9%
Financial Health: Plan	19.7%	23.6%	21.6%
Financial Health: Resilience (% that get enough support in emergency)	29.4%	32.2%	30.8%

Gender Norms and Roles

In several areas where men excel without restrictions, women are still restricted, especially when it comes to household financial management and decision making. Table 22 shows less women (36.6%) can decide on whether to take up income earning jobs or not, compared to men (85.4%) and the national average of 60.9%. While only 1.6% of men will defer to their spouses to have the final say in deciding whether to work or not, nearly half (49.1%) of women will act on their spouse's decision. Majority of men will not allow their wife to get a job that takes them from home i.e., requiring several hours of travel within or outside town. In terms of household spending, not as many women can exercise such control when compared to men. Fewer women possess or can make the decision to sell assets without deferring to their spouses.

TABLE 22: GENDER NORMS AND ROLES OF WOMEN VS. NATIONAL AVERAGE

Gender norms and roles of women		Women	Men	National Average
% who has final say on whether to work to earn income or not – Myself	⌄	36.6%	85.4%	60.9%
% who has final say on whether to work to earn income or not – Spouse	⌄	49.1%	1.6%	25.4%
% that would never allow their wife travel to get a job	—	–	87.0%	–
% that would never allow their daughter travel to get a job	^	93.5%	92.8%	93.1%
% that have control on how money is used in the household	⌄	57.9%	84.3%	71.0%
% that own assets – real estate, livestock, etc.	⌄	22.7%	44.2%	33.4%
% that can you sell or lease any property without anyone's permission	⌄	44.3%	73.1%	63.4%

Product Opportunity

Women's high preference for informal sources (thrifts, family and friends) could be leveraged to deliver tailored group savings. This is because data (Table 21) shows that more than 65% of women plan their financial needs. These saving products can be group savings as women tend to trust social networks more than financial institutions (Table 20).

- Tailored group savings
- Micro- pension and insurance
- Credit within social groups
- Financial literacy through agents

Segment Profiles

THE YOUTH SEGMENT

The youths, made up of young adults aged 18 – 34 years represent a significant market segment for financial services providers as they account for 49.2% (52.5 million) of Nigerian adults. The EFInA 2020 access to finance household data shown in Table 23 further reveals that only about 48% (representing 25.1 million) youths have access to or use formal financial services. Underbanked youths account for 12.6% or 6.5m of the youth population while as high as 39.4% (representing 20.7 million) youths are without access to any form of formal financial services or products.

TABLE 23: PROPORTION AND MARKET OPPORTUNITY IN NIGERIA'S UNBANKED AND UNDER-BANKED YOUTH SEGMENT

Gender norms and roles of women	Banked	Under-banked	Unbanked
The population of each strand within the total population (% estimated # of adult Nigerians)	50.5% (53.6 million)	13.6 (14.4 million)	35.9 (38.1 million)
The proportion of youths and young adults within each strand	48.0%	12.6%	39.4%
The addressable market for youths and young adults in each strand	25.1m	6.6m	20.7m

As of 2020 Q4, unemployment rate stood at 33.3% and under-employment at 22.8%. For youths, about 42.5% were unemployed while 21% were under-employed. This further emphasises the need to prioritise both economic and financial inclusion of youths. As such, financial products targeted at the youth segment should be able to impact their economic wellbeing.

Socio-economic Profiles

Table 24 summarised the socio-economic characteristics of the Nigerian youth compared with national averages in 2020. The socio-economic profiles of the youth segment shows that there were more married youths in 2020 compared to 2018[8]. Also, there was an increase in the level of education, employment status and a decrease in the household size. There are more youths in the North-East and North-West region compared to the national average. More so, the youth segment has more women compared to men. The COVID-19 pandemic is compelling more youths to be more committed to work as about 11.2% of them now work more than they did prior to the outbreak of the pandemic.

TABLE 24: SOCIO-ECONOMIC PROFILE – YOUTHS VS. NATIONAL AVERAGE

Socio-economic Characteristic	Youths	Non-Youths	National Average
Region (% in the North East & North West)	39.2%	30.8%	34.9%
Gender (% Women)	56.6%	44.1%	50.2%
Location (% Rural)	66.0%	65.3%	65.5%
Marital Status (% Married)	57.6%	78.9%	68.4%
Education (% Secondary and Post-Secondary)	70.6%	59.7%	65.0%
Household (HH) Size (% Six and Higher)	29.9%	37.7%	33.8%
Employment Status (% Employed)	69.3%	84.4%	77.0%
Personal Monthly Income (% below N35,000)	89.7%	83.5%	86.6%
% thatThat now work more due to COVID-19 impact	11.5%	12.6%	12.1%

[8] *DFS in Nigeria: State of the Market Report 2020, p.39. Available at https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2021/01/SOMR%202020_compressed.pdf*

Behaviours and Attitudes of the Rural Dwellers towards Financial Products

SAVINGS

The proportion of youths that saved (56.6%) was significantly lower than non-youths as well as that of national average. In terms of choosing which provider to save with, fewer youths saved with informal institutions when compared to rural and women segments. The COVID-19 pandemic has also left about 25% of the youth segment relying on savings as their main source of income. Continued dependence on saving could negatively impact the financial health of these youths.

TABLE 25: SAVINGS BEHAVIOURS AND ATTITUDES – YOUTHS VS. NATIONAL AVERAGE

Savings Behaviour and Attitude		Youths	Non-Youths	National Average
Savings (% that saved in the past 12 months)	∨	56.6%	63.9%	60.3%
Saved formally (% that saved with formal institutions)	∨	29.5%	34.6%	32.1%
Saved informally (% that saved with informal institutions)	∨	27.1%	29.3%	28.2%
% that did not save in the past 12 months	∧	43.4%	36.1%	39.7%
% whose main income source is now saving due to COVID-19	∨	25.1%	28.4%	26.8%

Behaviours and Attitudes of the Rural Dwellers towards Financial Products

CREDIT

As shown in Table 26, not many youths were interested in borrowing. However, youths that borrowed (24.7%) were more active in the informal sector, with higher preference for family and friends. The data also show that more youths patronised informal sources than formal institutions during the COVID-19 pandemic.

TABLE 26: CREDIT BEHAVIOURS – YOUTHS VS. NATIONAL AVERAGE

Credit Behaviour and Attitude		Youths	Non-Youths	National Average
Credit (% that borrowed in the past 12 months)	⌄	24.7%	28.3%	26.5%
% that borrow from formal institutions	⌄	1.9%	3.2%	2.6%
% that borrow from informal institutions	⌄	6.4%	9.5%	8.0%
Borrow informally (% that borrow from family & friends)	^	16.4%	15.6%	16.0%
% that did not borrow in the past 12 months	^	75.3%	71.7%	73.5%
% borrow from informal sources due to COVID-19 impact	⌄	1.9%	2.2%	2.1%
% borrow from formal institutions due to COVID-19 impact	⌄	0.3%	0.4%	0.3%

PAYMENTS

Youths who received payment via formal financial institutions were marginally higher than the national average while those who received via family and friends were slightly lower than the national average. While airtime receipt was low across board, more youths received airtime for cash than the non-youths and the national average. Like other segments, use of digital products/ channels – cards, mobile money, bank transfers, USSD for payments is still quite low among youths while there is a high affinity for cash among youths (see Table 27).

TABLE 27: PAYMENT BEHAVIOURS – YOUTHS VS. NATIONAL AVERAGE

Payment Behaviour and Attitude		Youths	Non-Youths	National Average
% that received from family & friends	∨	36.0%	39.3%	37.7%
% that received via formal institutions	∧	51.7%	48.2%	49.9%
% that receive via family & friends	∨	50.9%	56.0%	53.6%
% that received via agents	∨	3.6%	4.9%	4.3%
% that received via airtime which was sold for cash	∧	2.2%	1.6%	1.9%
% that sent money to family & friends	∨	19.6%	22.2%	20.9%
% that send via formal institutions	∨	51.0%	52.8%	52.0%
% that send via family & friends	∨	31.1%	34.1%	32.7%
% that send via agents	∨	10.3%	12.7%	11.6%
% that send via airtime which was sold for cash	∧	1.3%	1.1%	1.2%
% that use family & friends as most preferred send/receive method	∨	39.9%	43.7%	41.9%
% that pay for goods/services with cash in the past 12 months	∨	98.7%	99.1%	98.9%
% that pay for goods/services with ATM/Debit Card in the past 12 months	∧	10.2%	9.7%	10.0%
% that pay for goods/services via bank transfers in the past 12 months	∧	5.8%	3.8%	4.8%
% that pay for goods/services via USSD channel in the past 12 months	∧	8.2%	6.0%	7.1%
% that pay for goods/services via agents in the past 12 months	∧	3.3%	3.3%	3.2%
% that pay for goods at bank branches in the past 12 months	∨	2.8%	3.0%	2.9%
% that pay for goods/services via mobile money in the past 12 months	∧	1.2%	.9%	1.1%
% that pay for utilities with cash	∨	98.2%	99.0%	98.6%
% that pay for utilities with card	∨	27.6%	24.3%	25.7%

TABLE 27: PAYMENT BEHAVIOURS – YOUTHS VS. NATIONAL AVERAGE (CONTD)

Payment Behaviour and Attitude		Youths	Non-Youths	National Average
% that pay for utilities via bank transfers (internet or mobile app)	^	21.0%	13.1%	16.4%
% that pay for utilities via USSD channel	^	24.2%	16.4%	19.6%
% that pay for utilities via agents in the past 12 months	^	14.1%	13.1%	13.5%
% that pay for utilities at a bank branch	^	18.0%	16.1%	16.9%
% that pay for utilities via mobile money	^	8.6%	5.8%	7.0%

Protection and Emergency Management: Pension and Insurance

As shown in Table 28, only about 30.2% of the youth segment are very confident of protection during emergencies. Notwithstanding, many youths make monthly contributions towards meeting their financial needs. Pension and insurance adoption remains significantly low among the youths but with some level of awareness of micro-pension.

Though marginally lower than national averages, youths received more support from friends, family and their communities during the COVID-19 pandemic when compared to other sources. It is also important to note that religious institutions supported more youths than the government did during the pandemic.

TABLE 28: PROTECTION AND EMERGENCY MANAGEMENT– YOUTHS VS. NATIONAL AVERAGE

Protection Behaviour and Attitude	Youths	Non-Youths	National Average
% that are very confident of protection during emergency	30.2%	31.4%	30.8%
% that make regular contribution to meet financial needs	23.2%	30.0%	26.6%
% that make regular contribution monthly	42.8%	48.1%	45.8%
% that have/currently receive pension	4.2%	9.3%	6.8%
% whose primary source of income is pension	0.1%	1.3%	0.7%
% that are aware of micr0-pension	6.6%	9.1%	7.9%
% that currently have micro-pension	1.3%	2.2%	1.7%
% that currently have an insurance policy	1.8%	2.2%	2.0%
% that can access insurance service	1.8%	2.3%	2.1%
% that are aware of micro-insurance	11.0%	13.9%	12.5%
% that have micro-insurance cover	4.8%	4.6%	4.7%
% that do not have any form of insurance	98.2%	97.8%	98.0%
% that received COVID-19 emergency support from friends, family or community	18.6%	21.3%	20.0%
% that received COVID-19 emergency support from govt	5.9%	8.0%	6.9%
% that received COVID-19 emergency support from church/mosque	7.7%	9.8%	8.8%

Investment

In terms of investment, Table 29 shows that up to 44% of youths made one form of investment in the preceding 12 months. Remarkably, more than 70% of youths dedicated some savings for different investment reasons while about 44.5% made investment on profit generating assets.

TABLE 29: INVESTMENT BEHAVIOUR – YOUTHS VS. NATIONAL AVERAGE

Behaviour and Attitude towards Investment		Youths	Non-Youths	National Average
% that invested in the past 12 months		44.4%	52.9%	48.7%
% that save money for the different reasons		72.5%	76.4%	74.5%
% that invest money in assets to generate profit		44.5%	52.9%	47.7%

DFS

There is high mobile phone penetration (ownership and access) among the youth segment (Table 30). Mobile money adoption and awareness is higher among the youths when compared to the rural and women segments as shown in Tables 8 and 18 respectively. On the contrary, more than half (52.7%) of the youth population are comfortable with the use of financial services agents for CICO transactions.

