NIGERIA—FOSTERING FINANCIAL INCLUSION THROUGH DIGITAL FINANCIAL SERVICES[1]

A. Financial Inclusion: Achievements and Challenges

1. **Financial inclusion rates have gradually improved but still fall short of the targets adopted in Nigeria's 2012 financial inclusion strategy** (revised in 2018, see CBN, 2018). The share of the adult population with a bank account has consistently increased and now accounts for more than two-thirds of financially-included individuals. However, this bankarization has been sourced in large part by integrating those having used the non-bank and informal financial sector. Overall, the share of the financially-excluded population is only slightly lower than in 2012 (Figure 1). Nigeria is also falling short in access to credit and particularly non-bank financial services (insurance, and pensions[2]; Figure 2). Many East African countries have lower shares of adult population with bank accounts but boast substantially higher inclusion rates—beyond 80 percent—through proliferation of non-bank accounts, particularly mobile money, which is still relatively scant in Nigeria (Figure 3).

2. **Financial inclusion in Nigeria is not only relatively low but also uneven.** While the gender gap in financial inclusion is relatively low, the gaps for the youth, people with low educational attainment or income as well as the urban-rural divide (only 56 percent are included in rural areas) are higher than in peer countries and Sub-Saharan Africa (SSA). As elsewhere in the region, the largest gap is found in educational attainment, which is likely owed to financial illiteracy.

Figure 1. Progress in Financial Inclusion

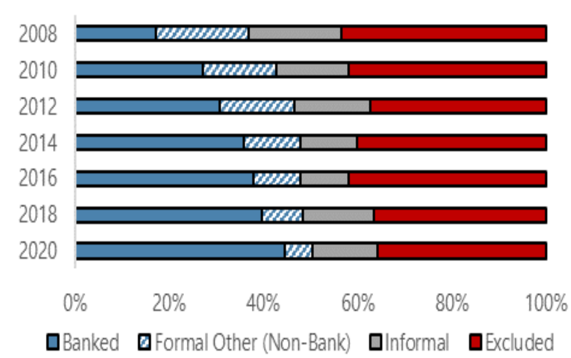
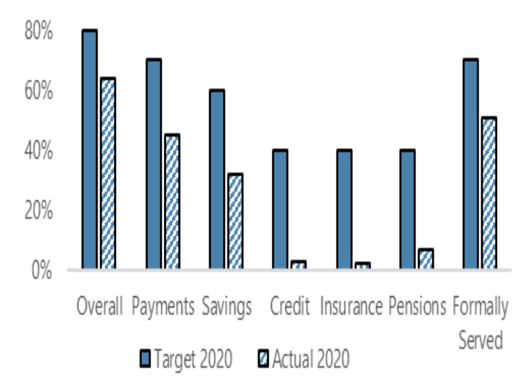


Figure 2. Inclusion Goals



Sources: World Bank Group (2021) and EFInA (2021a)

[1] Prepared by Torsten Wezel (MCM) and Jack Ree (AFR).

[2] A recent dedicated survey (EFInA, 2021c) found lack of income or irregular income associated with Nigeria's large informal economy to be the primaries reasons for not making regular pension contributions.

Figure 3. Financial Inclusion in the Region

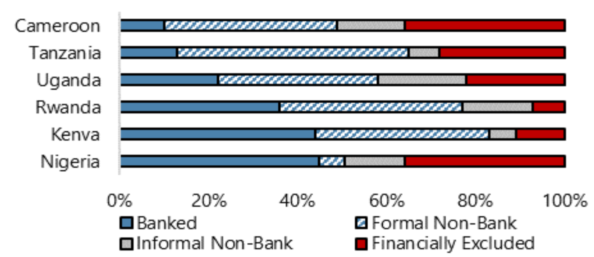
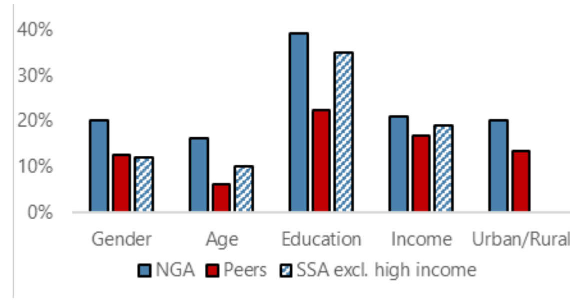


Figure 4. Inclusion Gaps
(Account Ownership, ppt.)



Sources: World Bank Group (2021) and EFInA (2021a)

3. The reasons for not having an account are broadly the same as elsewhere in the region. In surveys, lack of resources or steady income is frequently cited as the main reason for not having an account, which in Nigeria is somewhat less binding than elsewhere. Other main reasons include the cost of financial services, the lack of required documentation (such as identification) and lack of trust in financial service providers. A critical obstacle relatively more pronounced in Nigeria is the onerous distance to financial access points (Figure 5).

