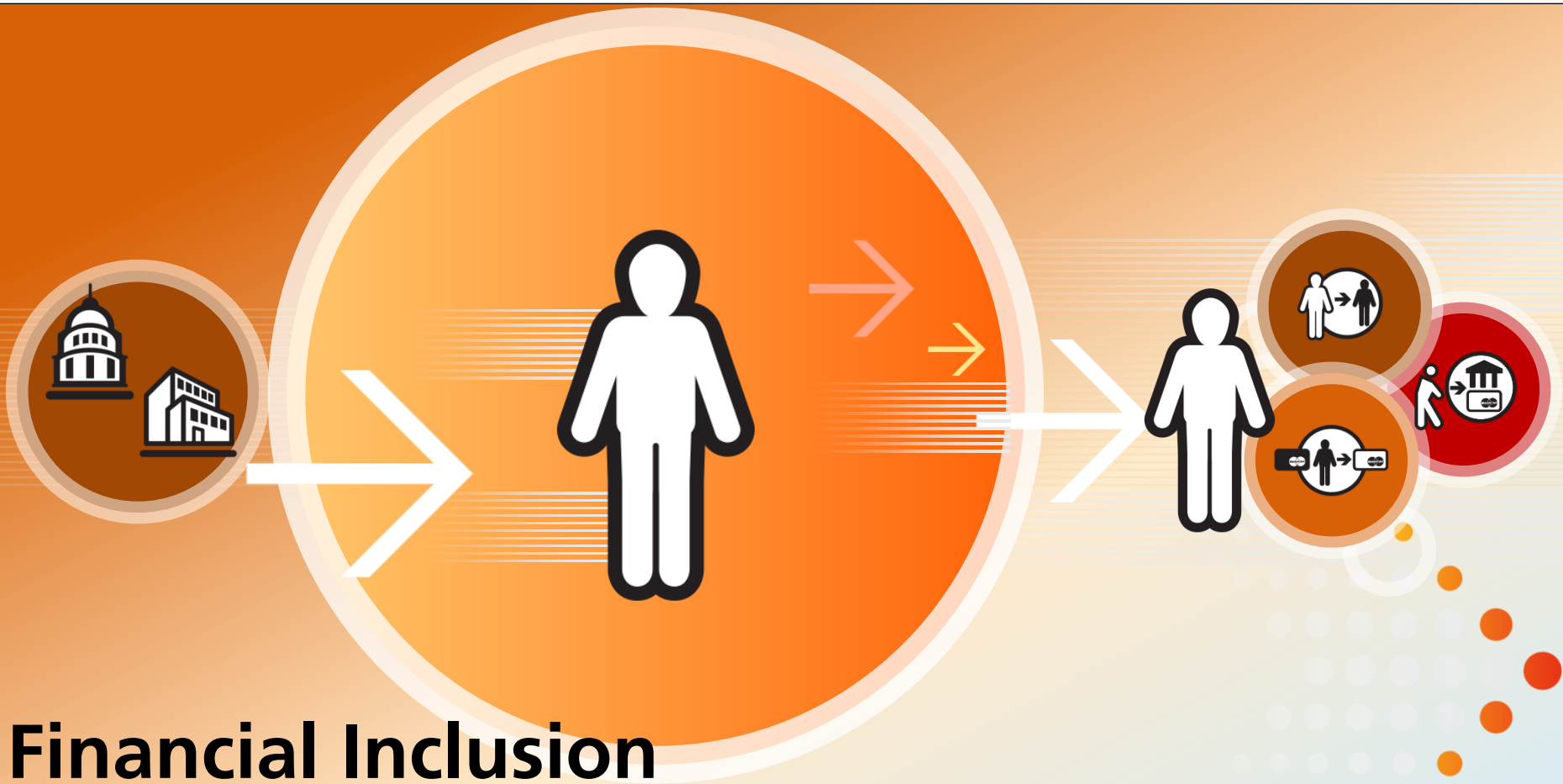




MasterCard
Worldwide



Financial Inclusion

Are there profitable financially excluded groups in Nigeria today?