TABLE 30: DFS BEHAVIOUR – YOUTHS VS. NATIONAL AVERAGE

Behaviour and Attitude towards DFS		Youths	Non-Youths	National Average
% that personally own a mobile phone	⌄	79.9%	82.1%	81.0%
% that have access to a mobile phone	⌄	88.3%	89.7%	89.0%
% with registered mobile money account	^	6.6%	5.9%	6.3%
% active mobile money users	^	2.7%	1.9%	2.3%
% that have neither registered nor used mobile money	⌄	69.0%	73.5%	71.1%
% of youths with mobile money awareness	^	23.5%	20.3%	21.9%
% of youths that use Agents	⌄	52.7%	50.8%	51.8%
% experienced a problem with an Agent	^	18.2%	17.3%	17.7%

Psychometrics

Youths believe they have control over the events in their lives. Majority of youths are open to new innovations and trying out new things. However, less than half of the youth segment are knowledgeable about current financial services or trust their financial services providers. Notwithstanding, a high proportion of the youths are dependable and self-efficacious. Their high mental accounting ability; however, poses a threat to their ability to make rational investment.

TABLE 31: PSYCHOMETRIC PROFILES – YOUTHS VS. NATIONAL AVERAGE

Psychometric Profiles		Youths	Non-Youths	National Average
Locus of control (belief in one's control over life's events)	⌄	54.2%	54.8%	54.5%
Openness	⌄	73.8%	73.6%	73.7%
Knowledge of financial services	⌄	37.6%	38.8%	38.2%
Trust in financial services providers	⌄	47.8%	48.1%	47.9%
Financial trust in immediate circumstances	⌄	32.5%	36.7%	34.6%
Dependability	⌄	61.5%	65.6%	63.6%
Self-Efficacy	⌄	79.6%	81.9%	80.8%
Impulsivity	⌄	36.6%	37.7%	37.2%
Mental accounting	⌄	86.1%	86.5%	86.3%
Trust in social networks	⌃	58.0%	56.2%	57.1%

Financial Capability and Financial Health

The data on financial health of youths presented in Table 32 reveals that like other segments (rural dwellers and women), the majority (66.5%) of youths plan ahead financially, as well as budget and exercise some form of control over their finances. However, very few (10.1%) invest money in assets that can be converted in times of financial difficulty. Despite their ability to plan ahead, the data shows low capability across spend (28.4%), save (15.2%), plan (20.8%) and resilience (30.2%) dimensions.

TABLE 32: FINANCIAL HEALTH PROFILES – YOUTHS VS. NATIONAL AVERAGE

Financial Health		Youths	Non-Youths	National Average
% Financial Capability: Planning ahead financially	⌄	66.5%	68.6%	67.5%
% Financial Capability: Always invest money in assets	⌄	10.1%	13.7%	11.9%
% Financial Capability: Financial control and budgeting	⌄	61.7%	66.5%	64.1%
% Financial Capability: Know how much spent in the last 7days	⌄	42.8%	44.1%	43.5%
% that are able to keep track of money received and spent	⌄	45.1%	47.6%	46.4%
% that have the confidence to make complaint against an FSP	⌄	54.2%	54.8%	54.5%
Financial Health				
Financial Health: Spend	⌃	28.4%	27.7%	28.1%
Financial Health: Save	⌄	15.2%	20.4%	17.9%
Financial Health: Plan	⌄	20.8%	22.5%	21.6%
Financial Health: Resilience (% that get enough support in emergency)	⌄	30.2%	31.4%	30.8%

Gender Norms and Roles of Youths

Gender norms are prevalent among the youth segment as only about 24.6% of female youths can decide whether to take up income earning jobs or not (Table 33) when compared to non-youth adults (51.5%). 53.9% of female youths require approval from their spouses before they can work to earn personal income. As high as 88.2% of male youths would never allow their wives to travel to get a job that keeps them from the home. Youths (92.4%) – whether male or female - will also stop their daughters from seeking jobs that take them away from home. The data also shows that more than half of women in the youth segment do not have control over how money is used in the house, with only a minority of them owning assets (real estate, livestock, etc.) with the necessary autonomy to sell or lease such assets without spousal approval.

TABLE 33: GENDER NORMS AND ROLES OF YOUTH SEGMENT VS. NATIONAL AVERAGE

Gender roles and norms of across Youth Segment		Youths	Non-Youths	National Average
% who has final say on whether to work to earn income or not – Myself*		24.6%	51.5%	36.6%
% who has final say on whether to work to earn income or not – Spouse*		53.9%	43.1%	49.1%
% that would never allow their wife travel to get a job**		88.2%	86.1%	87.0%
% that would never allow their daughter travel to get a job***		92.4%	93.8%	93.1%
% that have control on how money is used in the household*		46.2%	72.5%	57.9%
% that own assets – real estate, livestock, etc.*		18.2%	28.4%	22.7%
% that can you sell or lease any property without anyone's permission*		37.4%	49.7%	44.3%

Note: *Female Youths; **Male Youths; ***All Youths

Product Opportunity

- Investment products (e.g. mutual funds and target savings)
- Financial literacy and capability programmes
- Credit (micro and SME)

Market Opportunities across Focus Segments

Our analysis of the socio-cultural, behaviour, psychometric, financial capabilities and financial health profiles of the focused segments show that there is a massive opportunity for scaling DFS and financial inclusion across the youths, women and rural dweller segments as discussed below and summarised in the Table 34.

Market Opportunities in the Rural Segment

Rural dwellers account for 65.6% of Nigeria's adult population compared to 34.4% adults living in urban locations. More than 30 million or 33.2% of rural adults still lack access to any form of financial services while 11 million (15.9%) can only access informal financial services. Despite having some form of employment (mainly self-employed), their income flows are irregular with as high as 88.6% of them earning less than N35,000 (US$85.25) monthly. To strengthen their economic lives, the government will need to partner with financial services providers and development institutions to drive financial programmes for rural dwellers.

One such example is the CBN interest free agricultural loan which is targeted at Nigerian farmers between 18 and 35 years. The loan is aimed at improving the agri-sector as well as ensure adequate food supply across Nigeria. With low-levels of education and financial literacy, there is an opportunity to drive financial literacy programmes to rural dwellers by targeting savings groups, market associations, and cooperatives. Also, FSPs can work closely with these groups to better understand the needs of rural dwellers as a way of developing products that are more targeted to their needs.

"

To strengthen their economic lives, the government will need to partner with financial services providers and development institutions to drive financial programmes for rural dwellers.

Market Opportunities in the Women Segment

Women are critical stakeholders in nation building. Nonetheless, they require tailored interventions that make them more productive actors. The profiles of the women segment suggest that women are more disadvantaged than men given gender norms that define their roles across households and communities. Women do not receive as much support as men during emergencies and fall behind men across all indicators of financial capabilities and financial health. To sustainably serve this segment, FSPs can explore opportunities to drive financial literacy and awareness through women associations such as savings groups, market associations, and social clubs. Their lack of access to credit is also worrisome since majority of them are unable to make financial decisions or secure income earning jobs without approval from their spouses;yet they own some assets which can act as collateral when seeking credit. Their trust in informal institutions and social networks also means that FSPs could work closely with these informal institutions in understanding their financial services needs and build products around these gender nuances for wider adoption.

"

Women do not receive as much support as men during emergencies and fall behind men across all indicators of financial capabilities and financial health.

Market Opportunities in the Youth Segment

The youth segment is a critical segment that could drive economic growth if it receives the appropriate investment. With rising youth unemployment, engaging the youths in productive activities is imperative. The demography, behaviour and psychometric profiles of the youth signal opportunity for financial services providers to partner with the youths in the area of SME financing. When strategically explored, this has the potential to transform Nigerian youths and contribute massively to economic development. Strategic partnership between research institutions can help ascertain capabilities gaps and possible areas of intervention. One notable example is the partnership between the Enterprise Development Centre and the MasterCard Foundation for youth capacity building and SME financing. The outcome of such partnership can help drive economic inclusion leading to job creation and onboarding more people into mainstream financial services.

"

The demography, behaviour and psychometric profiles of the youth signal opportunity for financial services providers to partner with the youths in the area of SME financing.

TABLE 34: MARKET OPPORTUNITIES FOR FOCUS GROUP SEGMENTS

Opportunity	Rural Segment	Women Segment	Youth Segment
Customer Acquisition	• Awareness building • Agent/Merchant acquisition • Account opening	• Awareness building • Agent/Merchant acquisition • Account opening	• Awareness building • Agent/Merchant acquisition • Account opening
Enhance Experience – Reach/Presence	• CICO agents • Alternative self-service channels e.g., USSD	• Women CICO agents • Alternative self-service channels	• CICO agents • Alternative self-service channels e.g., digital banks
Enhance Experience - Capacity	• Financial literacy through agents • Consumer protection	• Financial literacy through agents • Women's Economic Empowerment (WEE) • Consumer protection	• Financial literacy and capability programmes • Business incubation/ acceleration programme
Enrich Value Proposition	• Tailored savings products (simple, target, and group/family savings) • Investment and insurance products (with some sort of guaranteed ROI) • Money management tools • Conditional cash transfers • Agricultural loans	• Tailored group savings • Micro- pension and insurance • Credit within social groups • Social protection/welfare programmes • Government credit schemes (MSME)	• Investment products (e.g., mutual funds and target savings) • Credit (MSME) • Entrepreneurial funding

Regulation Landscape Influencing Partnerships

Introduction

> "...inter-firm strategic partnerships have thrived as a methodology for navigating volatility, disruption, challenges and opportunities in the business environment.

Modern market systems rely intrinsically on partnership between government, the private sector and in recent times, civil society[9].Necessarily, partnerships or collaborations between regulatory and governmental agencies drive and govern these public-private sector collaborations. In similar manner, inter-firm strategic partnerships have thrived as a methodology for navigating volatility, disruption, challenges and opportunities in the business environment.

The fundamental framework and plan template for collaborations and partnership in digital finance and inclusion is the revised National Financial Inclusion Strategy[10]. Legislation and case law on contracts, joint venture contracts, partnerships and companies are the key legal instruments. These welter of collaborations, partnerships, public and legal policies raise important issues in public policy and governance, firm strategic management and consumer protection in inclusive digital finance.

This section explores the public policy and regulatory governance aspects of this subject and complements the other sections of the report. It explores the regulatory dynamics, institutional and political economy dimensions of strategic alliances in inclusive digital finance and seeks to propose principles for optimal alliance formation, governance and stakeholder-sustainability implications.

[9] Jongwe, A. I., Moroz, P. W., Gordon, M. & Anderson, R. B. (2020). Strategic Alliances in Firm-Centric and Collective Contexts: Implications for Indigenous Entrepreneurship, Economies, Vol. 8, 1-31.
[10] NFIS (2018).National Financial Inclusion Strategy (Revised). Availabe at: https://www.cbn.gov.ng/out/2019/ccd/national%20financial%20inclusion%20strategy.pdf

Legal Framework of Strategic Alliances in Inclusive Digital Finance

Legally mandated strategic alliances would cover alliances mandated by legislation and regulations (subsidiary legislation, such as rules, instruments and guidelines). It includes contractual joint ventures, licensing, franchising and various business vehicles - such as unincorporated associations, partnerships and incorporated companies that allow for equity partnerships. Also included are mergers, acquisitions and fair competition rules and principles. Quasi-legal arrangements, such as memorandum of understanding (MoU), business compacts and codes of conduct (which have strong normative force) and so on are also covered. The important point is that legal and quasi-legal collaborations and strategic alliances are mandated and mandatory, either as to form, processes and governance.

Regulatory Frameworks and Policies for Strategic Collaborations and Contractual Alliances

The continuous search for a workable alternative to achieving financial inclusion in Nigeria and the wide gap that exists among the women and rural dwellers calls for more efforts; especially on the part of regulators to develop more human-centric and visible strategies that will fast-track the attainment of the desired level of financial inclusion in the country. The fulcrum has been NFIS 2018 whose key objectives included collaborations and strategic alliances, allowing each player to play to its key strengths, use of digital finance and agent networks, financial literacy and deepening awareness about available financial services, narrowing the gender and geographical inclusion gap and ensuring that more unbanked and underbanked Nigerians are included. The literature[11] emphasising government's interests in fostering cross sectoral partnerships in digital finance and for promoting financial inclusion is therefore supported by the data. Majority of the survey respondents believe that NFIS 2018 admirably laid out the right objectives, roles and targets, especially around intra-regulatory collaborations and strategic alliances. EFInA2020 report does show that there has been an increasing agent network growth, financial awareness, and know-your-customers (KYC) requirements harmonisation.

