By Eric Duflos and Sebnem Sener

Last November we were in Nigeria with H.M. Queen Máxima, the Secretary-General's Special Advocate for Inclusive Finance, for a visit focusing on financial inclusion. Thanks to our partners in Nigeria and beyond, we arrived with a good understanding of how far the country has come and what still needs to be done, particularly with digital finance. That understanding came into very human focus on the second day of our trip in Abuja, when the Special Advocate met with a mobile money agent and one of her customers—women whose lives and livelihoods have been notably improved thanks to digital financial services.

Afusat Iyabo is a 53-year-old yam seller who had never owned a financial account before 2014, when she signed up for Diamond Yello's mobile money service with a nearby agent. Pleased with the convenience and safety of saving and sending funds, she now deposits her cash earnings daily and transfers money twice a month for her son's education expenses.

Her agent, Ms. Oladukan, sees another side of mobile money's impact. Before she became a Diamond Yello agent in 2014, she and her husband made a modest living running a driving school and selling mobile airtime. Now, her work as a mobile money agent has doubled their monthly income.

The story of these two women illustrates the enormous potential of digital finance for Nigeria's financially excluded. With only half of adults formally included in the financial system, there is great need for technology-enabled services. The country has made real progress, with the number of financially included adults almost doubling, from 23.6 percent in 2008 to 48.6 percent in 2016, but the pace has since stalled. Only 43 percent of women and 40 percent of youth are financial included. The inclusion rate is 25 percent in the north-east and 24 percent in the north-west.

Mobile money and agent expansion are by far the best opportunities for Nigeria to achieve its target of 80 percent financial inclusion by 2020. But currently only 2 percent of adults have mobile money accounts and 83 percent are using cash only. Since the country has 86 million mobile phone unique subscribers as of 2017, the potential for growth is significant.

One of the biggest challenges for expansion, however, is the number of financial access points—currently only 42,000 for 183 million people, concentrated in urban areas along major transport routes. It is estimated that this number needs to be multiplied at least by five to serve excluded populations. For that to happen, the agent infrastructure needs to rapidly expand to provide basic financial services outside of the traditional banking sector.

The Special Advocate clearly highlighted this opportunity in her speech at a financial inclusion event organized by Enhancing Financial Innovation and Access. "A large-scale deployment of agents is the most cost effective and scalable way for Nigeria to expand access rapidly," she noted. "Ghana, for example, now has 107,000 agents actively providing financial services to almost 63 percent of a population of 28 million."

Many elements are required for digital financial inclusion to be taken up in Nigeria. The good news is that several are being put in place, with the support of partners such as the World Bank Group, the Bill & Melinda Gates Foundation, and CGAP.

Most importantly, Governor Godwin Emefelie stated during the Special Advocate's visit to the Central Bank of Nigeria (CBN) that the Bank had made significant progress on financial inclusion since the Maya declaration in 2011. He further noted that in order to hit their financial exclusion goal by 2020, prioritizing interventions like digital financial services will be vital.
Accordingly, on the regulatory front mobile network operators (MNOs) will soon be able to register limited liability companies that can act as mobile money operators, based on a memorandum of understanding between the CBN and the Nigerian Communications Commission. This could create great motivation for MNOs to use the estimated 150,000 to 200,000 airtime resellers in Nigeria as basic service points.

The updated National Strategy for Financial Inclusion, drafted by the CBN and supported by Vice President Yemi Osinbajo, will also create an excellent opportunity for policy makers to work towards full inclusion—along with private sector actors such as banks, MNOs, fintechs, and insurance companies. With the right resources, effective implementation, and data-driven monitoring, the strategy could be transformational.

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