



CIBN 13TH Annual Banking and Finance Conference.

Theme: Facilitating a Sustainable Future - The Role of Banking and Finance

Inclusive Banking: Where We Are and the Way Forward

**Adesola Adeduntan; FCIB, FCA
CEO, FirstBank Group**

September 2020

Outline



Inclusive Banking

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenges

Globally, there has been a strong focus on financial inclusion as a major driver of economic growth by both government agencies and financial services institutions

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge



- Financial inclusion has been top priority for developing and emerging economies, and it serves as a building block for both poverty reduction and accelerating economic growth
- Access to financial services is closely linked with affluent economies, which means that the financially excluded are highly concentrated within developing countries
- China and India with 228 million and 188 million formally financially excluded adults make up a large portion of the excluded population due to their enormous size. China and India along with Indonesia (101 million), Pakistan (118 million), Mexico (59 million), Bangladesh (62 million) and Nigeria (51 million), constitute half of the world's financial excluded population
- About half of the financially excluded people include women, poor households in rural areas or those out of the workforce
- Globally, about two-thirds of those who are financially excluded have a mobile phones
- Access to financial services has assumed the status of fundamental human rights in most of the emerging economies

Source: Global Findex report

Five factors have been identified as key reasons for the low penetration of financial services across various emerging and developing economies

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

Social Exclusion

These are people who are unemployed, financially dependent on another person or people who have migrated to a new country who may choose to become financially excluded



05



01

Low Literacy Levels

A large number of financially excluded individuals find it difficult to understand the “jargons” and different terms associated with various financial service products which makes them remain excluded.



Low Income

People who work in a low paid cash-in-hand job, poor single parents and those with disability find themselves in the low-income bracket thereby making them less desirable to mainstream banking and financial services.

04

Digitally Disengaged

With the shift to digital banking, people find themselves financially excluded because they are unable to maintain an IT presence. Typically, those affected are predominantly individuals over 65 years of age



02

03



Convenience & Access

Some financially excluded individuals view distance or access to a nearby branch as a major barrier to access a financial services product

In Nigeria, only 49% of total adult population are formally included into the financial system with the least percentage found in the North West (27%) and North East (34%) regions (2018)