[11] *CGAP. (2014). Mobile Payments Infrastructure Access and Its Regulation: USSD. Accessed on 15/4/2021 from: https://www.cgap.org*

Legislative and Legal Frameworks for Strategic Collaborations and Contractual Alliances

Formal governance frameworks (for example, Steering, Technical and Working Groups, Financial Inclusion Delivery Unit (FIDU) participation, FSSCC, NEC, inter-agency MOU's) and priority initiatives driven by agencies in their sector and by explicit inter-agency quasi-contractual agreements (such as, agents network expansion, USSD infrastructure, USSD Short code access) have thrived. However, detailed and effective implementation of roles, objectives and timelines have suffered due to insufficient ownership, resources, awareness and understanding by other regulators (other than CBN which regards itself as the lead driver of financial inclusion).

Supportive data from respondents suggest the need for regulations to define standards and market conducts that provide guidance on interoperability among participants. Regulations and legislative frameworks help give balance and jurisdictional limits to agencies, thereby providing clarity to what extent each agency can impose/exercise its regulatory powers, with respect to collaboration. One respondent emphasised:

> **"Collaborative frameworks and agreements are developed with other Regulators and in conjunction with our legal department."**

While this is important for driving effective G2B and G2G strategic alliances, a key hindrance is that different regulatory agencies have different objectives and missions and may require the attainment of goal congruence to achieve inter-firm collaboration and strategic alliances that promote the attainment of financial inclusion goals.

From the foregoing, we observe that a key challenge identified in the review process leading to the adoption of NFIS 2018 is the absence of specific legislation or overarching regulation underpinning the NFIS as a priority public policy; thus undermining its effective implementation, given that, progress depended on the vagaries of agency priorities, good will negotiations and moral suasion. We infer that this remains a critical hindrance to better performance of the NFIS as well as the attainment of its implementation outcomes. Implicitly, the enactment of a legislative framework should authoritatively drive cohesive, comprehensive and holistic implementation of financial inclusion strategy. This appears to support the theory that contractual or formal strategic alliances tend to better promote trust, performance and resilience[12].

[12] *Mellewigt, T., Madhok, A. & Weibel, A. (2007). Trust and formal contracts in interorganizational relationships: substitutes and complements, Managerial and Decisions Economics, Vol.28, 833-847.*

Policy Enablers and Inhibitors

Strategic alliances may be contractual or temporary collaborations[13]. Both types were reflected in the data from our study. They included inter agency meetings, joint committees, exposure of draft regulations to other stakeholders and agencies for review and feedback, roundtable stakeholder engagements, inter-agency MOU's, guidelines and regulations. However, the data and comments from respondents revealed that informal quasi-legal and formal strategic contractual alliances (such as inter-agency MOU's, legislative frameworks and inter-sectoral legislation) have more effectively driven collaboration and synergies among regulators for inclusive products and DFS. This may be because they offer room for detailed negotiation, bipartisan agreement, shared ownership and inclusive inter-agency implementation structures.

Inhibitors, according to regulators, include: "Internal Re-[organisation] within agencies and lack of adequate succession plan stifles collaborative arrangements. This usually leads to drawbacks when new representatives are assigned." Others mentioned are: "Power tussle, Regulatory overlaps." Policy discordance is another drawback. For example, a regulator complained about "lack of scale in [micro] insurance due to prohibiting the use of airtime to pay for premium."

Motivation for Inter-Firm Strategic Collaborations and Alliances

Within a government setting, strategic alliances are often mandated by legislation and regulations (subsidiary legislation, such as rules, instruments and guidelines). The important point is that legal and quasi-legal collaborations and strategic alliances are mandated and mandatory, either as to form, processes and governance. The theory that they are likely to be more resilient is also apposite[14].

Respondents believe that regulatory strategy, incentives, regulations and frameworks are primary motivators and incentives for collaborations and strategic contractual alliances among private sector players. This comment is illustrative:

> **"[Success is due to] Engagement with the Telco's through NCC to facilitate digital penetration and service availability. Collaboration with NDIC to provide pass through insurance for mobile money wallets..."**

Feedback from the online FSP-Regulators Forum held by SIDFS on 28 October 2021, where a preliminary report of the survey was introduced, was that market conditions and incentives are quite significant in determining the conclusion of partnership arrangements and their implementation. This probably means that,despite regulatory arrangements, the private sector would only consummate partnerships if it ultimately makes economic sense and also leverage them according to the economic logic of the market.

Regulatory frameworks, strategies and governance, inter-agency partnerships and promotion of inter-firm partnerships provide an enabling environment for the formation and performance of collaborations and strategic alliances. A respondent commented that:

> **"Collaborations with sister Regulatory Agencies under the auspices of the FSRCC, FSS Secretariat and NFIS Secretariat [was utilised] in driving sector specific initiatives".**

> **Another respondent said that: "I think the most important thing is to create the enabling environment; if you asked me if the regulator can put...an environment that is conducive for collaboration... That would also help create an environment for collaboration..."**

[13] *(Kinderis and Jucevicius, 2013). Strategic Alliances - Their Definition and Formation. Latgale National Economy Research 1(5):106*
[14] *Lumineau, F. (2014). How Contracts Influence Trust and Distrust, Journal of Management, Vol. XX No. X, Month XXXX, 1-25*

Partner Selection, Structure, Governance and Dispute Resolution in Inter-firm Strategic Collaborations and Contractual Alliances

Regulatory institutions and ground rules (such as, ethical culture, political agenda, rivalry among regulators) primarily determine choice of partners, structure, governance and dispute resolution arrangements in strategic collaborations and contractual strategic alliances in the development of inclusive products and DFS. For example, aspects of partner selection and structure are reflected in comments that follow.

> **"Regulation plays a key role in partners [we] choose."**

> **Another one said: "... for most of [the] partnership, you have to go to [the regulator] and let [it] know that you're doing this with this fintech and all that."**
> - FSP

Other comments included:

> **"...there is a ... guideline, so ... before you go into anything, you find out...whatever you do, you need to get your documentation ready and in place so that when there's an inspection, you should be able to provide all the necessary documents for the regulator to have a view and also to be able to confirm that things are done properly..."**
> - CBN

Aspects of governance and dispute resolution in strategic alliances are reflected in some of the comments from the respondents.

> **"[Guidelines] details ... corporate governance in terms of how you share some services with your parent company and how you also engage external parties to work with them".**

Also, a respondent from an established Fintech noted:

> **"... the issue of regulatory compliance [is important] when we want to partner with a bank. Most times when you want to go into partnership with an organisation, they will ask, where is your license? ...whenever we want to go into partnership with an organisation, we sign some form of agreement".**

> **Another FSP respondent mentioned: "The regulations might not be the best for the business the way we would love it to be but it guides us in everything we do..."**
> - Fintech

Reporting, monitoring and supervision also significantly shape collaborations, as reported by a regulator who noted that:

> **"Reports and feedback engender transparency..."**

A FSP respondent corroborated this, noting that:

> **"Regulators make us ensure that whatever kind of partnership we go into, there are partnerships we give updates on, like these are the kinds of partnerships we do, these are the kind of services they render to us, etc."**

However, regulatory agencies do not have uniform practices, as our research evidence suggests that most do not play any role in how operators undertook/undertake strategic alliances. This is also reflected in the thoughts shared by some regulators in the previous section on the role of market forces. From the foregoing discussion, the importance of regulatory and institutional ethics, values, rule of law and regulatory culture appear to have been partly validated.

> " Regulatory frameworks, strategies and governance, inter-agency partnerships and promotion of inter-firm partnerships provide an enabling environment for the formation and performance of collaborations and strategic alliances.

Efficacy of collaborative frameworks to advance financial inclusion in remote areas

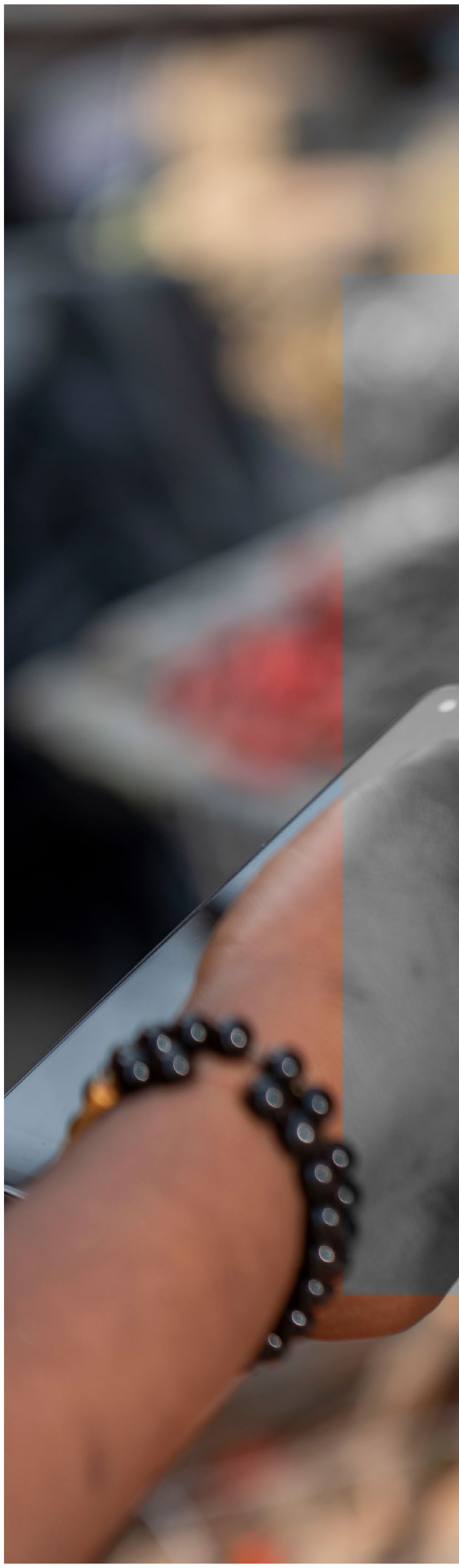
The consensus among regulatory respondents was that frameworks to push financial services to rural frontiers have not been very effective. The hindrances identified include lack of policy consistency, policy coordination, policy integration, policy monitoring and evaluation.

> **“Sometimes the regulations just change and you are left with (worthless) papers, this is a Nigerian thing, but it causes a lot of havoc. A Lack of policy coordination and integration is supported by the comment of regulators that the hindrances are due to: “lack of a shared vision and cost structure and a “lack of understanding and commitment…”**

Other hindrances mentioned by regulators include cost of providing services and security challenges, poverty and lack of human and material resources, political influences and rigidity in socio-cultural norms. It is worth noting that these other hindrances are best tackled through broad based and inclusive collaborations among regulators, operators, social stakeholders and consumers that are primarily promoted and enabled by regulation, public governance and stakeholder engagement.

To overcome these hindrances, regulators recommend: “various proactive steps to initiate and encourage strategic partnerships with relevant stakeholders...” and the “Use of shared services to reduce cost.” Other strategies suggested by respondents include:

- Dispute resolution engagements
- Sensitisation workshops/ awareness creation
- Continuous stakeholders’ engagement
- Constant evaluation of activities in line with existing frameworks.



Consumer Protection Dimensions

The consumer has ended worse off in regulatory strategic alliances aimed at promoting inclusive products and DFS. Alarmingly, regulators still appear to be blind to this fact. At the FSP-Regulators Forum, a regulator noted that sister regulatory agencies often respond poorly to exposure drafts of new regulations. On the other hand, FSPs eagerly respond that the missing voice tends to be that of consumers and sister regulators who might have reflected consumer perspectives but are also generally silent.

Obviously, the consumer's voice, advocacy and power in public and regulatory policy seem not to be very vocal when it comes to issues concerning consumer protection. The data also suggest that regulators are either somewhat apathetic about consumer protection or insufficiently appreciative of the extent of the weakness or absence of the consumer's voice.