4. Yet another obstacle is lack of financial literacy. A recent survey by EFInA (2021a), a UK development institution, found that in Nigeria more than half of adults have limited financial literacy and capability, particularly in financial planning (e.g., about two-thirds of respondents are seen to have a low-to-medium ability to spend, and manage risks prudently, while many rely on informal networks in a crisis; Figure 6). More than three-fourths are also unaware of specific financial services, including mobile money, which helps explain the relatively low mobile money account ownership (Figure 7; see also Section B). Financial illiteracy is also associated with low educational attainment (Figure 8). One reason is that financial topics tend to be taught toward the end of secondary education and therefore does not reach those dropping out earlier.

5. Financial inclusion policies have focused on networks and agent banking. In 2018, the CBN created a license for a payment service bank (PSB) that offers digital payments but no loans, and in 2022 it granted PSB licenses to two large telecommunication firms functioning as mobile money operators (MMOs), which has propelled inclusion. In 2019, the CBN created SANEF (*Shared Agent Network Expansion Facilities*) in cooperation with commercial banks, the national payments system NIBSS and MMOs to promote financial access points, provide a platform for account opening at any agent location, propel enrollment for bank verification numbers (BVN) and deepen financial literacy. The goal of having 500,000 agents by 2020 has been exceeded by far (1,375,000 as of September 2022), but as with the urban-rural inclusion gap there is still a shortage of agents in Northern Nigeria. There the agent spread amounts to only 34 percent compared to the expectation of 60 percent.

Figure 5. Reasons for not Having an Account

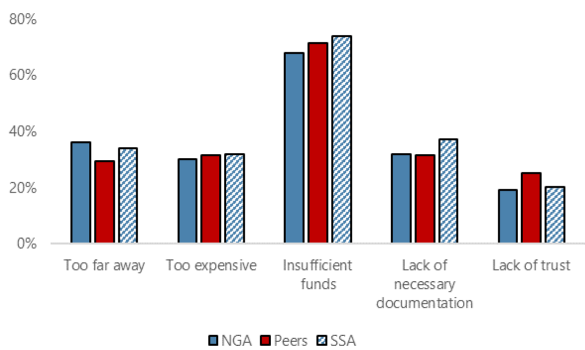


Figure 6. Low Financial Capability

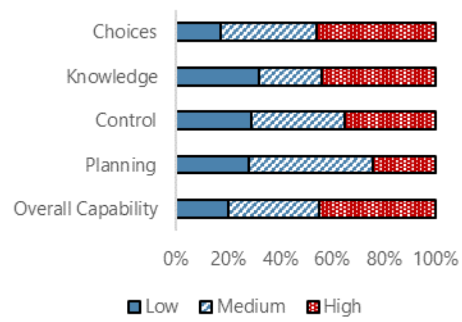


Figure 7. Low Financial Awareness

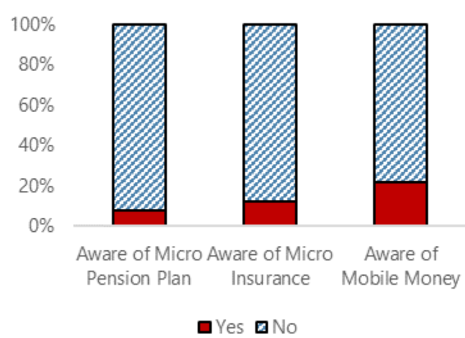
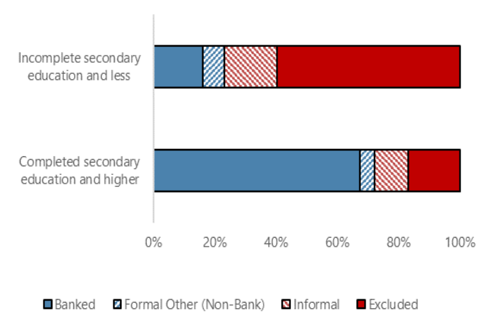


Figure 8. Inclusion by Educational Attainment



Sources: World Bank Group (2021) and EFInA (2021a)

6. **The private sector and international development partners have contributed to these efforts.** Banks have sponsored agents (e.g., one large bank running a banking agent program) and, in individual cases, opened a virtual bank subsidiary. Development partners have also helped recruit banking agents (e.g., in 2017, IFC partnered with local *Lift Above Poverty Organization* to establish an agent-banking network (IFC, 2019)). EFInA organized a "fintech challenge fund" in 2018, helping develop innovative financial products for the low-income population (e.g., low-income investment vehicle, social-media based algorithm for lending, and point-of-sale credit by merchants).