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

North West

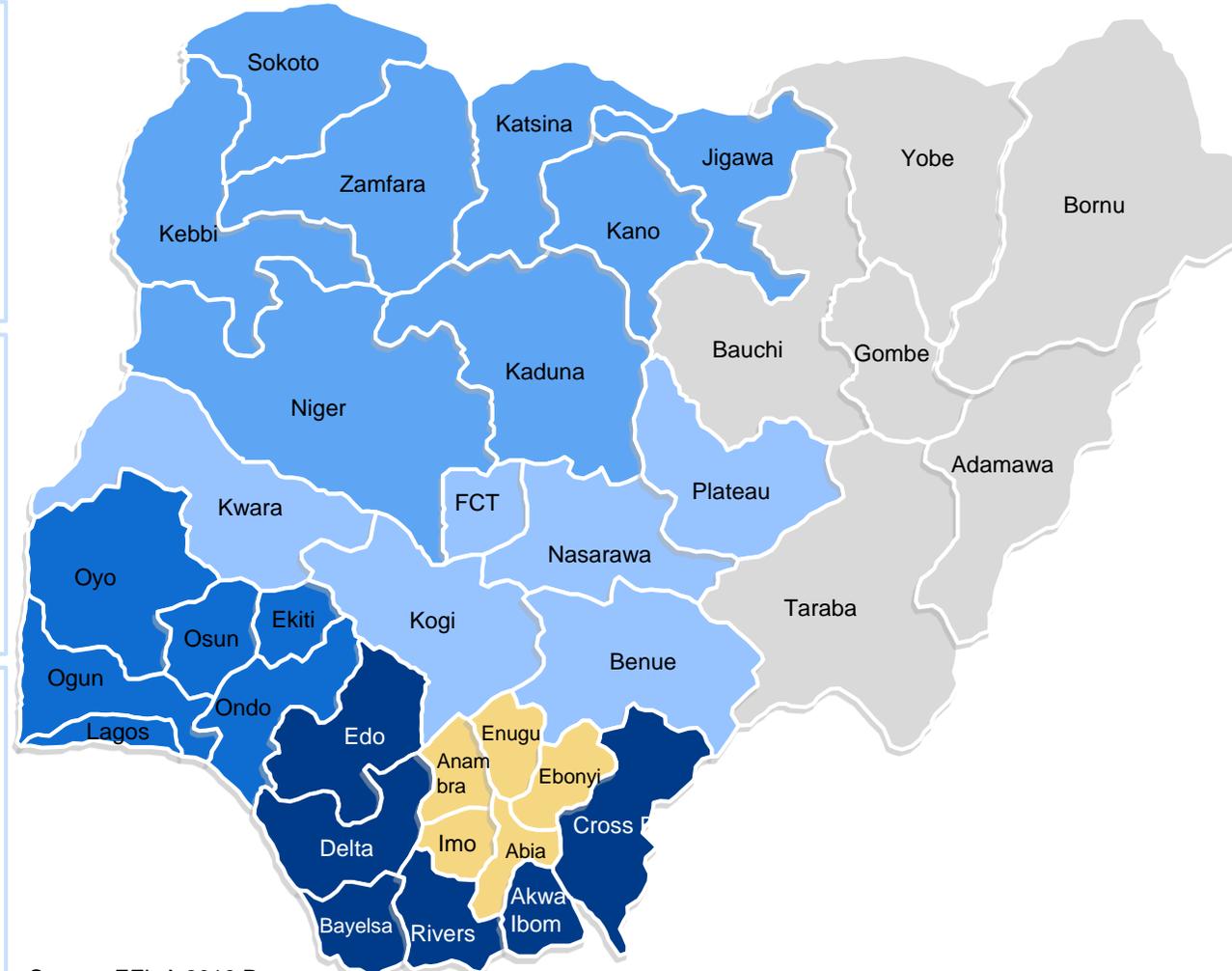
Total adult population: 23M
Banked: 17.2%
 Other formal (non-bank): 9.8%
 Informally included: 11.6%
 Financially excluded: 62.4%

North Central

Total adult population: 14M
Banked: 40.1%
 Other formal (non-bank): 9.6%
 Informally included: 19.6%
 Financially excluded: 30.6%

South West

Total adult population: 22M
Banked: 58.4%
 Other formal (non-bank): 5.4%
 Informally included: 17.1%
 Financially excluded: 19.1%



North-East

Total adult population: 12M
Banked: 22%
 Other formal (non-banked): 11.9%
 Informally included: 11.6%
 Financially excluded: 54.5%

South-East

Total adult population: 12M
Banked: 49.8%
 Other formal (non-bank): 9.9%
 Informally included: 10.5%
 Financially excluded: 29.3%

South-South

Total adult population: 16M
Banked: 50.7%
 Other formal (non-bank): 9.2%
 Informally included: 17%
 Financially excluded: 23%

Source: EFINA 2018 Report

The high prevalence of financially excluded people in Nigeria has been directly linked to the general low income generation capacity and pervasive poverty levels within the country

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

Main drivers of low level of financial inclusion in Nigeria:

01



Poverty & Lower Earnings

Over 65% of Nigerians are living below the international poverty line. The low-income generation capacity level of most Nigerians especially in the rural economy with most living on daily wages results in little/no savings thus inhibiting financial inclusion.

02



Low Literacy Levels

Majority of financially excluded individuals are unable to read and write and also lack knowledge of the service and benefits derivable from accessing financial services.

03



Valid Identification Documents

Providing people with valid identification documents is essential to access financial services. Absence of a proper identification card deter receipt of large payment flows like social benefits and wages.

04



Insecurity

The insecurity that ravaged the country contributes negatively to expansion of financial institution to specific areas and the closure of existing ones thus limiting access to the financial system.