Recommendations

In terms of steps, regulators could take to promote more effective inter-firm partnership performance, a more integrated and collaborative regulatory regime would certainly be more helpful in goal delivery. Other suggested measures by respondents for promoting effective collaborations and contractual strategic alliances are:

- Regular meetings and commitment across the agencies to implement decisions taken towards financial inclusion.
- Going beyond strategy development, talk shows and leaning towards ensuring conformance and monitoring of the strategy.
- Reduction of political interference, assignment change agents/champions besides some models that are currently experiencing positive impacts.Developing an all-inclusive approach.
- Developing and implementing policies that guide and promote uniform partnership structure within the DFS ecosystem and broader financial services industry.

The recommendations from regulators largely centre on the need for more effective, integrated and inclusive strategic partnerships for greater uniformity and focused implementation. Clearly, the need for more G2G and G2B strategic alliances is articulated. Additional efforts towards enacting legislation that drives the implementation of a financial inclusion framework will advance this cause. However, better relational strategies are also suggested. Some of the comments and insights from the data suggests that an apparent overbearing posture or insufficiently integrative approach of some key regulators sub-optimises regulatory or G2G strategic partnerships for DFS and financial inclusion. This may account for inadequate responsiveness to regulatory drafts, non-implementation of apparently agreed positions and alleged poor understanding and ownership of financial inclusion, and so on by some regulators alluded to by respondents.

Better coordination of implementation is also recommended. There are resource constraints of course; however, some of the challenges may be minimised by shared services or other collaborative approaches. Regulatory coordinating and governance nodes, such as the Financial Inclusion Delivery Unit (FIDU), Financial Services Regulation Coordinating Committee (FSRCC) and National Economic Council (NEC), may not yet be as functionally optimal as they could be. Further study of the detailed and possible reasons and solutions would be useful. Furthermore, lack of continuity in personnel implementing financial inclusion, or ineffective handing over when such changes are made, are also indicated. The inference would be that financial inclusion is yet to be mainstreamed in the agenda of some regulators. Otherwise, staff changes should not easily lead to a falling off or slowdown in the implementation of financial inclusion across government establishments.

Market reflective approaches that emphasise open competition, good market conduct and a market enhancing environment is also imperative. Regulatory governance must avoid prioritisation of the interests of business players above that of consumers and low-income stakeholders; that is - the unbanked and under-banked. Business players must also demonstrate integrated sustainable business models, strategy and market conduct. Consumer advocates and associations need to improve (or be helped to improve) their public policy advocacy and consumer protection activities to shore up demand side power in the market. In addition, the government must create G2P strategic partnerships (alliances) that empower the voice of the consumer in the areas of consumer protection and grievance redress. Therefore, market conduct measures must be louder, more nuanced, and effective in driving this objective.

Closing Remarks

"

Let us not forget, there is just one common goal, and that is, to build an ecosystem where no Nigerian is left behind.

With the benefit of hindsight, after 5 years of engaging in the financial inclusion ecosystem, it seems like a vicious circle, taking one step forward and two steps back. The multi-faceted systemic and ecosystem constraints associated with delivering financial services to the underserved accounts for the minimal progress towards advancing financial inclusion.

Obviously, no single entity–regulator, financial services provider or telecommunications provider- has all the capabilities and competencies to address these challenges and bridge the financial inclusion gap. Building bridges is a collective process, requiring the effort of many actors.

So let us flip the script. Great opportunities accompany wicked problems for the ecosystem to tackle collectively. Two heads, they say are better than one. Whether it is financial services providers working with other financial services (B2B); government working closely with providers (G2B) and/or government agencies working in greater synergy (G2G), there are many benefits if the different stakeholders can tear down the walls and get things done.

The reality is that, while not every partnership will pan out, not every partnership will fail also. And occasionally, there's the "match made in heaven".

For governments and regulators, an enabling environment where such "matches" occur often is important.

For financial services providers, entering the twilight zone requires embracing the spirit of adventure, and a mindset flip from competition to co-opetition which will widen the moat.
Bounty awaits the courageous who builds strategic alliances that can scale and break into untapped markets, acquiring new customers; create memorable customer experiences through phygital strategies and expand the value propositions with useful products and onboard millions of Nigerians who have never been in the formal financial system.

This prescription does not convey simplicity or ease. Working with other entities with varying vision and goals, beliefs and values, work and communication styles require alignments to avert frictions.

But the fate of millions of Nigerians rests on the willingness of ecosystem stakeholders to reach out to other stakeholders to find this alignment and combine resources, industry experience and know-how to expand reach, enhance their value propositions, lower the cost-of-service delivery and improve the customer experience.

Let us not forget, there is just one common goal, and that is, to build an ecosystem where no Nigerian is left behind.

"If you want to go fast, go alone. If you want to go far, go together"
– African proverb

Appendices

APPENDIX A:

Framework for Effective B2B Partnerships

A FRAMEWORK FOR THE DELIVERY OF PARTNERSHIPS IN THE NIGERIAN DFS SPACE

This framework was designed to guide FSPs through the process of designing partnerships, aligning them with organisational goals and objectives, implementing, evaluating performances and exiting.

The framework sets out to answer the following strategic questions:

1. How does my organisation identify the right partners?
2. How to align the organisation's overall strategy, goals and objectives with partners?
3. How would you build a trusting relationship with your partner?
4. How do you establish the common points of interest upon which the partnership can be based?
5. What resources and capabilities would you deploy to the partnership?
6. How would you operate the partnership?
7. What is the process for resolving conflicts that may arise during business?
8. How would you evaluate the performance of the partnership?
9. How would you exit the partnership?

The framework below shows an end-to-end lifecycle of a partnership.

FIGURE 1: PARTNERSHIP LIFECYCLE

PARTNER IDENTIFICATION

- Value Units Exchanged
- Relationships
- Opportunity
- Business Case

SELECTION & EXECUTION

- Strategic Alignment
- Due Diligence
- Communications
- Role Clarity
- Implementation
- Exit/Conclusion

EVALUATION

- Success Indicators

GUIDELINES FOR USING THE FRAMEWORK

The framework starts by helping providers understand what value they bring to the table and what they can get. This enables the FSPs define specifically what resources they can bring to the partnership in terms of technology, relationships, reputation, core competencies, chemistry of key people and company vision. The intending should complete this by indicating what they can give and what they can get from all the potential partners to develop a proper understanding of the strategic value of the partnership and identify areas that need to be strengthened and areas where not much value is likely to come from.

WHAT PARTNERS CAN GIVE AND GET IN A RELATIONSHIP:

Use this table to map out what the different "gives" and "gets" partners bring to the table before a partnership commences.

Potential stakes to bet on the partnership	Partner can give	Partner can get
Technology (product, platform, and process technologies)		
Resources (money, time, talent and knowledge)		
Relationships (with customers, channels, investors, government)		
Reputation (visibility, credibility, brand equity) Core Competencies (critical capabilities for execution)		
Chemistry of Key People (culture, character, personalities, value)		
Company vision (purpose, mission, values) and strategy		

RELATIONSHIP OVERVIEW

This table should be used to map out the nature, history, level, importance and expected length of the relationship with the partner. By completing this section, an FSP would understand the strategic value of the relationship to them.

Nature of Partnership – Supplier, Distribution, Influence?	
History of Relationship – New, Previous interactions, State of Relationship?	
Level of Relationship – Executive Level, Manager Level, Other?	
Importance of Relationship – Strategic, Opportunistic, Tactical?	
Expected Length of Relationship – Short, Unknown, Long?	

OPPORTUNITY OVERVIEW

Use this table to map out problems the partnership is trying to solve, the size of the problem, the ramifications of the opportunity and the compelling motivators. This section enables an FSP to clearly understand the problem that will be addressed, the size of the opportunity, the different ramifications and the compelling motivators.

Problem Statement – Description of Problem Being Addressed – Business or Technical?	
Size of Problem or Opportunity – Metrics Outlining Size and Velocity?	
Ramifications – What happens if a problem or opportunity is not addressed?	
Compelling Motivators – Compelling reasons to act?	

BUSINESS OVERVIEW

Use this table to make a business case for the partnership – market offer, goals, proposition, gives/gets. By completing this, an FSP would be able to make a clear and compelling business case for the partnership and appreciate the value of the partnership, the goals and objectives of the partnership and potential value in terms of cost savings, revenue increase or enhancement of core competencies.

Combined Offer to Market – What does the relationship yield?		
Partnership Goals & Objectives – Revenue, market share, reach etc.?		
Business Proposition – What value does this bring to the partner? To your company?		
	Gives	Gets
Gives to Gets Gives to gets?		

SUCCESS OVERVIEW

Use this table to define the success of the partnership – What will success look like? By completing this, an FSP would better understand the enablers, blockers and performance indicators that will enable the partnership to thrive.

Enablers – What will work in favour of the partnerships?	
Blockers – Negatives or risks?	
Measurement – What does success look like – 3 months out? 6 months out? 12 months out?	

SELECTING A POTENTIAL PARTNER

Use this table in executing the partnership – answering the questions will guide you to develop your action plan for selecting the right partner. This table should be used in selecting the partner, aligning the FSP's goals to the partner's goals, carrying out due diligence on the partner, implementing the partnership and winding down the partnership.

Thematic Area	Key questions
Strategic goals alignment	What are my strategic goals? Is a partnership the right approach to attaining my organisation's strategic goals? How will the partnership enable me to achieve my goals? List the strategy/plan/local priorities the partnership will be supporting here and test these with partners Can I achieve these goals through an existing partner or should I identify a new partner? What benefits (financial and non-financial) is this partnership likely to bring to my organisation? What specific resources and capabilities do I lack that I hope to acquire through the partnership? What specific resources and capabilities will I deploy to facilitate the success of the partnership? Which of the above indicated critical success factors does this partnership need to be successful? Is there a genuine shared vision and set of goals across the partnership? A common understanding of an agreement, the vision and objectives needs to be reflected in any project brief, business plan, terms of reference, and/or work program. Document the vision and agreed goals.
Due Diligence	Who is this potential partner organisation? What is their history? What are their key products and services? What's their strategy? Customer scope, Product scope and Geographic scope? What resources and capabilities do they have? What resources and capabilities are they willing to deploy to this partnership? What kind of staff members do they have? What are their capabilities, skills and attitude? What is their organisational culture? What reputational risks might this partnership present to my organisation in the short, medium and long term? What competitive vulnerabilities could this partnership expose your organisation to?

Thematic Area	Key questions
Communication	What protocols would govern communication in this partnership? Who is the executive sponsor of the partnership in all potential partnering organisations? What is the individual's position? What is the role of the sponsor in steering resources to the partnership? What will be the decision-making process? Who must be consulted? What will be the flow of communication and through which channels? What will be the meeting frequency - both for the steering committees and operations teams? What are the differences in procedures, culture and operating practices of both organisations? How will they be managed within the context of the partnership? Always respect the differences
Role clarity	Clearly indicate each organisation's interest in the partnership's success Align interests and objectives for the partnership Define the roles, responsibilities and expectations of each partner Appoint relationship managers who are responsible for the day-to-day management Build the network up and down. Ensure that the staff members from the top leadership to the shop floor appreciate the need and value of the partnership. Sensitise the benefits up through the organisation and build internal support among key leaders. Identify and empower champions who are deeply committed to the success of the partnership. To whom will the partnership report? Is there a process to report progress? Document the lines of accountability/reporting processes Conduct a full assessment of the skills and competencies required to support/manage the partnership in all partnering organisations. What skills and competencies are needed to achieve the agreed goals, as well as to ensure processes are effective? Consideration will need to be given to make training resources available. Document skills and competencies:

Thematic Area	Key questions
Implementation	All partners should co-create and reconcile a detailed strategic action plan for the partners. Is there an accepted process for decision-making? Who is the accountable individual for the partnership? The decision-making process needs to be understood by all members of the partnership. Decisions should be made through recognised processes. Processes for decision-making need to define a quorum, how decisions will be recorded, and arbitration processes. Document processes for decision-making: All partners should jointly develop a fit-for-purpose governance structure – Decision making processes, issues resolution, meetings management, processes management Define the length of time of the partnership Is there an accepted performance management framework? Are processes in place to monitor performance and act on results? Do defined criteria exist against which to benchmark achievements? Individuals responsible for delivery of the plan to the partnership need to be specified. Document the performance management framework. Document the criteria to benchmark achievements Define a robust communication strategy. Partners need to know about each other's organisations and what the pressures and imperatives are. Partners need to talk to each other about their organisations' agendas and priorities. It is important to have an effective communication system in place at all levels within the partnership and within partner organisations, sharing knowledge and information. Document the communication strategy: Agree on how data will be collected, analysed and communicated as well as potential intervention and mid-course corrective actions that can redirect the programme.
Exit	Define an exit date for the partnership if necessary Agree on the trigger conditions for the exit Recognise key achievements and celebrate the partnership's main successes.