7. **Financial literacy has also been promoted.** Policies have focused on educating youths ("national peer group program for financial inclusion of youths") and enhancing the financial capabilities of consumers and civil servants. SANEF has been using its agent network to educate communities on financial inclusion and literacy, including through an e-learning portal (SabiMoni) promoting digital financial literacy. The CBN has worked on curriculum development and deployed trainers to all localities. A development partner (GIZ) has specifically focused on training of

entrepreneurs. The two institutions also partnered to create literacy modules that explain less-understood conditions of loan contracts, including for agriculture, and payments, fraud protection, consumer rights and financial decision-making. In addition to training, there has been emphasis on developing inclusive products that are better adapted to the circumstances of would-be borrowers (e.g., less rigid loan conditions), while also educating lenders about the specifics of their clients' value chain (e.g., seasonality in cashflows).[3]

8. There is a notable push for improving women's access to financial services (Box 1). The authorities have launched several initiatives in recent years to increase women's financial inclusion, previously held back by their lower income, education, and trust in financial service providers (EFInA, 2019). This effort is complemented by international development organizations and non-governmental organizations that, among other things, have supported the use of agent networks for financial inclusion of women and for establishing and training of women's groups, including savings groups that in recent studies have been found to increase resilience to shocks like COVID-19 and food insecurity. Private sector representatives—notably banks and fintech companies—have launched tailor-made products (e.g., for goal saving, and loans for personal development) and training programs aimed at meeting the specific financial needs of women, including female entrepreneurs.

[3] This effort is closely related to the concept of impact investment. Non-traditional investors like private equity and business angels consider key performance indicators beyond return on investment in projects with a specific sustainability, climate, gender. or job creation angle, particularly in agriculture, education; and health. A wholesale impact investment fund is to be launched by the government in 2023.

Box 1. Policies Promoting Gender Equality in Access to Financial Services

Part of the gender gap in financial inclusion can be explained by Nigerian women's lower levels of income, education, and trust in financial service providers. At the same time, these commercial providers often do not see the business case for servicing financially excluded women (EFInA, 2019).

Against this background, the Nigerian authorities have been fostering women's access to finance for years. Since the establishment of an inter-agency financial inclusion working group in 2015 and the *Denarau Accord for Women's Financial Inclusion* in 2016 include, the authorities have launched a framework for advancing women's financial inclusion to close the gender gap (2020) and created a "community of practice"—a knowledge hub for mainstreaming gender issues into financial inclusion policies—and a digital financial inclusion drive for account opening by women, (2021). The CBN has focused on gender equality in its policies and interventions for development, as reflected in a 65 percent share of female beneficiaries under its development fund for micro, small and medium enterprises launched in 2012.

International development institutions and non-governmental organizations (NGOs) have been supporting Nigeria in women's access to finance and underlying training in financial matters. For example, the Alliance for Financial Inclusion (AFI), run by 75 central banks and financial regulators from developing countries, in 2021, helped develop a targeted strategy to leverage agent networks for scaling up the spread of female agents, particularly in underserved areas of Northern Nigeria, which may help overcome cultural/religious barriers. The World Bank has financially supported women's groups through the "Nigeria for Women Project" (World Bank, 2018)—a five-year pilot in six Nigerian states seeking to establish 21,600 "women affinity groups" (WAG) benefiting more than 300,000 women through starting informal savings and loan activities, which in Nigeria women use more than men do (EFInA, 2019), as well as conducting training in financial education and business skills. Donor partners (or philanthropic partners) such as the Bill & Melinda Gates Foundation have contributed through technical assistance and financing to an associated multi donor trust fund of the World Bank helping to design, institutionalize and evaluate the WAG model and foster innovations through it.

Recent empirical studies (de Hoop et al., 2022, Adegbite et al., 2022, and Meysonnat et al., 2022) conclude that Nigerian households with a female savings group member were more likely to have savings and to have obtained a loan during the pandemic. Also, savings group membership has been associated with food security and not being out of business, indicating that savings groups in Nigeria may contribute to resilience.

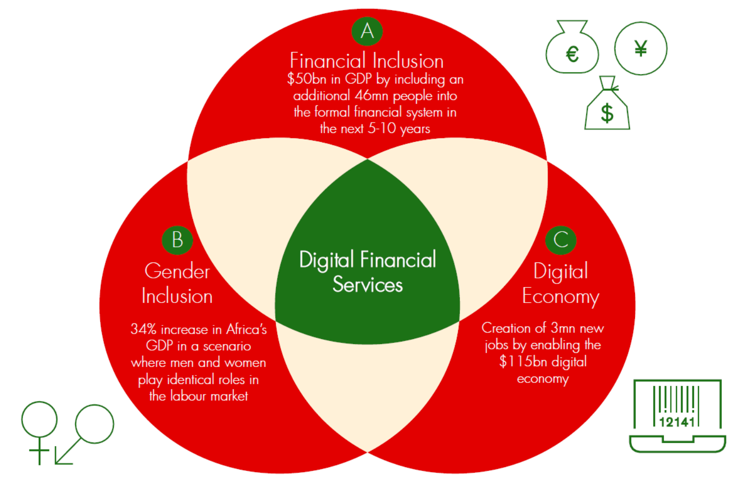
Of late, private sector stakeholders have also begun to contribute to the effort by developing financial products designed to meet the specific needs of women. Some banks have directed their business focus to access to finance for women, offering a suite of tailor-made financial instruments and entrepreneurial training. Non-bank players like fintech companies have launched projects facilitating goal savings and obtaining loans for personal development or directly support female smallholder farmers through lending and training.