- According to the 2010 collaborative survey between **Small and Medium Enterprises Development Agency of Nigeria** (SMEDAN) and the **National Bureau of Statistics** (NBS) there are **17,261,753** Micro Enterprises, **21,264** Small and **1,654** Medium Enterprises in Nigeria
- This sector employed a total of **32,414,884** persons as at December 2010 and contributed **46.54** percent to the **GDP** in nominal terms during the same time frame
- When asked the question, “Do you have a bank account?” **82.6%** of these MSMEs said no

Are there profitable financially excluded groups in Nigeria today? (2)

- Nigeria uses the following definition for MSMEs:
 - **Micro Enterprises** - businesses with less than 10 employees and 5 Million Naira in total assets (excluding land and buildings). **99% of MSMEs** in Nigeria are in the Micro strata
 - **Small Enterprises** have between 10 to 49 employees and assets from 5 Million Naira to less than 50 Million Naira
 - **Medium Enterprises** are businesses with 50 but less than 200 staff and with turnover higher between 50 and 500 Million Naira

MSMEs in Nigeria

- Expectedly, access to finance is the most severe challenge faced by Enterprises in Nigeria, whether they are Micro, Small or Medium
- When asked for the source of funding for the start-up of their business in the 2010 SMEDAN survey –
 - **54.4 %** of Small and Medium Enterprises responded with personal savings as their source
 - **22%** had received loans, and
 - **16.7%** had sourced funds from their family.

In the Micro segment the results were more skewed, with 84.6% reporting their source to be personal savings.

MSMEs in Nigeria (2)

- MSME funding is not a Nigeria specific challenge, as important as MSMEs are, they are financially underserved and most lack the financing needed to grow globally
- According to IFC research, about 200 million formal and informal MSMEs in Africa and other developing countries fall under this category
- In Nigeria, as stated by our CBN Governor (Mr. G.I.E Emefiele) recently, the funding gap needed to jumpstart the MSME sector in Nigeria is about 9.6 Trillion Naira
- Nigeria is moving in the direction of creating an enabling environment for Financial Services to MSMEs – Identity challenge is being solved, Credit Bureaux have started work, Payment Infrastructure being firmed up, CBN SME funds available, etc