APPENDIX B:

Demand-Side Methodology

The demand-side (consumer) insights of this report adopted mixed methodology – quantitative and qualitative approaches. The quantitative approach leveraged secondary data for the profile analysis of the focused segments – rural, women, and youths. The secondary data was sourced from the Enhancing Financial Innovation and Access (EFInA) 2020 Access to Finance (A2F) national survey to explain consumer insights and market opportunities for scaling financial inclusion. Where necessary, other data sources consulted were referenced in respective sections of the report. To better understand the profiles – demographic, behaviour and psychometrics of the focused segments, we carried out several data transformations including, re-coding of existing variables and computation of new variables from the EFInA 2020 A2F dataset. The analysis done was both descriptive (within the population of the focused segment) and comparative analysis between the focused segments and their equivalent (i.e. rural vs. urban; women vs. men; youths vs. non-youths) and the national averages across numerous dimensions of key variables.

Given, we interviewed four Financial Services Providers:

1 - Deposit Money Bank (DMB)
1 - Financial Technology Institution (Fintech)
1 - Agent Network of a DMB
1 - Microfinance Bank

The interviews were transcribed and analysed to validate literature evidence as well as build a new body of knowledge to fill existing identified knowledge gaps in demand-side strategic partnership for financial inclusion.

APPENDIX C:

Selected Data Points on the Profiles of the Focus Segments

Characteristics	Dimensions	Rural Segment	Women Segment	Youth Segment
Banked Status	**Banked** Only	24.1%	26.7%	31.8%
	Informal Only	15.9%	15.3%	12.6%
	Banked + Informal	15.8%	18.0%	16.2%
	Excluded	44.2%	39.9%	39.4%
Educational Level	**No** Formal Education	24.4%	21.4%	18.7%
	Primary Education	18.9%	18.1%	16.2%
	Secondary Education	44.3%	45.5%	46.3%
	Higher Education	12.4%	15.1%	18.8%
Geo-Political Zones	**North-Central**	16.0%	11.0%	15.7%
	North-East	15.6%	9.9%	13.2%
	North-West	27.4%	23.0%	26.0%
	South-East	13.1%	13.6%	10.5%
	South-South	19.2%	16.6%	15.5%
	South-West	8.8%	25.8%	19.0%
Marital Status	**Married**	71.6%	68.8%	68.4%
	Unmarried	28.4%	31.2%	31.6%

APPENDIX C:
SELECTED DATA POINTS ON THE PROFILES OF THE FOCUS SEGMENTS (CONTD.)

Characteristics	Dimensions	**Rural** Segment	**Women** Segment	**Youth** Segment
Income Source	**Salary/wages** - Government	3.0%	2.0%	2.0%
	Salary/wages - Private-Formal	1.8%	2.3%	3.5%
	Salary/wages - Informal	2.2%	2.7%	3.3%
	Salary/wages - Informal Others	1.1%	.8%	1.5%
	Subsistence Farming	18.9%	9.6%	11.0%
	Commercial/large Farming	9.0%	2.3%	4.4%
	Own business - non-farming	12.5%	20.1%	14.7%
	Own business - Farming products	11.1%	7.9%	6.6%
	Own business - Agricultural inputs	2.8%	2.0%	1.8%
	Own business - Artisan	11.9%	13.8%	17.7%
	Rent	.3%	.2%	.1%
	Pension	.5%	.3%	.0%
	Government Grant	.1%	.1%	.0%
	Drought Relief	.0%	.0%	.0%
	Interest on savings	.2%	.2%	.2%
	Return on investments	.3%	.2%	.2%
	Money - Household member	4.3%	7.8%	6.8%
	Money - Family/friends	6.0%	8.5%	7.7%
	Expenses - Household member	10.9%	16.0%	14.6%
	Other	3.4%	3.5%	3.7%

APPENDIX C:
SELECTED DATA POINTS ON THE PROFILES OF THE FOCUS SEGMENTS (CONTD.)

Characteristics	Dimensions	**Rural** Segment	**Women** Segment	**Youth** Segment
Financial Health: Spend	Low	61.2%	60.9%	60.5%
	Medium	10.6%	10.5%	11.1%
	High	28.2%	28.6%	28.4%
Financial Health: Save	Low	25.4%	28.1%	25.2%
	Medium	57.7%	57.8%	59.5%
	High	16.9%	14.1%	15.2%
Financial Health: Plan	Low	35.6%	35.0%	33.5%
	Medium	45.7%	45.3%	45.7%
	High	18.7%	19.7%	20.8%
Financial Health: Resilience	Low	30.3%	46.4%	45.1%
	Medium	24.9%	24.3%	24.7%
	High	28.9%	29.4%	30.2%

APPENDIX D:

Inhibitors to Use of Formal Financial Services

Reasons for non-use of financial services	Rural Dwellers	Women	Youths
None use of banks: Too expensive to have a bank account	8.0%	7.4%	7.4%
None use of banks: Too much documentation involved/re-quired	10.2%	10.5%	10.2%
None use of banks: It costs too much to reach a bank	16.1%	13.3%	13.4%
None use of banks: Banks are too far from where I live/work	29.0%	22.9%	23.4%
None use of banks: No job	19.6%	23.6%	23.8%
None use of banks: Irregular Income	30.0%	32.7%	30.7%
None use of banks: Prefer Cash	13.4%	12.6%	12.8%
None use of banks: No reason	13.7%	14.4%	14.4%
None use of mobile money: Don't know much what mobile money is	31.9%	28.2%	28.7%
None use of mobile money: Don't know where/how to get mobile money	11.9%	9.5%	14.7%
None use of mobile money: I do not trust it	14.6%	12.3%	12.3%
None use of mobile money: I use other ways to do the same transactions	20.9%	20.7%	21.3%
None use of mobile money: No reason	23.7%	32.3%	31.7%
Reason for not saving: No money after covering expenses	70.4%	70.3%	67.7%
Reason for not saving: Currently unemployed	29.9%	33.1%	35.0%
Reason for not borrowing: No one to borrow from	11.9%	9.6%	10.4%
Reason for not borrowing: Do not have need to borrow	39.1%	39.3%	39.1%
Reason for not borrowing: Do not believe in borrowing	5.9%	6.0%	6.0%
Reason for not borrowing: Like to live within my means	19.0%	18.5%	18.3%
Reason for not having insurance: Do not believe in insurance	19.9%	19.0%	19.2%

APPENDIX D:

Inhibitors to Non-Use of Formal Financial Services

Reasons for non-use of financial services	Rural Dwellers	Women	Youths
Reason for not having insurance: Do not know its benefits	14.3%	12.8%	13.7%
Reason for not having insurance: Do not know where to get it	10.9%	8.6%	9.5%
Reason for not having insurance: Cannot afford it	16.0%	17.6%	17.2%
Reason for not having insurance: Have not thought about it	16.2%	15.9%	16.2%
Reason for not having insurance: Nothing to insure	22.5%	26.3%	23.8%

APPENDIX E:

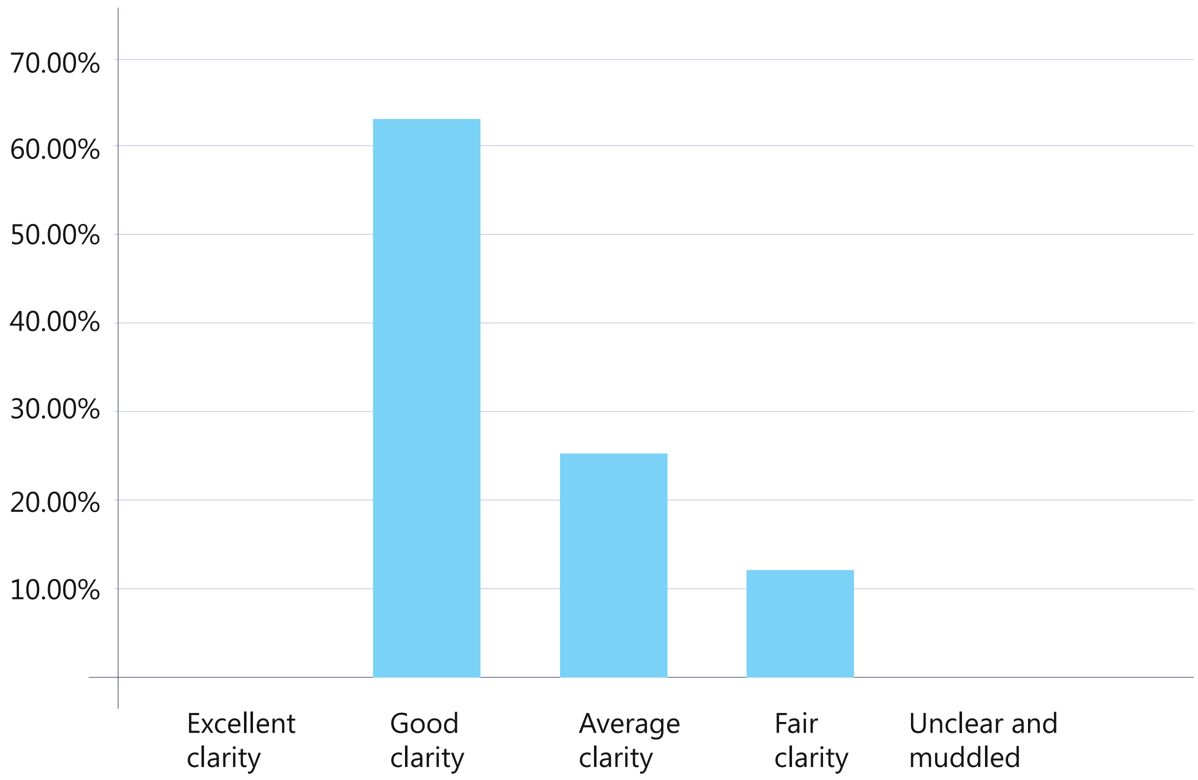
Approach to Policy Survey

The perception survey was undertaken via a questionnaire with 22 questions shared with a select group of ten Executives and Senior Managers, Heads of Departments, in the key regulatory agencies concerned with financial inclusion in Nigeria between August 30 and September 17, 2021. However, responses were received from only nine persons.

We also reviewed data from the supply-side research interviews of 12 Financial Service Providers (FSPs) comprising deposit money banks, financial associations, microfinance banks, payment service banks and mobile money operators. We sought to understand the impact of regulatory frameworks, ethics, institutions, political agenda and facilitation in the formation, governance and dispute resolution of FSP regarding strategic alliances, partnership, or collaboration. Finally, the preliminary result of the survey was shared at the FSP-Regulators Forum on 28 October 2021 to test, pre-socialise and validate the findings. The Forum was attended by about 90 persons from key regulatory agencies involved with financial inclusion and some key managers from financial service providers.