B. Evolution of Digital Financial Services

9. Digital financial services can have a tangible impact on financial inclusion and the economy at large. Digital technology fosters the provision of financial services to rural communities and underserved segments of the population, leveraging high mobile phone availability in Nigeria (about 80 percent of adults). It also extends coverage in financial services through enabling lower-cost solutions (e.g., mobile transfers are less costly than traditional forms of money transfer). Lastly, it fosters economic growth by enabling new business models, investment in digital infrastructure, and e-commerce.

10. Digital finance in Nigeria has been fostered by a vibrant fintech sector. In the early stage of fintech in Nigeria (the early 2000s), the focus was on business-to-business (B2B) and later business-to-consumer (B2C) services, including replacing cash payments by mobile money in the context of the CBN's Payment System Vision 2020. Today, the Nigerian fintech ecosystem offers a full array of financial services, including digital consumer lending which has prompted consumer protection concerns over predatory pricing absent stringent centralized regulation. The fintech sector has benefitted from ample investment, including by external investors, amounting to over US$1 billion since 2018.

Figure 9. Benefits of Digital Finance

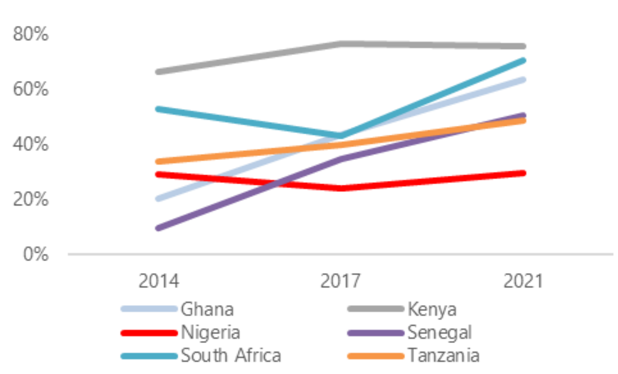


Source: EFInA (2021a)

11. Despite obvious merits and ready fintech supply, the use of digital payments is less common in Nigeria than in peer countries. According to the World Bank Findex survey, only about one-third of the adult population has ever made a digital payment (Figure 10), notwithstanding the full array of available electronic tools. Nigeria is also underperforming in mobile money ownership compared to more dynamic peer countries (Figure 11). The transaction intensity of mobile money accounts is also much lower than in early adopter countries (e.g., Kenya) or late proponents (e.g., Senegal). Judging by a mobile money prevalence index weighing account ownership, activity, and agent availability (GSM Association, 2021), Nigeria trails several low-income countries in SSA (Figure 12). As a silver lining, starting from this low level the volume of mobile transfers more than doubled year-to-date through August 2022 relative to the same period the previous year (NIBBS, 2022).

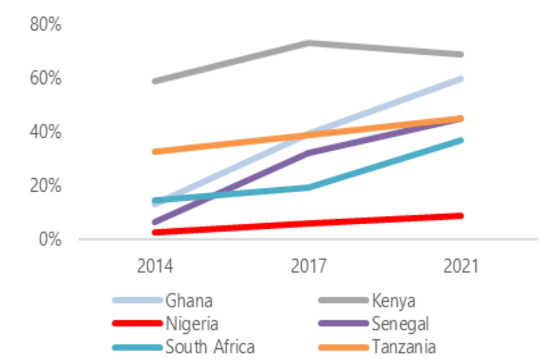
12. There are also sizable gender and other gaps in mobile money account ownership. Even at Nigeria's low level of mobile money account ownership, gaps are growing in ownership by income level, and particularly by educational attainment (Figure 13). The latest Findex survey also found a significant urban-rural divide. The widening of these gaps is mainly due to stagnating account ownership among women, citizens with basic education, and low-income earners.

Figure 10. Made a Digital Payment
(In percent)



Source: World Bank Group (2021)
Source: IMF (2022)

Figure 11. Mobile Money Account
(In percent)

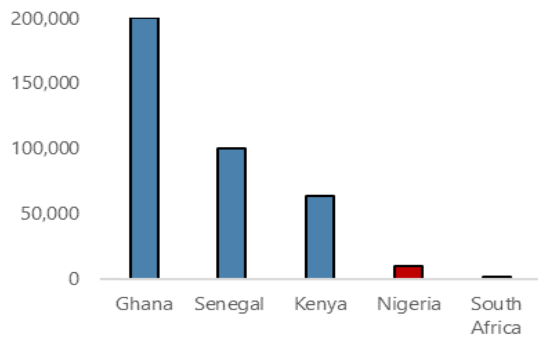
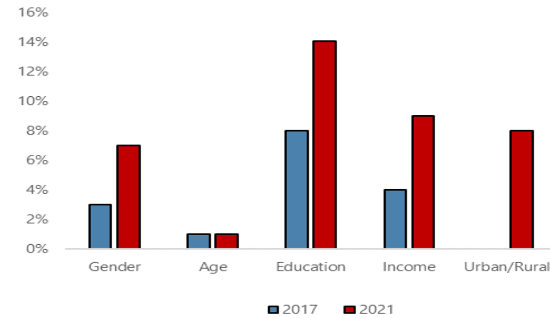


