

Nigeria is making progress with financial inclusion: here's how

By [Emmanuel Mogaji](#)

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In developing economies, many people are excluded in various ways from financial services. Including them is necessary for three main reasons. It allows financially vulnerable people to improve their lives through economic activity. Growth in the banking market can benefit financial service providers. And when citizens are financially enabled, a country's economy can advance.



Image source: Getty/Gallo

This is why financial inclusion continues to gain momentum in [Africa's policy and economic development](#). And to achieve it, banks need to reach out and engage with prospective customers who have been excluded from the financial system.

In [our research](#), we looked at the ways three commercial banks and two microfinance banks in Nigeria engaged with financially vulnerable customers and potential customers. These may be petty traders in the informal economy, without bank accounts, living outside cities and relying solely on cash payments.

We approached the top managers of five institutions and asked how they create awareness of their products and services among these customers. Our study provides a picture of how financial products are being developed, marketed and delivered to this target market in Nigeria. We found that banks are using both innovative and traditional strategies and technologies to reach a variety of customers. The bank managers said their [strategies](#) were working and previously excluded customers could now access various financial products.

Product development

Nigerian banks are developing products specifically for financially excluded customers. These include "tier 1" bank accounts, which are entry-level accounts for individuals. A person can open the account with just a passport photograph and a bank verification number. Microfinance banks also provide business loans aimed at small business owners. Women in the informal sector, engaged in economic activities like petty trading, street hawking and food hawking, are also offered loans, credit facilities and grants. Often, these loans have low interest rates, to suit people with a low income and to support growth in economic activities [led by women](#).

Disability can be a reason for financial [vulnerability](#). Nigeria's disabled population is an estimated [25 million](#). Accion Microfinance Bank has a [product](#) for this marginalised group.

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Product marketing

Digital services and marketing are on the [increase](#) in banking, but reaching out to new customers also requires traditional marketing strategies. Nigerian banks recognise that these customers do not necessarily use social media or other forms of technology. Banks are using radio campaigns and advertisements to reach their target audiences in the rural parts of the country using the three main languages, Hausa, Igbo and Yoruba.

Market storm is another marketing strategy banks are using to reach these customers. During market storms, bank staff go into a market or public place with music and activities to attract traders and buyers. The bank staff are mostly dressed in branded T-shirts and spend time introducing bank products and services to the public. Customers usually find it easy to open an account as they do not have to leave their businesses to go to a branch.

Sponsorship of events is another way banks market their products and services in Nigeria. They sometimes partner with groups of artisans, hairdressers, barbers, butchers, and transporters to sponsor their business events or promote their business activities. In return, banks market their offerings at these events.

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Technology

Nigerian banks recognise that the role of technology cannot be ignored in reaching out to unbanked, underbanked and low income consumers. These categories of customers seldom rely on social media. But they often use text messages to communicate as part of their daily activities. So banks are using text messages and Unstructured Supplementary Service Data ([USSD](#)) codes. These are numbers and symbols that can be typed into any basic mobile phone, with or without internet access, to open an account, send money, pay bills and apply for loans.

Mobile money agents are also another way that Nigerian banks engage with consumers. Banks give these agents mobile point-of-sale technology which enables them to serve bank customers. Many banks in Nigeria use these agents instead of opening bank branches, especially in rural areas.

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Recommendations

Nigerian banks are recognising the need to expand their services to financially excluded customers. The financial inclusion rate increased from [56.8% in 2016 to 63.2% in 2018](#). The [target](#) for 2020 was 70%. There is still a huge market to be explored and banks can leverage more on technology, service design and marketing to provide affordable financial services.

The data being generated through the use of mobile devices and USSD presents an opportunity for banks to introduce artificial intelligence into their services. This will help them better understand their current and prospective consumers and develop products that meet their needs.

The growing importance of mobile money agents is also a chance to bridge the gap between banks and customers. Customers often come to these agents to solve their immediate problems before contacting their banks. Banks need to keep raising awareness about mobile money agents and manage their relationship with the agents to deliver financial services effectively.

Finally, the affordability of financial products and services is key. Many Nigerians have [complained](#) about the charges associated with banking. The Central Bank had to [intervene](#) and reduce charges applicable to bank accounts, electronic transfers and automated teller machines. But this is still an area of concern for customers. In April 2020, about [45.9 million](#) accounts were dormant – about 32% of the total. Banks could consider waiving charges for low-income customers, or allowing free online transfers and free withdrawals up to a certain number of times a month. These reduced charges would go a long way in ensuring the financial inclusion of vulnerable customers.

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