FINDINGS / RESULTS

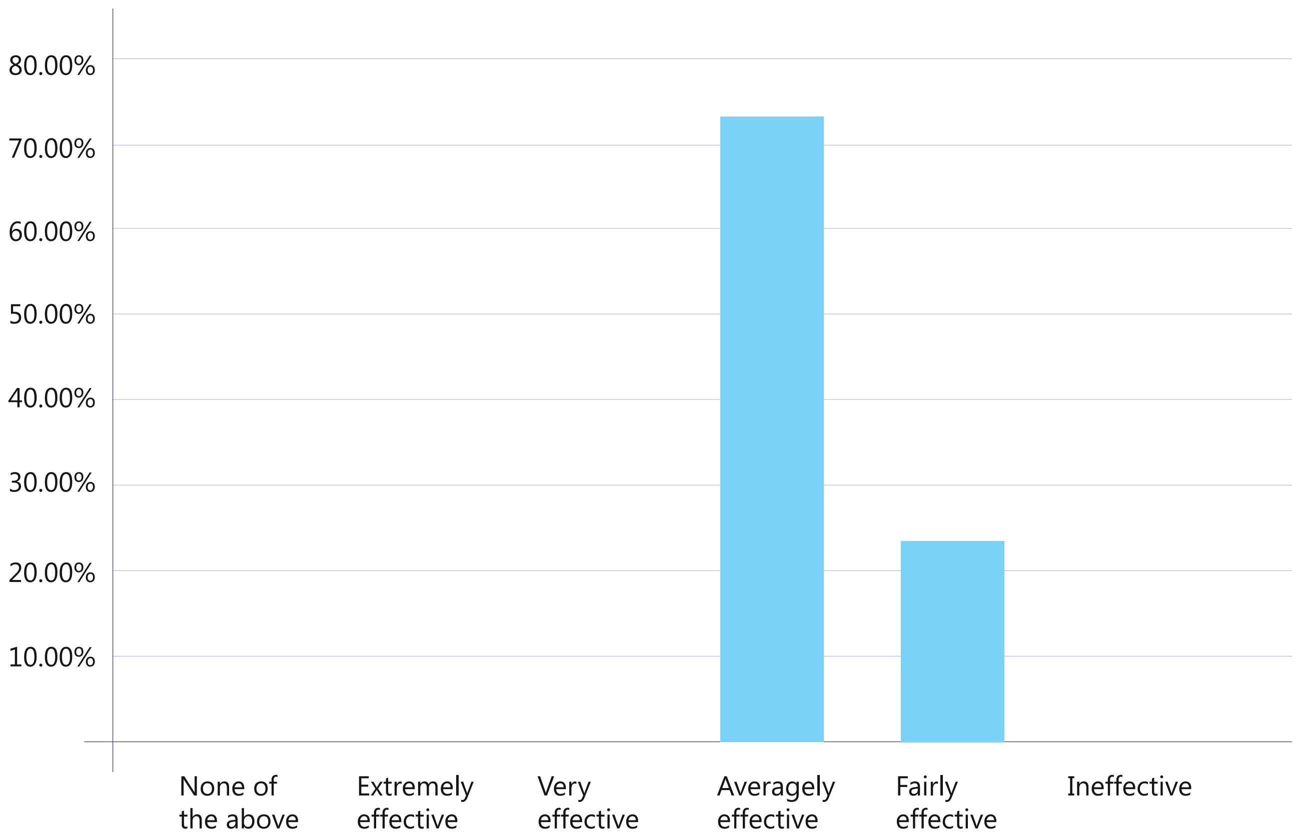
FIGURE 2: HOW CLEAR IS THE NATIONAL FINANCIAL INCLUSION STRATEGY (NFIS 2018) IN ELABORATING AN OPTIMAL FRAMEWORK FOR COLLABORATION AND CONTRACTUAL STRATEGIC ALLIANCES?



62.50% of the respondents agreed that NFIS 2018 demonstrates good clarity in elaborating plans and frameworks for collaboration and contractual strategic alliances between different operators and business sectors and among regulators and operators.

Respondents felt that the implementation of contractual strategic alliance between relevant MDAs and NFIS 2018 by FSSCC has been averagely effective.

FIGURE 3:HOW EFFECTIVE IS CONTRACTUAL STRATEGIC ALLIANCE BETWEEN RELEVANT MDA'S AND IMPLEMENTATION OF NFIS 2018 BY THE FINANCIAL SERVICES REGULATION COORDINATING COMMITTEE (FSSCC)?



To deepen financial inclusion in the country, different tiers of government need to collaborate as proposed by the NFIS 2018 and this has to be implemented by the National Executive Council (NEC). Based on the responses, collaboration between tiers of government has been above average.

FIGURE 4: HOW WELL HAS COLLABORATION BETWEEN THE TIERS OF GOVERNMENT AS PROPOSED IN NFIS 2018 BEEN IMPLEMENTED IN THE NATIONAL ECONOMIC COUNCIL?

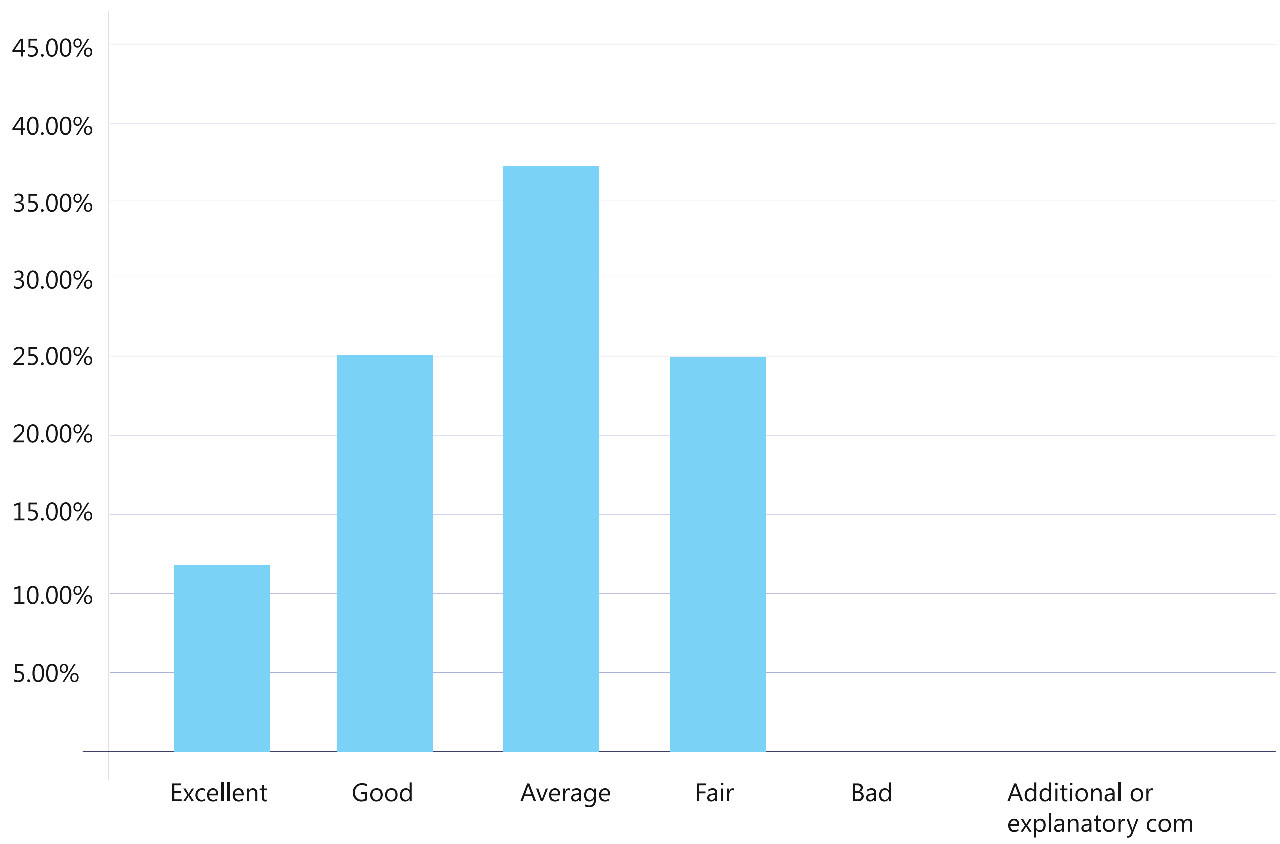


FIGURE 5. HOW WELL DO REGULATORS' POLICIES ENCOURAGE COLLABORATION AND CONTRACTUAL STRATEGIC ALLIANCES AMONG OPERATORS IN THE SAME SECTOR AND ACROSS DIFFERENT SECTORS IN DIGITAL FINANCIAL INCLUSION ECOSYSTEM?

The need to have a strategic partnership among operators in the ecosystem cannot be overemphasised, given that no single operator can sufficiently provide all the financial needs of customers at a time. The sentiment is that efforts to foster and encourage collaborations and contractual strategic alliances among operators in the same sector and across different sectors in digital financial inclusion ecosystem is above average.

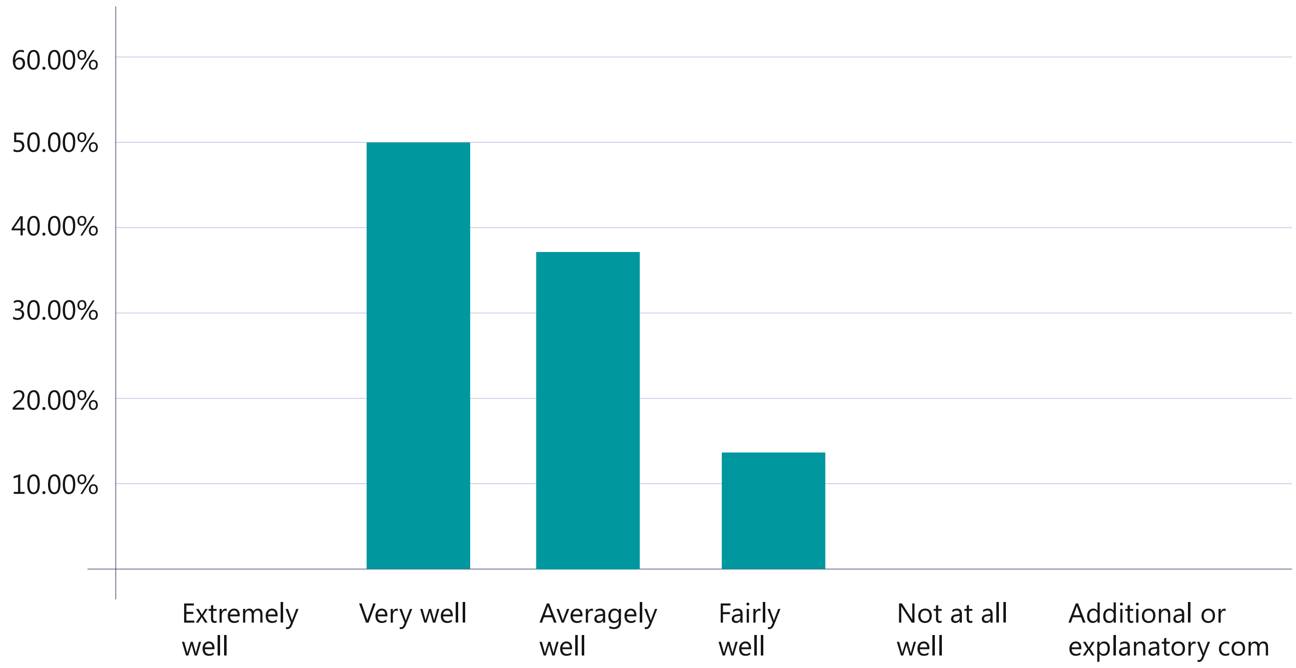
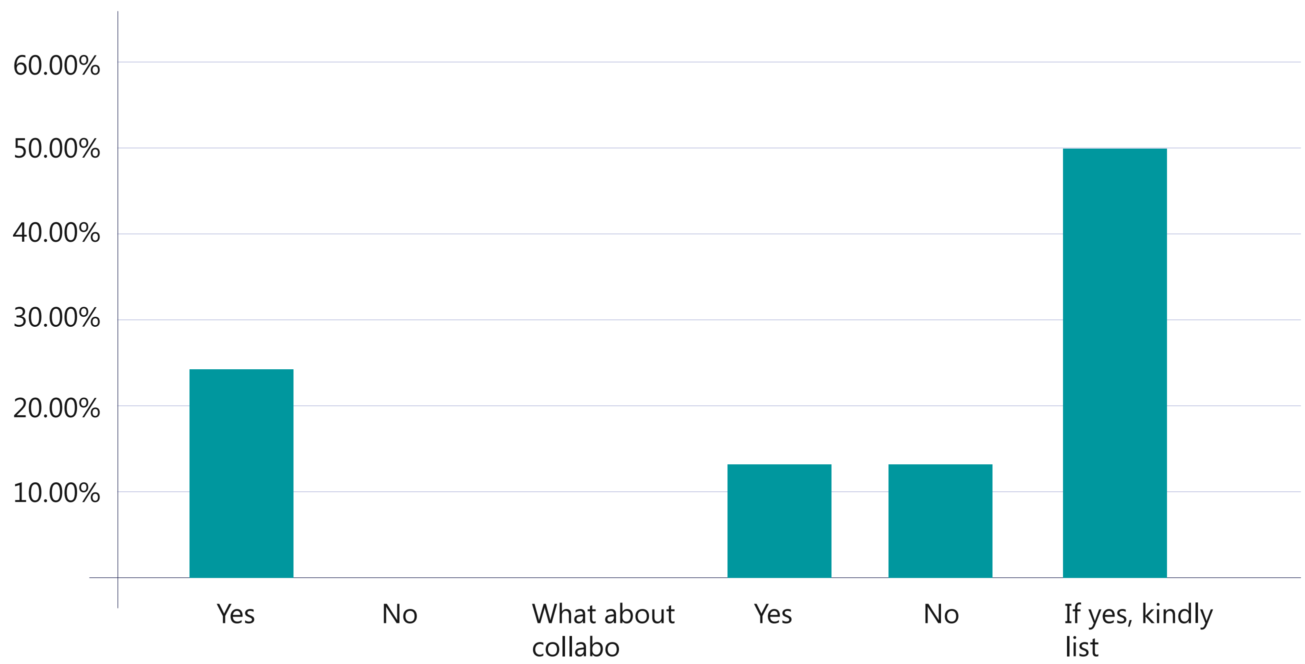