Source: World Bank Group (2021)
Source: IMF (2021a)

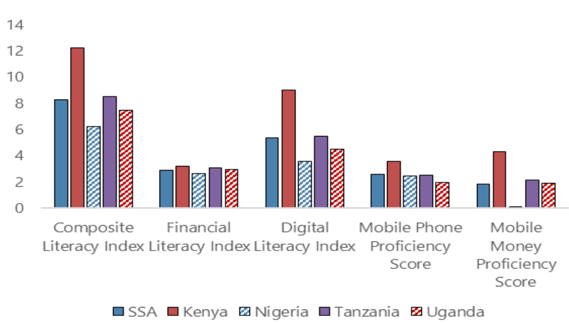
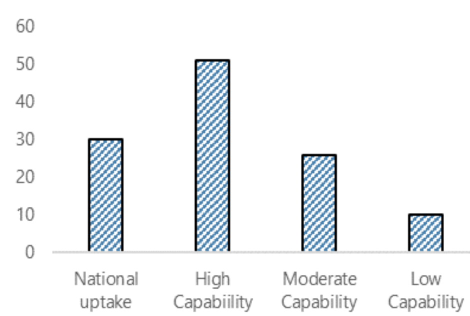
13. **Mobile money usage is low due to an apparent preference for cash as well as cost and trust issues.** A recent survey (GSM Association, 2022) indicates that preference for cash is the primary reason in Nigeria for not having a mobile money account. Similarly important are alternative means of money transfer and using agents for cash transfers—more so than in other African countries included in that survey (Egypt, Senegal). In addition, lack of affordability and trust plays a major role. According to the EFInA (2021a) survey, two-thirds of Nigerians still trust banks more than fintech operators. On the other hand, technical and network issues are a minor factor relative to these comparator countries.

Table 1. Nigeria: Reasons for not Having a Mobile Money Account

		Africa		
		Egypt	Nigeria	Senegal
Relevance	Preference for cash	62%	47%	56%
	Alternatives to transfer money	29%	46%	32%
	Friend/Family has MM account I can use	24%	7%	58%
	Use OTC	25%	39%	43%
	Lack of money	34%	23%	49%
Knowledge/ skills	Don't know how to use MM	30%	26%	41%
	Difficulties using a handset/ might make errors	28%	18%	44%
	Literacy	22%	20%	49%
Affordability	Affordability	33%	13%	15%
Access/ enablers	Unreliable network	25%	7%	18%
	Lack of access to agents	18%	7%	19%
	Lack access to electricity	18%	4%	17%
	Lack of necessary documentation	22%	14%	13%
Safety/ security	Safety and trust	33%	19%	23%
	Don't trust agents	26%	19%	21%

Figure 12. Mobile Money Transactions (Per 1,000 Adults)	Figure 13. Gaps in Mobile Money Account Ownership
	
Source: GSM Association (2022)	

14. Another reason for low mobile money usage is sub-par digital financial literacy. A recent study (Kass-Hanna et al., 2022) using 2017 data to construct literacy indices across Asian and African countries found that Nigeria lags peers, SSA and non-SSA, not only in overall financial literacy, but also in digital financial literacy associated with mobile phone ownership and particularly mobile money proficiency measured along several dimensions of usage. Uptake of digital finance is associated with the afore-mentioned measure of financial capability, with only one in ten of those with low capability using such services (Figure 15).

Figure 14. Financial and Digital Literacy in Regional Comparison	Figure 15. Digital Financial Services Usage by Financial Capability Levels (In percent)
	
Source : Kass-Hanna et al. (2022)	Source: EFInA (2021a)

15. Policies promoting digital financial services have focused on incubation and financial infrastructure. In 2021, the CBN published a framework for its new regulatory sandbox (CBN, 2021a) to reduce the time-to-market for innovative products and business models advancing financial inclusion and has reportedly selected the first cohort of projects focused on creating inclusive products. The same year, the CBN issued a regulatory framework and subsequently operational guidelines for its open banking framework (CBN, 2021b and 2022) that promotes, through

Application Programming Interface (API) technology, direct debit, mobile money accounts, payment card use, and data exchange among banks and with non-bank providers (e.g., fintechs). For the first time, it will also provide a full picture of a client's indebtedness through consolidation of lenders' information. The framework is presently still in the consultation phase and therefore not operational yet [check with CBN, including live date]. Another effort has been the introduction of simple access technology (by QR codes, USSD strings, near-field communication) to onboard citizens without smartphone.