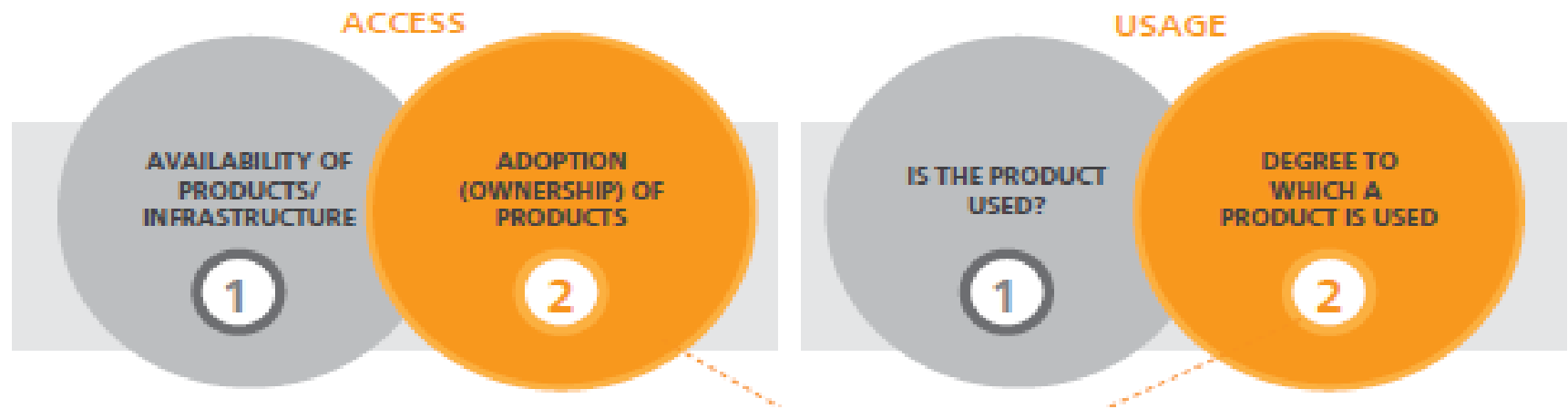
MasterCard



**A Progressive Approach to
Financial Inclusion**

1. Payments products – the Optimal Entry Point for Financial Inclusion

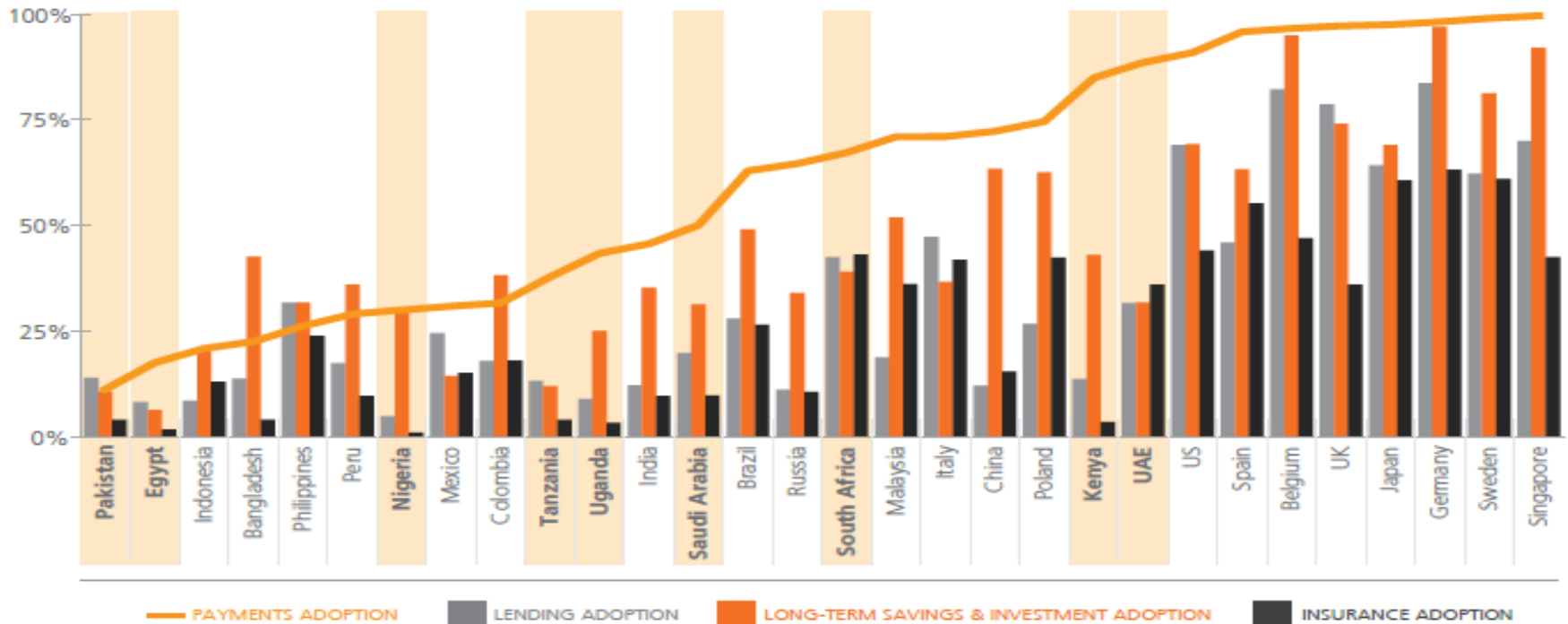
- Financial Inclusion is not only about “Access”, “Usage” is even more important



In a global study by MasterCard Advisors (sample of 30 countries, 9 from MEA), they found that **payments product adoption exceeds adoption of other products**. In Kenya for example, at least 40 percent adults only have a payments product.