FIGURE 6: ARE THERE DELIBERATE AND ACTIVE FACILITATION OF COLLABORATIONS/CONTRACTUAL STRATEGIC ALLIANCES BY REGULATORS BETWEEN OPERATORS IN THE SAME SECTOR TO DRIVE FINANCIAL INCLUSION?

Regulators revealed that they have deliberately collaborated and actively facilitated collaborations and contractual strategic alliances between operators in the same sector to drive financial inclusion. Asides from researching to gain insight from the EFInA data, there have been collaborations with EFInA, Gesellschaft für. Internationale Zusammenarbeit (GIZ) and Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) to provide inclusive services to different strata of the underserved population.



Asides from collaborating and facilitating strategic collaborations between operators within and across related sectors in the ecosystem, most regulators have regulatory framework/ template for strategic alliances and collaboration. These include USSD code framework, stakeholder's engagement, parties partnership obligations, guidelines and MOUs.

FIGURE 7: DOES A TEMPLATE EXIST FOR STRATEGIC ALLIANCES AND COLLABORATION?

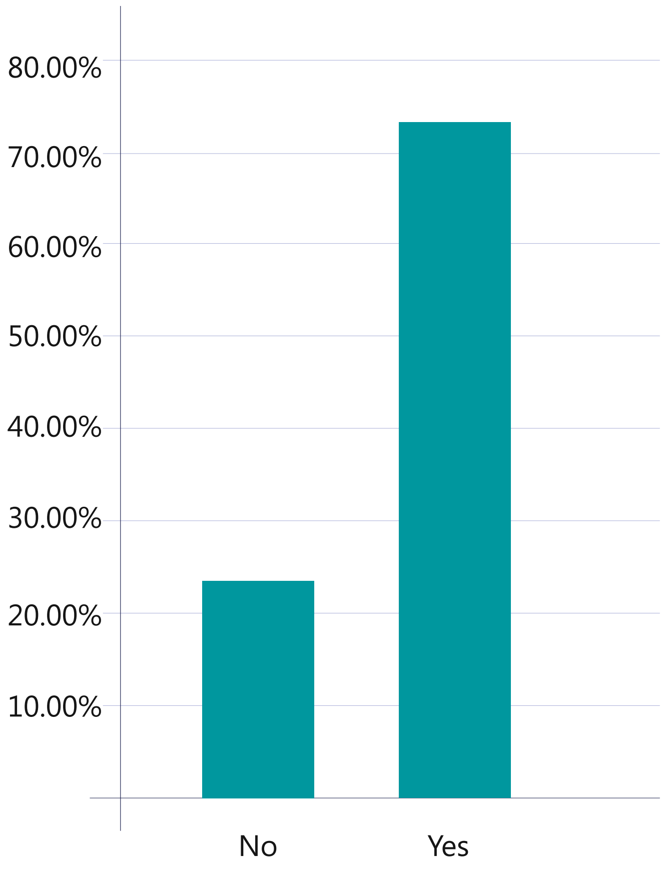
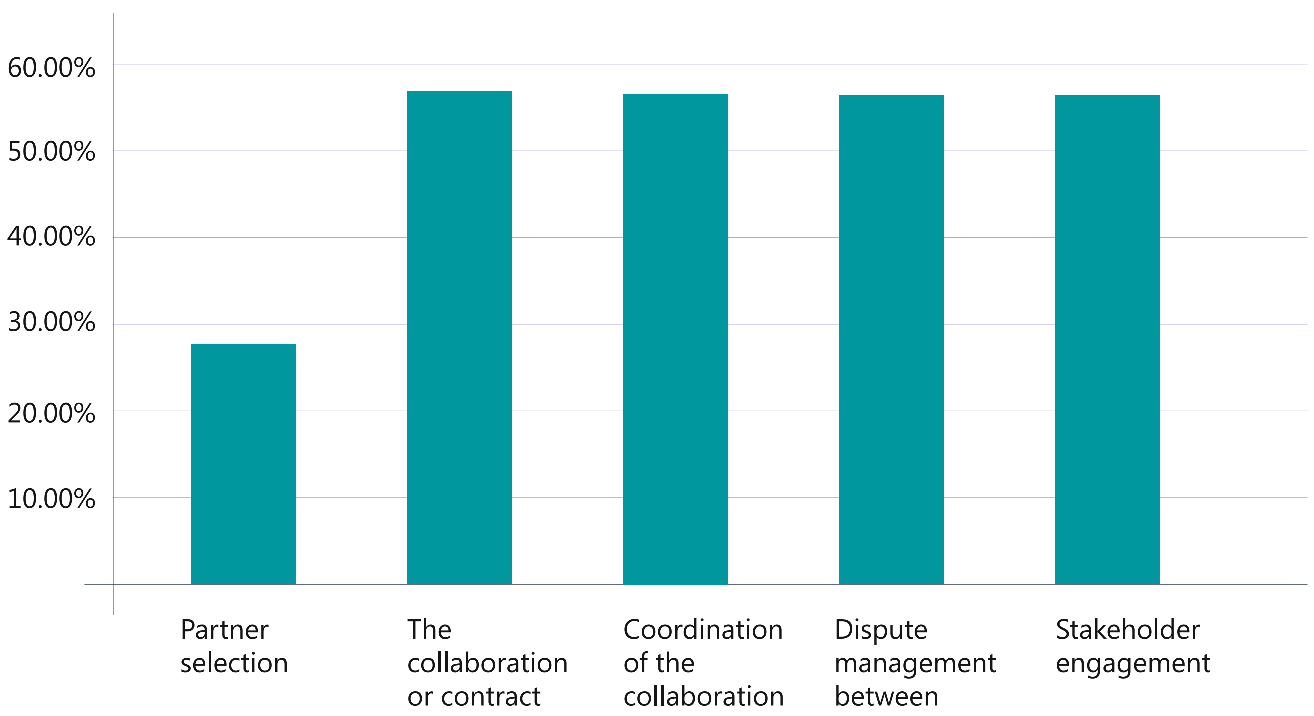


FIGURE 8: WHAT ROLE DO REGULATORS PLAY IN HOW OPERATORS UNDERTAKE PARTNERSHIPS?



Regulators play vital roles in how operators undertake partnership and contractual strategic alliances in-terms of partner selection, contractual strategic alliance agreement, coordination, dispute management between strategic partners and stakeholder's engagement. While some regulators monitor, supervise, and require operators to give reports on the state of collaboration and strategic alliances, others do not.

FIGURE 9: WHAT TYPE OF ARRANGEMENT IS FACILITATED BY REGULATORS: COLLABORATIONS OR CONTRACTUAL STRATEGIC ALLIANCES?