16. Peer countries have deployed dedicated mobile money policies. In the late 2000s, Kenya and Tanzania adopted an explorative approach to regulating the mobile money sector, closely engaging with the nascent industry while still taking precautions to safeguard financial stability. The two countries also focused on promoting a wide network of mobile money agents to propel financial inclusion (Box 2).

Box 2. Mobile Money Policies in Kenya and Tanzania

East African peers Kenya and Tanzania had a head start to mobile money in the late 2000s when their central banks decided to apply a "test and learn" approach to regulation of mobile money services (GSM Association, 2014 and 2015). The idea was to avoid being overly prescriptive or overregulate the budding sector while still taking measures to preserve financial stability. In Kenya, a nonbank was permitted to launch M-PESA in 2007, the first major mobile-enabled money transfer and payment system, based on a letter of non-objection instead of a full-fledged regulatory framework. Still, provisions were made to safeguard customer funds through trust arrangements, ensure KYC procedures, and apply transaction limits to avoid the use of mobile wallet as substitute for bank accounts. Shortly thereafter, Tanzania's regulator followed suit, also issuing non-objection letters to partner banks of M-PESA and other providers. The two central banks have maintained a close dialog with the industry to finetune their collaborative regulatory approach in line with dynamic market developments. By contrast, Nigeria took time to develop a regulatory framework for payment service banks before eventually issuing licenses to two major telecommunications firms in 2022.

Both countries placed emphasis on the rapid development of a network of mobile money agents, providing cash-in-cash-out services and onboarding the population to non-bank financial services. Tanzania has required agents to provide multiple outlets, a share of which should be in rural areas. Kenya achieved a ubiquitous distribution network at the grassroots level, with mobile money agents dwarfing the number of traditional bank agents. This contrasts with Nigeria where bank agents offering a mix of banking and mobile services abound. However, the mobile money network has generally been an on-ramp for other, more formal financial services, thereby deepening financial inclusion.

At the same time, the focus on mobile money has led to a smaller gender gap in financial inclusion among mobile money users in Kenya—half of the gap found for the banked population, see Fanta and Mutsonziwa (2021). That study also finds that in Kenya and Tanzania financial literacy is strongly linked to an increased level of financial inclusion, corroborating that financial literacy campaigns are critical.

17. At the sub-national level, individual states have pursed their own sets of policies. For example, Kaduna State has implemented a multi-facetted strategy aimed at digitizing payments, issuance of digital IDs, narrowing the gender gap in financial inclusion, establishment of access points in all its 23 local Government Area Councils as well as identification and removal of gaps in the telecommunications network (Box 3). The strategy has had notable success in onboarding

citizens through large-scale digital ID issuance and could therefore be considered a model for furthering financial inclusion at the national level.

Box 3. Financial Inclusion Policies in Kaduna State—A Blueprint for Nigeria?

In some ways, Kaduna State in the north of Nigeria can be considered a socioeconomic miniature copy of the country. The state's financial inclusion journey started in 2015 when the administration decided to digitize all government-to-person payments—a central step in helping citizens avoid lengthy journeys to banks to collect salaries and use cash-in-cash-out (CICO) service. Despite the digitization, however, associated absenteeism and the lack of associated payment infrastructure remained high as workers still relied on cash withdrawn from financial access points. The state subsequently decided to gather empirical evidence, commissioning a feasibility study on the introduction of a state-wide digital payments system in 2020.

Given limited resources for implementation, the state then resolved to prioritize the promotion of digital ID and financial inclusion of women (an EFInA study conducted specifically for Kaduna State (EFInA, 2021b) found the gender gap to be 13 percent, though smaller than the national one). Enabled by close cooperation between the federal government (National Identity Management Commission) and the state through an MoU enabling an interface to the national identity management database, 5.2 million of the 9 million residents of the state (about 60 percent) are now enrolled in the digital ID database, and the state has commenced the issuance of a readable multi-functional digital residency card that can be used for CICO transactions. Close to half of the enrolled residents are now financially included. To narrow the gender gap, the state created a women empowerment fund in 2019, with two-thirds being new to banking services, and a pilot to promote sound spending decisions among female vendors for the school feeding program is being planned.

Other steps included (i) creation, in 2021, of a community-of-practice platform for discussion of financial inclusion ideas among banks, fintechs, CBN, government officials, academia, and civil society; (ii) a partnership with a large private bank to establish access points in all local government council areas of the state (partially achieved; two-thirds did not have a bank branch previously); and (iii) a mapping of network blind spots across the state to ensure minimum cell network coverage in order to enable USSD digital transactions, with about 90 percent of the identified blind spots now being on air.