2. Lending, Long-term Savings or Insurance are usually next steps in the progression

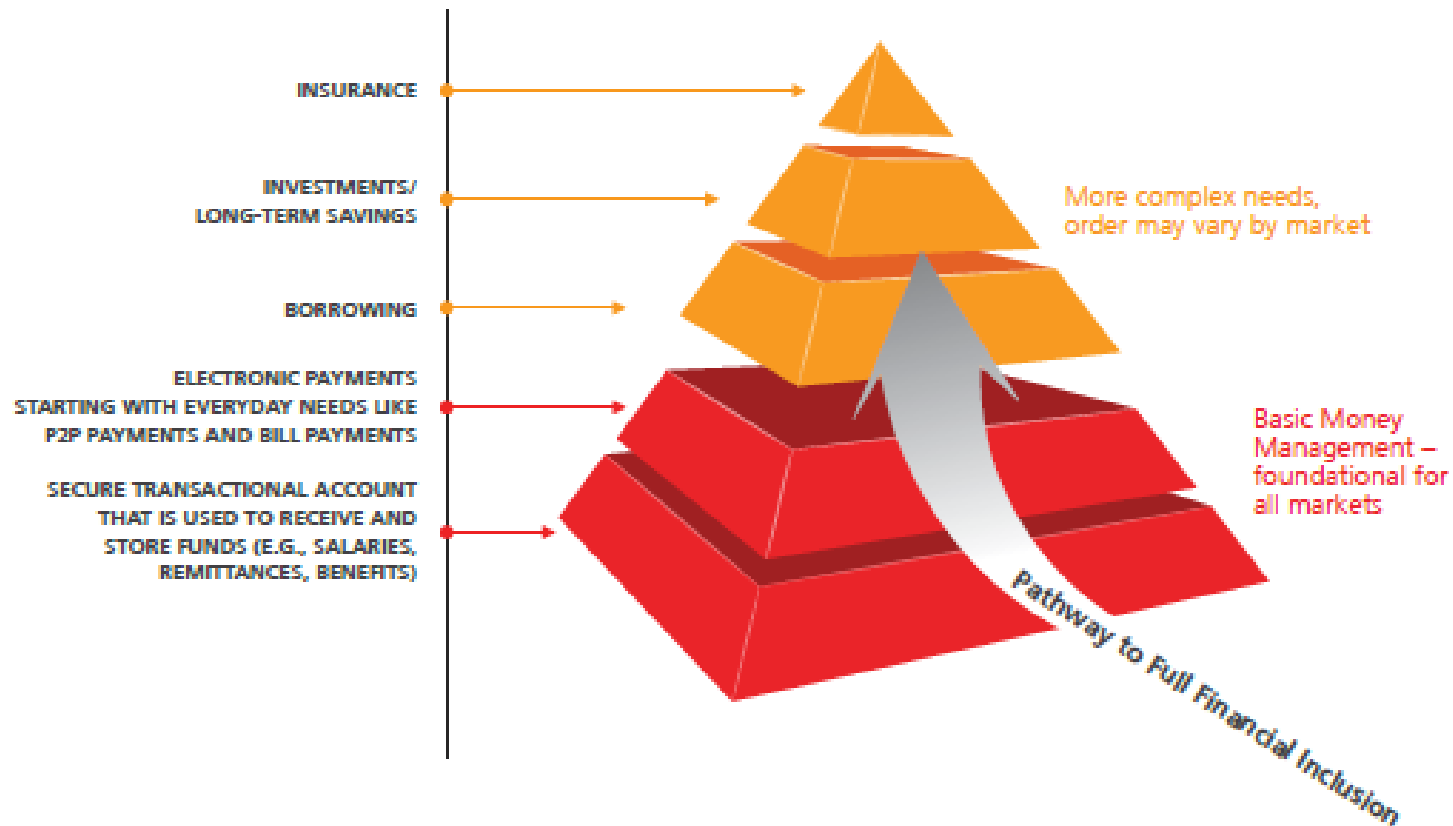
ADOPTION OF ALL FINANCIAL PRODUCTS BY COUNTRY – 2012



- Beyond payments, a country's path is dependent on local factors. In Nigeria, it is long-term savings whilst in South Africa it is lending and Insurance.

Lending, Long-term Savings or Insurance are usually next steps in the progression

FIGURE 5 – HIERARCHY OF CONSUMER FINANCIAL NEEDS



Source: MasterCard Advisors Analysis 2014

Early Days: The beginning of the progression, adoption of payments products less than 50% and adoption of other products even lower (less than 25%)