To drive increased levels of financial inclusion and promote inclusive economic growth, government agencies and financial services regulators have critical roles to play

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

Support Financial Literacy Programs



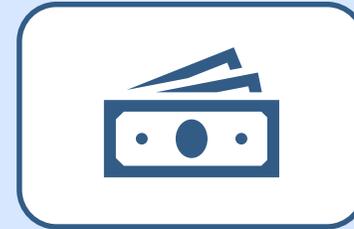
- Basic education on financial offerings can help individuals and MSMEs at the base of the pyramid to understand the value of having access to the financial system and how to optimize it.
- Leveraging existing government institutions can accelerate the financial literacy programs

Promote the Development of a Unified Database



- Aggregating all the independent national databases in the country into a centralized biometric database would provide financial services institutions with a trusted and secure means of getting up-to-date information on potential customers.

Collaboration with Banks and Financial Services Providers



- Government and financial services regulators should take a collaborative posture with Banks and other financial services providers.
- This will drive innovation and financial inclusion as Banks and other financial services providers will rapidly develop innovative products and services that will meet the needs of the excluded population in Nigeria.

Regulatory Policy Initiatives for Financial Institutions



- It is imperative that the government agencies and financial services regulators continue to support the industry by articulating and implementing enabling policies that will support and foster the development of a financially inclusive economy.
- This will help drive inclusion economic growth in Nigeria

Government agencies as well the banking regulator have implemented key initiatives (including women empowerment) and policies to support and promote access to financial services

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge



Three-Tiered KYC: Introduction of three-tiered KYC requirements and guidelines to address the challenges of account opening requirements for the base of the pyramid population



Mobile Money Services

Guidelines on mobile money services in Nigeria and Regulatory framework for licensing super agents to further expand the players driving financial inclusion in the rural areas



Bank Verification Number

Implementation of the Bank verification number (BVN) initiative to address the challenges of customer identification



Implementation of National Gender Policy(NGP) to promote economic empowerment of women and incorporating gender within some critical sectors such as agriculture and trade



The FG's Smart Woman Nigeria Initiative is aimed at educating, empowering, developing and improving the skills/knowledge of Nigerian women and girls by proffering education in banking, financial health, communication skills



"YouWiN-Women"- a women only competition is another program by the Federal Government aimed at giving winners between N1 million and N10 million to start or expand their businesses.

These initiatives and policies have helped to increased the banked population from 36.9m individuals in 2016 to 39.5m individuals in 2018. However, to drive improved financial inclusion, there is need to accelerate financial inclusion efforts

The Covid 19 pandemic and its concomitant impact offered the banking industry an opportunity to accelerate its responses to the many trends that were already reshaping it

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

In the aftermath of the Covid 19 pandemic, banks, business and individuals (including the unbanked) were forced to adjust to new ways of interacting and doing business, “the new normal”, given the general lockdown of cities, social distancing rules, movement/travel restrictions and fear of surging infections



Creative Digital Offerings

- Banks are adopting innovative ways to reach and attract the unbanked population into the mainstream banking system given the new normal
- Today, many Banks are using the mass USSD channel to drive digital account opening and provision of basic banking services/offering to the unbanked



Expanded Agent Network and Offering Scope

- Driven by the critical need to get banking services closer to the base of the pyramid population in the new normal, there has been significant growth in Agent network and offerings
- The industry has seen a huge upsurge in the volume of transactions processed via the agent network



Shift to Digital Payments

- As people seek to reduce the likelihood of virus transmission, there has been a shift from cash-based payment to electronic payments.
- This has, somewhat, compelled some of the unbanked individuals to open accounts to enable them transact electronically

Overall, the new normal has had positive impact on inclusive banking as banks refine and adopt innovative business models and solutions to attract the unbanked, both as a business sustainability strategy and a social impact tool

Fintech solutions for the future of inclusive banking ranges from offering payment, transfer and credit services to deepen banking penetration within the unbanked/underbanked population

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

Digital KYC process/Biometrics ID

Leverage digital IDs to enable electronic KYC (e-KYC) and completely digitalize the onboarding process will make it easier for the base of the pyramid population to open accounts and for financial service providers to reach out to underserved customers, especially in rural and remote areas, thus impacting inclusive banking

Alternative credit rating/microlending

Providing alternative credit scoring/rating methodology and driving microlending to borrowers without collateral. This will improve access to finance for the underbanked and those in the rural/remote areas



Mobile money and E-wallet

Democratizing access to financial services through the use of e-wallet that allows the unbanked/underbanked to have access to a wide range of financial services through their mobile numbers that are telco agnostic

Crowd funding/peer to peer lending

Deploying market-based financing technique to connect borrowers with lenders to fund a business, a specific project etc. using mobile phones/online web-based platforms thus improving access to finance and fostering inclusive growth

Agent banking has been a very effective channel of providing the unbanked and under-banked population with affordable, accessible and appropriate financial products & services.