Kaduna State's inclusion strategy that has successfully relied on a multi-pronged approach in addressing physical access gaps could be considered a blueprint for Nigeria as a whole. The peer review program of the Nigeria Governors' forum is known to be intent on implementing ideas from individual states at the federal level.

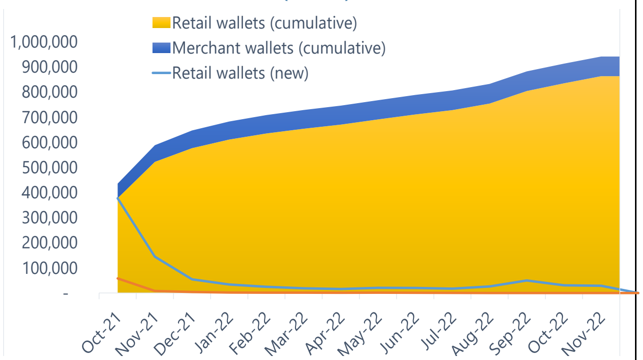
18. Nigeria's CBDC, the second CBDC after The Bahamas, is envisaged to bring benefits for financial inclusion and remittances over time. Key benefits may of the new eNaira include:

- *Increase in financial inclusion.* For now, the eNaira wallet is provided only to people with bank accounts. However, allowing those without bank account but with a mobile phone to access eNaira would increase financial inclusion.

- *Facilitation of remittances.* Nigeria is a key remittance destination in SSA. Remittances are typically made through international money transfer operators (IMTOs), with fees ranging from 1

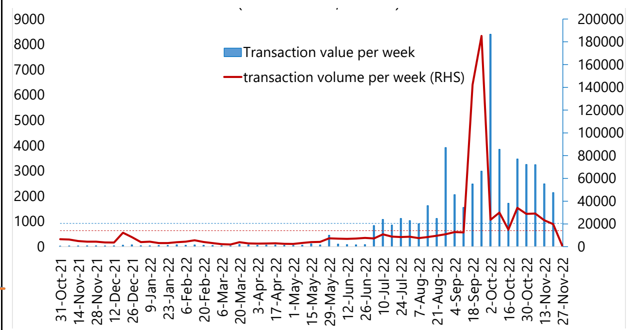
to 5 percent of the transaction value.[4] The use of eNaira for remittances is expected to lower that transfer cost.[5]

Figure 16. eNaira Wallet Downloads
(units)



Source: CBN and IMF staff estimates.

Figure 17. eNaira Transactions
(Million naira, units)



Source: CBN and IMF staff estimates.

19. Developments since the launch in October 2021 have been mixed.[6] Despite some initial technical glitches (Coincu, 2022), no major risk factors (e.g., a large-scale cybersecurity event) have materialized. However, the adoption of eNaira by households and merchants has been rather slow. After a strong initial uptake, wallet downloads have slowed, reaching 0.8 percent of bank accounts, and merchant wallet downloads amount to about 10 percent of merchants with point-of-sale terminals. Similarly, wallet activity is low, with most wallets appearing inactive. The average number of weekly eNaira transactions since the launch amounts to only 8 percent of wallets, with an average transaction value of N53,000 (about US$120).

C. Policy Options for Fostering Financial Inclusion

20. To make progress with their ambitious inclusion agenda, the Nigerian authorities would need to refocus policies along several dimensions. The set of policies should preferably be aimed at meeting realistic intermediate inclusion targets still to be formulated, especially in the use of specific financial products, and they should more explicitly address the significant age, education, income, and geographical inclusion gaps. The operational, capacity building and regulatory measures

[4] The effective cost of remittances through IMTOs is generally higher because of exchange rate margins. However, as Nigeria only allows remittances executed in the currency of the country of origin, only direct fees are considered here.

[5] According to World Bank's Remittance Prices Worldwide database (World Bank, 2022), the average cost of sending 200 dollars' worth of cash (excluding other means of payment such as bank deposits) from various surveyed countries to Nigeria was 10.4 percent in 2020Q2, of which 47 percent (4.8 percentage points) was attributed to the exchange rate spread.

[6] Some countries and regions (e.g., China) had rolled out CBDCs earlier but only as pilots—hence granting access only to a subset of their citizens. According to the Atlantic Council's CBDC tracker, more than 100 countries are currently exploring CBDC in various phases (development, pilot, or launch). The eNaira uses blockchain technology like crypto assets or stable coins do and is stored in digital wallets and can be used for payment transactions.

would need to focus on remedying physical barriers to financial access, improving financial literacy, promoting digital and data infrastructure, devising a well-balanced framework for fintech operations, and further enhancing the eNaira technology (see Table 2 for a summary of recommendations).