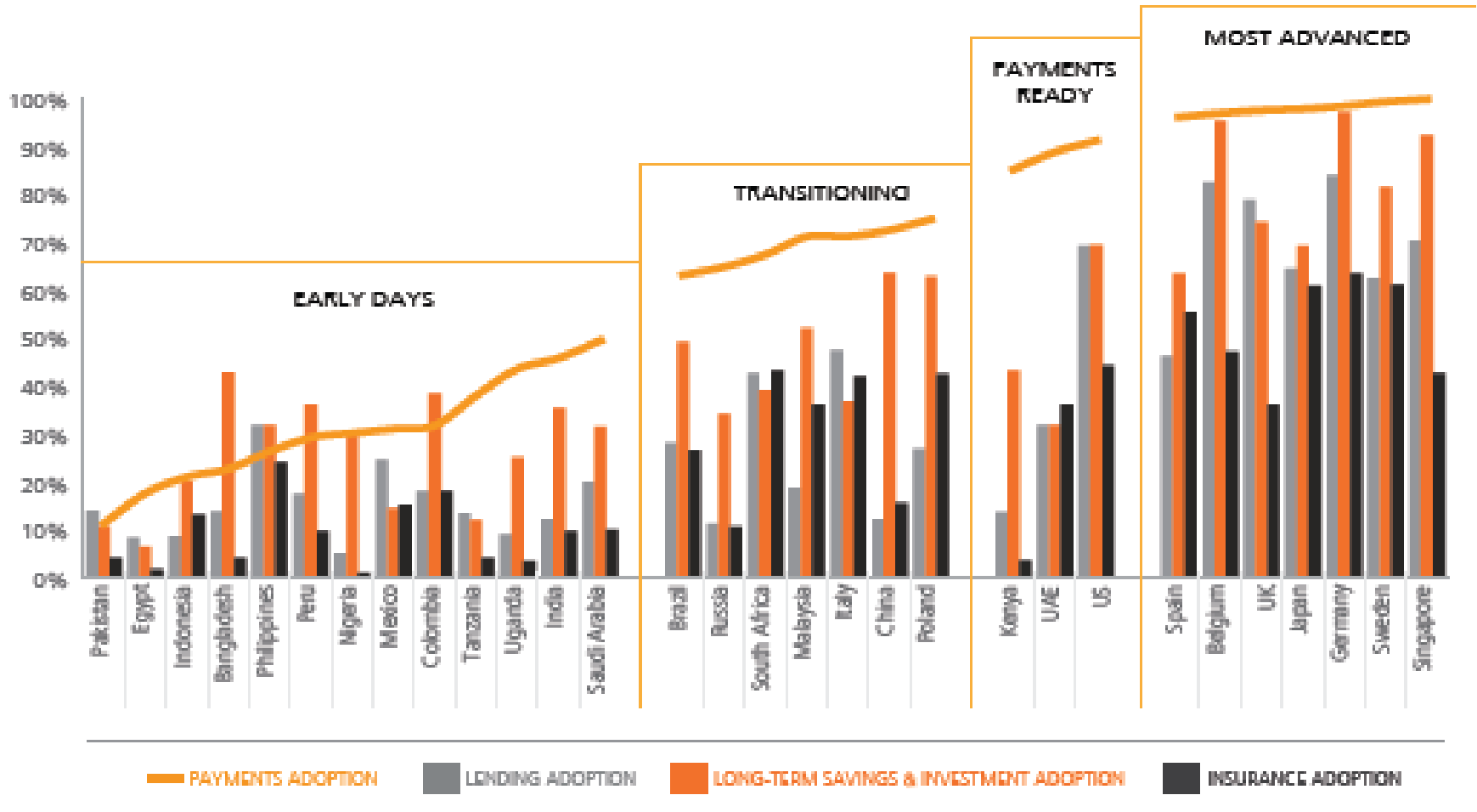
Transitioning: Payments adoption starts to break out with over 50% penetration, adoption of one or more products also begin to gain traction and catch up with payments adoption

Payments ready: Payments adoption greater than 75%. These countries are expected to have the infrastructure from the payments perspective to support advanced levels of other products e.g. lending

Most advanced: Payment adoption is ubiquitous and adoption of other products is expected to be at advanced levels

The 4 stages in Financial Inclusion Progression

FIGURE 6: STAGES OF FINANCIAL INCLUSION PROGRESSION BASED ON ADOPTION – 2012



4. How does a country progress to the next stage?



There is no standard answer, it depends on country specific circumstances.

A) **The South Africa Example**

By issuing a payment card to over 10 Million citizens under the South Africa Social Security Authority (SASSA) Program, the country effectively increased its Payments Adoption metric by 20% in about 18 months

B) **The UAE Example**

This country made significant progress in enabling Payment Adoption by initiatives such as Wage Protection for Immigrant workers which mandated the usage of payment of Salaries via payment cards

C) The Philippines Example

This country has done better than its peers in Payment Adoption by driving the usage of payments products for inflows e.g. Salaries and Remittances

D) The Mexico Example

This Country's growth was significantly influenced by the active role of its Government in active participation with the private sector e.g. through programs like " Boletazo". The Ministry of Finance launched this program to promote use of cards. Funding for the program is by tax deductible contributions from commercial banks to a trust fund which is then used For a lottery system(every card transaction is entered into a raffle for prizes), also there is another program that funds the deployment of POS terminals at no cost to the merchant.

How would NIGERIA progress to the next stage?

Would it be by:

- a) Banking the 82.6% unbanked MSMEs?
- b) Leveraging Domestic and/or International Remittances?
- c) A Government supported program e.g Lottery and free POS in Mexico or reduction in Taxes for Merchants that accept electronic transactions(South Korea)
- d) Mandated payment of Salaries via Salary cards/Mobile wallets (wage protection)
- e) Leveraging our over 120 million mobile lines?
- f) A large scale Government program e.g Social grant disbursements (SASSA) in South Africa or perhaps a National ID Programme e.g Nigeria and India

- What ever path or combination of paths Nigeria choses, **the first step would be adoption of Payment products** be it Cards, Mobile, Account Transfers or a combination
- Without leveraging Technology to deliver low cost, high volume services to this segment, it is difficult to be profitable
- Everyone (almost) that can influence the use of Technology for Financial Inclusion or that can ensure that payment products are adopted **is in this room today**
- As a major stakeholder, what are your plans for **profitable financial inclusion?**