

Nigeria can expect dramatic decrease in unbanked population

Although it may seem as though the Nigerian banking industry shrunk between 2004 and 2014 due to massive consolidation in the market, these mergers and acquisitions actually represented approximately 60% of the organic growth for the remaining (stronger) banks.



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As a result, the quality of service and customer experience is shaping the competitive landscape - where those clearly ahead of the pack are looking for a single view of the customer across channels to understand what they want, how they want to interact with the bank and how the bank can deliver the services required.

"Our view is that the greatest opportunity to grow revenue will not only come from just new markets or products, but also from the ability to deliver a high quality and a differentiated customer experience," says Ayodele Othihiwa, partner and head of Financial Services for KPMG in Nigeria.

"Keeping current market share is critical, but growing it is even more so, which is why tapping into the unbanked Nigerian population becomes a crucial element for the industry to explore going forward," indicates Othihiwa. Given the positive correlations between access to finance, economic growth and poverty alleviation, this is also strongly supported by the federal government, who in October 2014 disclosed its intentions to explore the network of the Nigerian Postal Service to reduce the unbanked population in the country to 10% by 2016.

Aggressive target

"This is certainly a very aggressive target by the federal government if we consider that in 2012 approximately 46.7% of the adult population of the country (+/- 90,000,000 then) was unbanked. Even if we work off this number - as the latest available statistic - the federal government is talking about reducing 40,000,000 unbanked to 9,000,000. To do this, even within three years, is not an easy task. That said, the target is attainable," continues Othihiwa.

"Currently the National Postal Service has approximately 5000 branches, which presents a great opportunity for access points that can be leveraged - particularly in areas where the banks may not have a physical presence currently. However, there will be plenty of challenges to getting this strategy right." Othihiwa mentions a few critical cornerstones that will need to be considered:

- **Capacity building** - up-skilling employees to be efficient in financial services will need to be undertaken, taking into consideration the recent customer-centric approach the banks are striving will mean intense training and skills development.
- **Technology** - technology and networking will be critical and as such, a full scale collaborative system will need to be built, managed and rolled out nationally.
- **Infrastructure** - access to adequate and reliable infrastructure will be paramount including power, transport and bandwidth (internet access) - particularly in rural areas.
- **Consumer education** - education is critical not only on financial services and banking services but also around personal information protection. Banking is based on trust, and trust must be built in these regions and communities.

"These are just some areas that need consideration, along with who will supervise the National Postal Service - for instance, will it be the banking or telecoms industries? There will need to be clear guidelines and level of responsibility for the system to have any chance of success," adds Othihiwa.

Mobile money strategy

"Leveraging on the National Postal Service is certainly not a bad strategy to tap into the unbanked population, however, perhaps it shouldn't be the only strategy. For instance, Nigeria has a mobile money strategy, though currently this isn't being implemented, which is limiting - but if we consider the trends and numbers around mobile penetration and rapid adoption, it may be something worth relooking?"

"Overall, I believe Nigeria will see a dramatic decrease in the unbanked population, however, I don't believe the 10% of the population by 2016 target is obtainable - not solely based on the National Postal Service strategy, but perhaps though a collaborative strategy that includes mobile money or mobile banking, this target just may be attainable," concludes Othihiwa.

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