21. Specifically, key supply side measures should focus on increasing financial access points and leveraging digital identification. Notwithstanding the achievements in agent banking, the authorities should deepen efforts to establish a "last mile" distribution network to reach remote and vulnerable populations that still depend on cash-in-cash-out operations and to address the issue of viability of agents in those underserved areas. The CBN and SANEF have put policies in place, but efforts need to be intensified to address the remaining agent shortage in rural areas sustainably and to enhance the supply of basic mobile money products through agents. Second, use of the digital financial infrastructure could be further improved by, inter alia, intensified ID onboarding and allowing digital ID for client verification in opening basic (Tier 1) bank accounts. Also, the authorities could consider encouraging digital ID registration for receiving social transfers from government, especially for those without an ID.

22. At the same time, demand side measures are critical. The authorities, primarily the CBN, should make capacity building in financial literacy, including digital literacy, more attuned to the needs of the underserved population by emphasizing use cases to clients (particularly with little-used products like credit, insurance, and pensions) and providing practical instruction in applying those instruments confidently. It will also be important to make operating interfaces and documentation available in major local languages (e.g., Hausa, Kanuri) to remedy comprehension issues. And to promote use of mobile money and lessen the preference for cash, targeted education of the public to anchor the notion that mobile money is safe and more cost-efficient than traditional cash-in-cash out operations would be key.

23. Promotion and regulation of fintech operations also need to be stepped up. While the CBN is set to make its regulatory sandbox fully operational, it should consider collaborating, rather than competing, with the fintech industry's existing sandbox to reap synergies, including in shared use of the infrastructure. When the sandbox is operational, the CBN should prioritize projects aimed at financial inclusion of the underserved population. Also, regulation for digital lending should be passed at the national level to establish uniform oversight while safeguarding cybersecurity and consumer protection to inhibit abusive practices that have reportedly occurred under state licensing and oversight. These digital lenders should also be integrated into the credit reporting system for a consolidated view of client indebtedness.

24. Lastly, enhancements to the CBDC could have a catalytic effect for financial inclusion. This would require a well-prepared strategy to maximize synergies with incumbent fintech providers and developing additional use cases for eNaira.[7] Specifically, the CBN could integrate eNaira into the existing mobile payment system by allowing MMOs to onboard their clients to the eNaira system

[7] See also Ree (2022), "Nigeria's eNaira, One Year After", IMF Working Paper (forthcoming).

and integrating the eNaira wallet into existing mobile money apps. CBDC could also be considered as an instrument for delivery of social assistance. And enabling the use of eNaira for remittances could generate cost savings and provide incentives to the population, including those still financially excluded, to obtain an eNaira wallet.

Table 2. Nigeria: Priority Policy Options for Fostering Financial Inclusion

Objective	Measures
Further Increase Financial Access Points	• Deepen ongoing efforts to establish a "last mile" distribution network • Further increase the number of agents in underserved areas and promote supply of mobile money products
Promote Digital Financial Services	• Push ahead with ID onboarding and leverage digital ID for inclusion • Run media campaigns underscoring the benefits of mobile money
Improve Financial Literacy	• Provide targeted capacity building in financial literacy, including on use cases of financial products • Supply operating interfaces and documentation of financial products also in local languages
Upgrade Framework for Fintech Operations	• Upon operationalization of CBN sandbox, prioritize projects benefitting financial inclusion and consider cooperation with existing industry sandbox • Pass regulation for digital lending at the national level to establish uniform oversight and integrate digital lenders into the credit reporting system
Enhance CBDC Features and Use	• Integrate eNaira into the existing mobile payment system • Consider eNaira for delivery of social assistance • Enable use of eNaira for remittances

D. Conclusions

25. Financial inclusion in Nigeria has had undeniable successes, yet many challenges remain. The onboarding of residents to the banking sector has consistently progressed but the overall exclusion rate and the one for the use of specific financial products continue to exceed official targets by far. The reasons for inclusion gaps, also in terms of gender, education, income, and geography, include long distances to financial access points, limited financial literacy, and relatively low use of mobile money and payments. Policies have focused on improving networks and financial access points and need to continue doing so while also pushing ahead with ID onboarding and refocusing the approach to financial education. Various recent initiatives aimed at promoting

financial literacy and access to finance of women hold promise for narrowing the financial inclusion gaps.

26. Digital financial services have seen a slow adoption and warrant further promotion. While the fintech ecosystem provides a full array of financial services, uptake of digital financial services, notably mobile money, is still lower than in peer countries due to preference for cash operations as well as cost and trust issues. Policy initiatives to foster financial inclusion and digital finance have been diverse but going forward would need to focus even more on improving digital financial literacy, upgrading digital infrastructure, and promoting fintech incubation and sound practices in fintech operations, notably digital lending.

27. Nigeria's CBDC has the potential to boost financial inclusion if accompanied by a comprehensive package of supportive policies. In an economy like Nigeria, which has been slow in mobile money adoption, CBDC may play a catalytic role in fostering mobile money penetration by functioning as a bridge for cheaper and faster interoperability. CBDC's synergy with mobile money along these lines could also help further digitize government finance, for example in social cash transfers. Remittance cost savings from integrating CBDC as a bridge vehicle in the existing remittance process may also be substantial and promote financial inclusion.

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