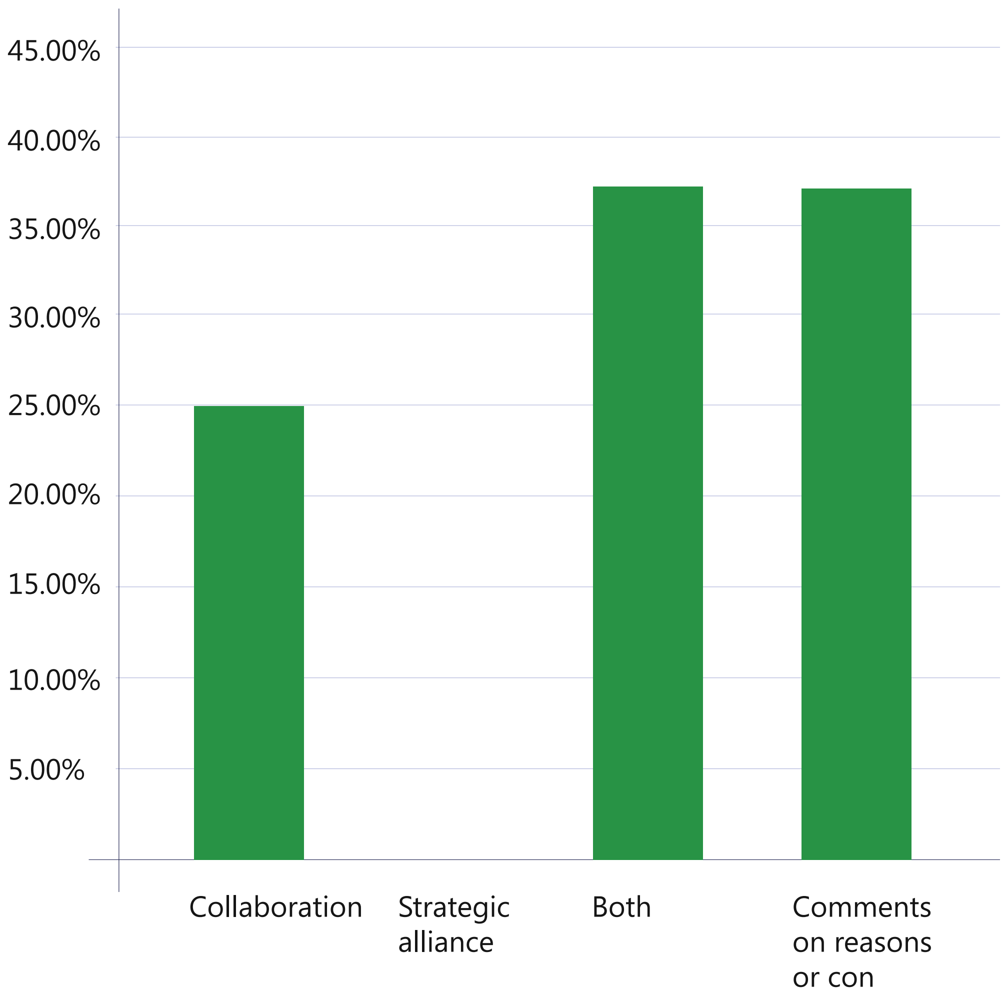


FIGURE 10: FACTOR(S) THAT INFLUENCE OPERATORS' BEHAVIOUR

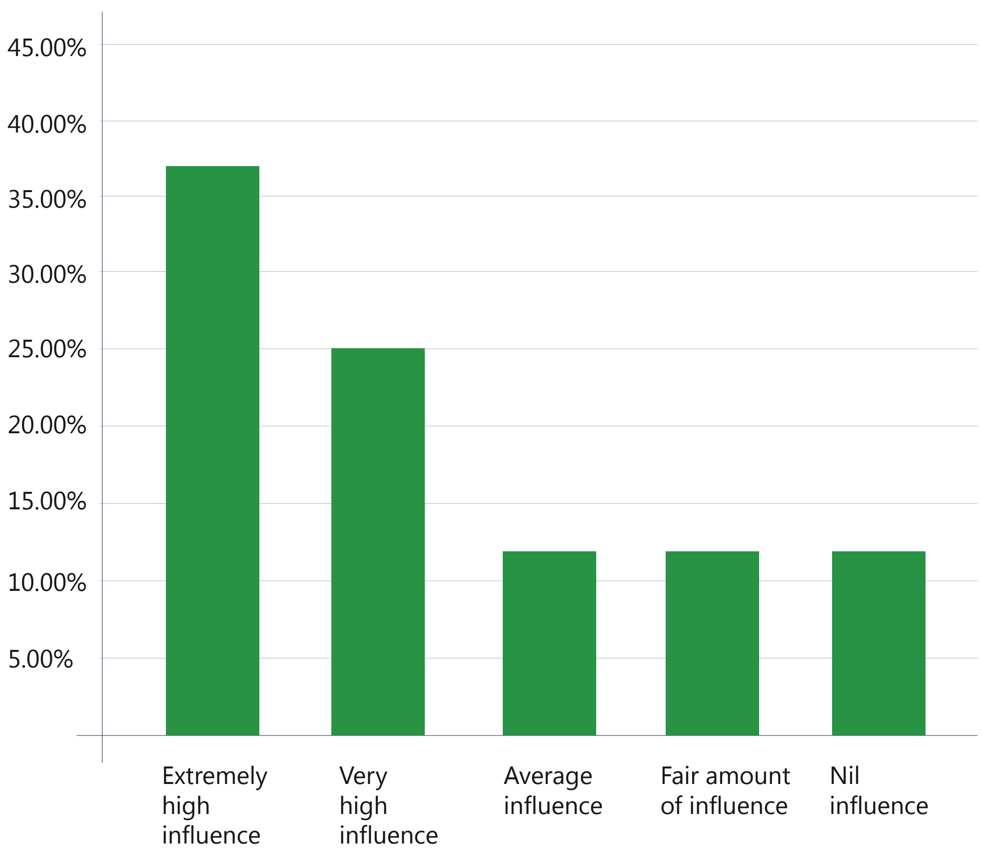
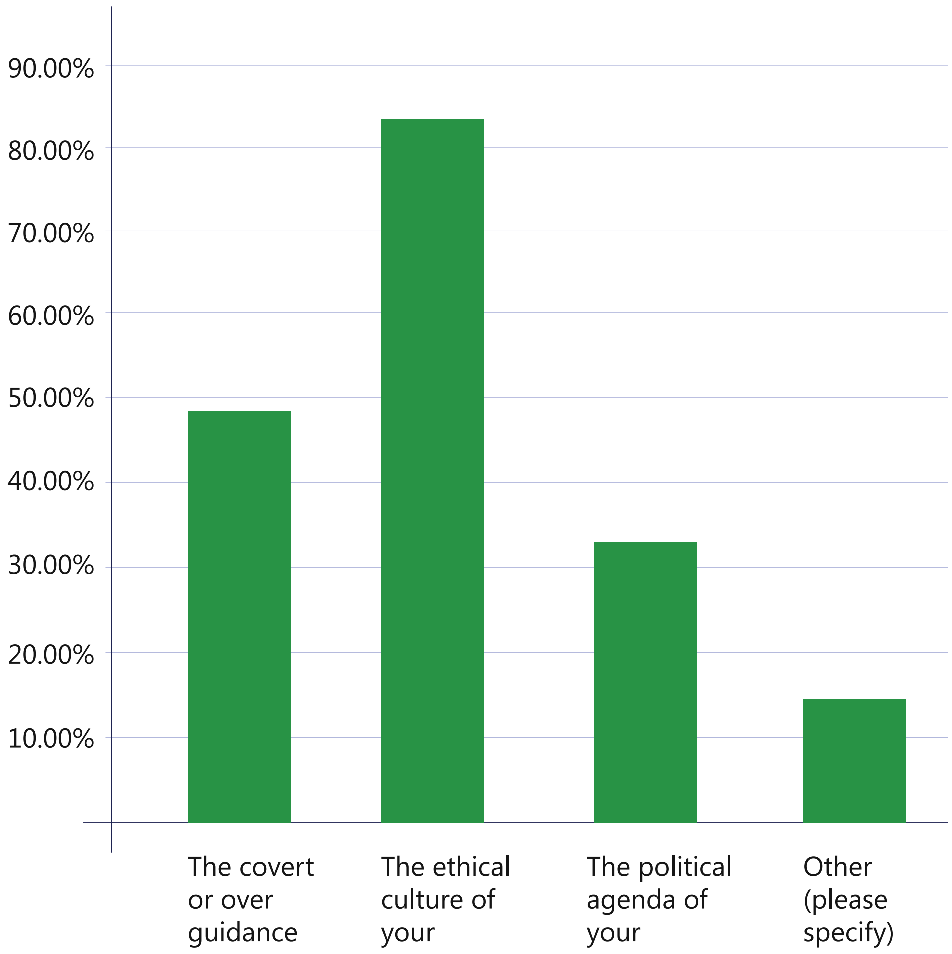
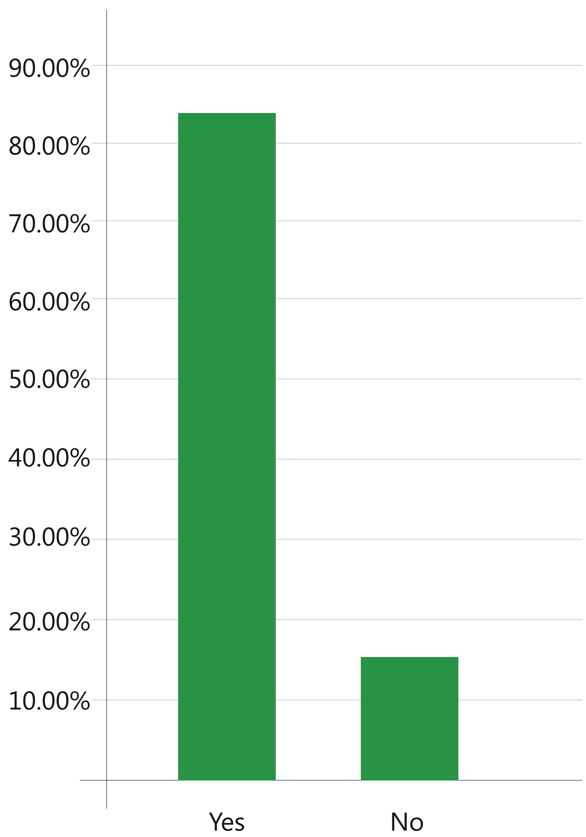


FIGURE 11: ETHICAL CULTURE AND POLITICAL AGENDA AND THEIR EFFECTS ON THE TYPES, AND SUCCESS OF COLLABORATIVE ARRANGEMENTS AND CONTRACTUAL STRATEGIC ALLIANCES IN DIGITAL FINANCE IN NIGERIA?



Talking about factors influencing collaboration arrangement, 83.33% responded that the ethical culture of their agency materially influenced the collaboration arrangement. This was followed by the covert or overt guidance/signals from the agency at 50% and political agenda at 33.33%.

FIGURE 12: REGULATORY FRAMEWORKS FOR INTER-FIRM COLLABORATION OR CONTRACTUAL STRATEGIC ALLIANCES: BASED ON FAIR TERMS OR OPEN COMPETITION BETWEEN DIFFERENT MARKET OPERATORS?



At 87.71%, respondents agreed that regulatory frameworks for inter-firm collaboration/ contractual strategic alliances are based on fair terms and open competition between different market operators.

FIGURE 13: DO CONTRACTUAL STRATEGIC ALLIANCES TEND TO INCENTIVISE ABUSIVE BEHAVIOUR TO CONSUMERS BY THE PARTNER FIRMS? IF YES, WHAT DOES YOUR OWN AGENCY OR OTHER REGULATORS DO TO COMBAT THIS TYPE OF BEHAVIOUR?

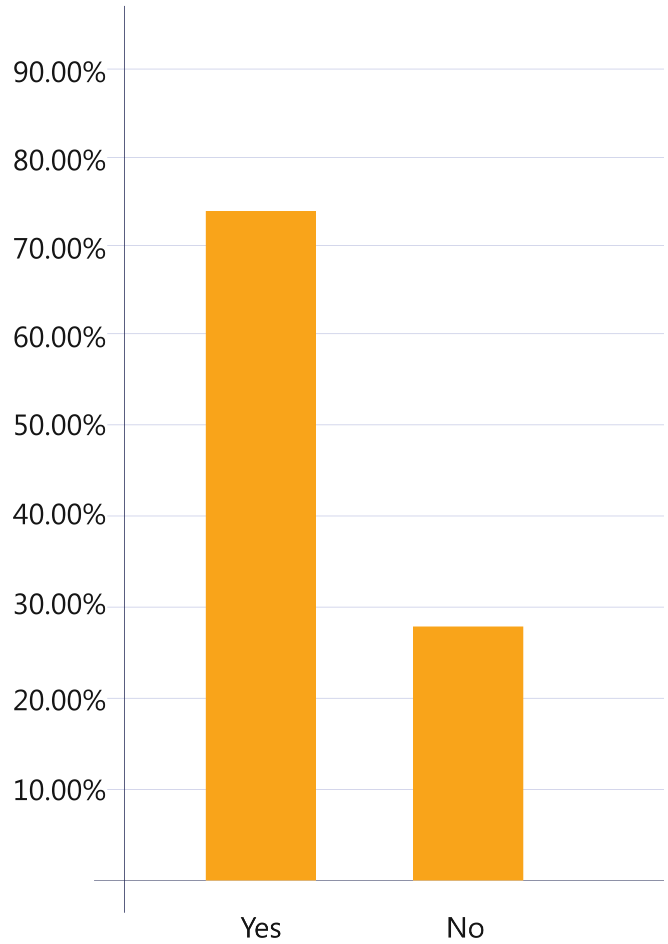
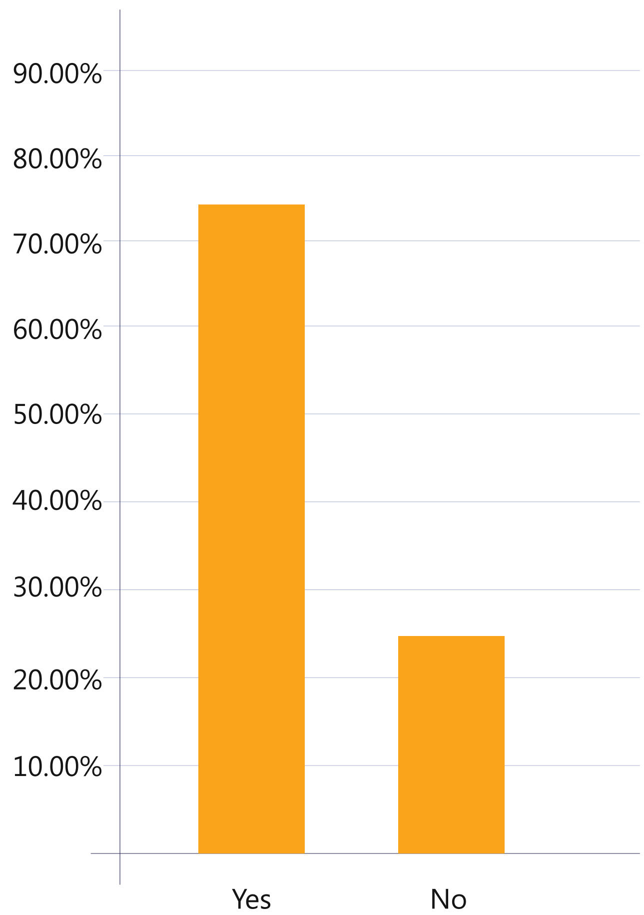


FIGURE 14: IS MARKET CONDUCT BY COLLABORATING PLAYERS TOWARDS CONSUMERS GENERALLY FAIR?



Slightly more than 70% of respondents agreed that contractual strategic alliances exhibit abusive behaviour to consumers by the partner firms. However, most of the respondents submitted that they have a department that addresses issues relating to consumer abuse, protection, education, etc. they prohibit anti-competitive business arrangements and encourage other relevant regulators to reduce cost to the contributors and customers. 75% of the respondents opined that market conduct by collaborating private sector partners is generally fair.

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