The success of the agent banking network in Nigeria is seen in the vast network and penetration of agents



Over **345,000**
Agent Banking
locations ...

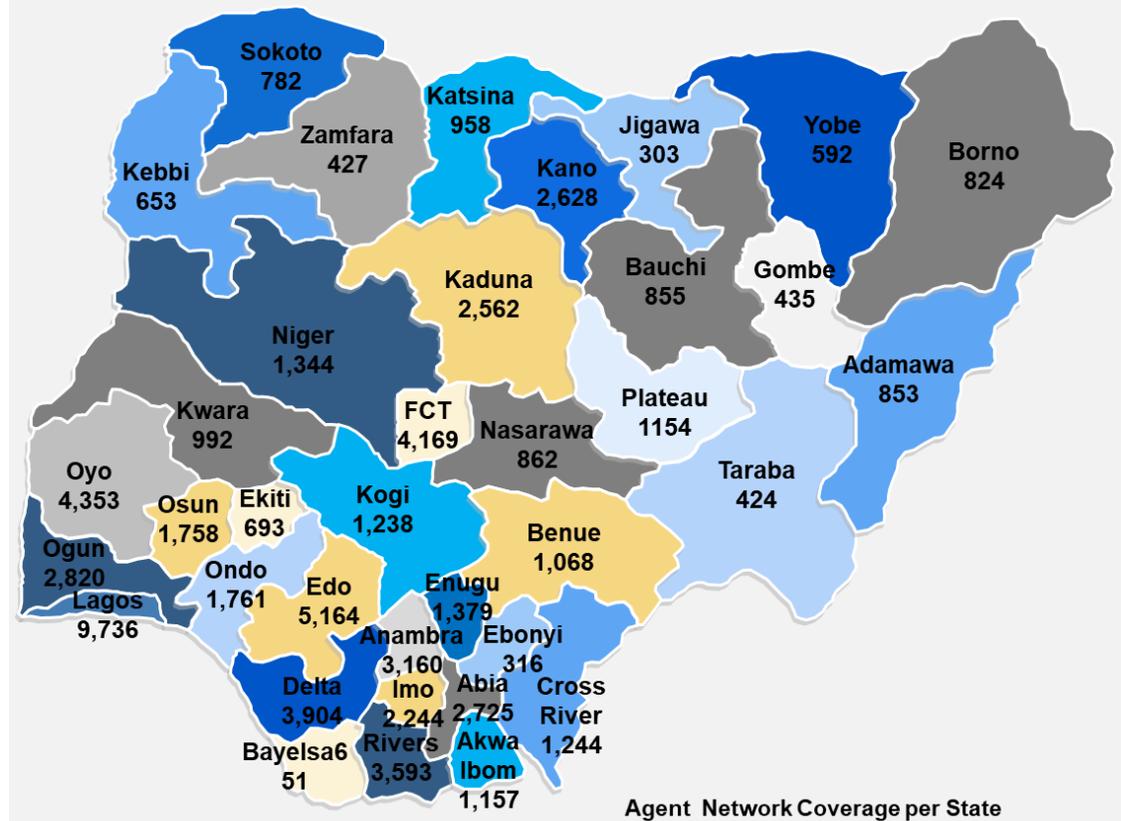


...Across all the
774 LGAs in
Nigeria

The benefits of the Agent banking network goes just beyond the inclusive banking landscape, as it directly impacts the lives of the agents as well through;

- Creating additional revenue stream
- Opportunity for business growth and expansion
- Providing both direct and indirect employment
- Building trust in their host communities
- Boosting their credit rating

Specifically, the phenomenal success of FirstBank's agent banking solution/proposition, FirstMonie, is an indicator of the potential socioeconomic impact of financial inclusion efforts



FirstMonie is the most expansive Agent network in Nigeria, with over **70,500** active agents



The Agent network covers **772 of 774** Local Government Areas in Nigeria, today



BVN Enrolment and New Account Opening (+ basic banking service – cash in/out, transfers, bills payments, etc) capabilities are available at agent locations



The network has processed over **364 million** successful transactions worth over **NGN7.0tr**

Through FirstBank's agent banking proposition and network, the Bank is creating sustainable socioeconomic value and empowering rural communities in very unique ways

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge



Over **210k** direct and indirect jobs created to tackle unemployment through the FirstBank's FirstMonie agent network



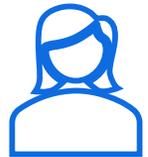
NGN70,000 average **monthly commission/income** earned by each FirstMonie agent



NGN10.5 billion has been paid as **commission** to agents as at August 2020 YTD, with the attendant multiplier effect on rural communities



Over **50% of FirstMonie's** agents are located in the rural areas, contributing significantly to the development of the rural economy



Over 14k of FirstBank's FirstMonie Agents are **women**, enabling the Bank to drive gender inclusive growth within rural communities



FirstMonie agents supported several **government/NGOs' cash transfers** to the poorest of the poor in the rural areas



Over 845k individuals have been economically impacted via the jobs created through the FirstBank's FirstMonie agent banking proposition



Significant informal sector/rural area **IGR collections across many LGAs** are being powered by FirstMonie agents

FirstBank's agent banking solution, Firstmonie, deliberately focuses on areas where the impact is real and significant – financial inclusion where it matters the most!

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

Impact in Pictures



FirstBank is also driving increased financial inclusion through the USSD banking code, *894# services, which has significant coverage of the base of the pyramid population

Financial Inclusion: Current State and Strategies for the Future

Impacts of Key Government Initiatives and Policies

The Impact of the New Normal on Inclusive Banking

Fintech Solutions for the Future of Banking

Agent Banking, Solutions and Challenge

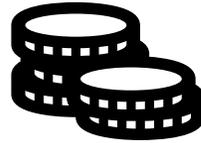
FirstBank's USSD Solution

FirstBank's USSD banking platform, has witnessed exponential growth in both subscriber base, transaction value and volume



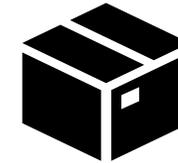
10.2 million

Total subscribers on our USSD platform as at August, 2020



>NGN270 billion

Monthly transaction value processed on USSD platform



>79 million

Monthly transaction volume/count processed on USSD platform

Key functionalities include: instant tier 1 account opening, fund transfer, airtime recharge, balance enquiries, bill payments, BVN update, card control, retail/merchant payment, pin reset, etc

Over 75% of transactions carried out on FirstBank's USSD platform is done by the base of the pyramid customer segment with feature (basic mobile) phones

Despite the huge successes of the Agent banking solution in promoting inclusive banking, some challenges persist that hinder the laudable initiative from attaining its maximum potential

Challenges of Agent Banking in Nigeria

<p>Inadequate capital of potential agents</p> 	<p>Most businesses that meet initial requirements as potential agents are constrained by the lack of adequate capital to provide agent banking services, especially in the rural areas</p>
<p>Liquidity management</p> 	<p>Due to the velocity of cash transactions involved, most operators of businesses that serve as agents run out of cash and e-float from time to time.</p>
<p>Inadequate knowledge on digital finance services</p> 	<p>Agents and potential agents do not have in-depth knowledge of all the opportunities and services that digital finance offers. Many think agent banking services is only about cash ins/outs and money transfers.</p>
<p>Poor network connectivity</p> 	<p>The number of downtimes emanating from the service providers in Nigeria due to poor network connectivity is usually discouraging to agents.</p>
<p>Perceived security risk</p> 	<p>Agents feel that when they perform financial services, they are perceived as a bank and may become a target for robbery and fraud.</p>



TIMELESS

