Understanding Women's Access to Credit and Loans

Overview and Gender-Disaggregated Data Analysis of the Nigerian Lending Market

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Rockefeller Philanthropy Advisors
ipa Innovations for Poverty Action
CreditRegistry
EFInA

Executive Summary and Key Findings

Formal financial inclusion remains low in Nigeria: just about three percent of adult Nigerians have borrowed from formal sources, and less than half (forty-five percent) have a formal account at either a bank or microfinance institution (EFInA Access to Finance Survey 2020). The most common reasons for not having a formal account are negative perception of formal institutions, little access to banks, or not having enough income to save. This suggests that the broader ecosystem of formal financial services is not conducive toward inclusion—either through low demand or poor provision of the right financial products. While both men and women lack access to formal financial services, especially credit, a “one-sized” approach is not appropriate to onboard all Nigerians.

This report finds that different segments of the population have their own financial preferences and behaviors. Younger women are more sophisticated with their credit than older women, and will therefore benefit from more complex, high-yield products. For older women, more effort is required to instill trust in financial institutions, as such they will benefit from approaches that they are familiar with face-to-face interactions, and services integrated within existing social networks.

There are currently over 100 million adult Nigerians that are potential clients for financial services, and this report provides valuable insights on their behaviors and financial preferences.

Key Findings:

1. Only 45 percent of adult Nigerians borrow at all. Many informal borrowers lack trust in formal institutions, are not aware of credit products at-market, or believe they lack the qualifications for a loan. Providers need to make the case for why credit is an important part of financial health and resilience.
2. Young women aged 18-25 performed better than their male counterparts on a variety of indicators (account activity, borrowing, performance). These women will benefit from more complex financial products that can encourage them to plan for future financial health.
3. 98 percent of Nigerian women are left out of formal credit markets. Low education, limited decision-making power, and being in a rural area exacerbates these issues. These women require more time to become comfortable with financial products. As such, bundling services with existing platforms like mobile banking and savings groups can address onboarding challenges.
4. Gender norms and household dynamics can shape women’s access to finance.
5. Analyzing gender disaggregated data can help breakdown the perception of women consumers as a monolith.

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Introduction

Background: Project Scope

This document is the product of the Rockefeller Philanthropy Advisor's Gender Centre of Excellence (GCE) – a centre established with the support of the Bill and Melinda Gates Foundation to be a strategic resource centre and knowledge hub on advancing women's financial inclusion in Nigeria. The GCE supports efforts to enhance the capacity of the Nigerian Financial Inclusion Ecosystem to design, implement and sustain policies, products and services that are gender-responsive and that serve the needs of the unbanked or underbanked populations, particularly low-income women.

The GCE in close collaboration with EFInA, The Credit Registry and Innovations for Poverty Action (IPA) commissioned a study to conduct an in-depth gender-disaggregated data analysis of available data at the Credit Bureau as well as the EFInA Access to Financial Service survey in Nigeria data (2016 – 2020). The aim of this project was to explore the gender differences in women's access to credit services in Nigeria and identify potential opportunities to increase women's access to these services.

This document reports the key findings from these two analyses and provides recommendations on market opportunities for financial service providers to improve their targeting of female clients. Six key questions were addressed:

1. What is the loan account performance for consumers in the CreditRegistry database? How does this differ by demographics?
2. What is the account performance for the nationally representative sample of borrowers from the Access to Finance surveys? How does this differ by demographics? How does this compare to the CreditRegistry sample?
3. Is there a relationship between demographics and access to/use of credit?
4. Is there a relationship between demographics and credit performance?
5. Is there a relationship between demographics and SMARTScore, CreditRegistry's proprietary credit scoring system?
6. Which segments of the population have the most potential to grow? What opportunities do financial service providers have to market and reach these consumers? Which ones need more concerted effort?

Background: Framework for Advancing Women's Financial Inclusion in Nigeria

In 2018, the National Financial Inclusion Special Intervention Working Group, the Central Bank of Nigeria, and Enhancing Access to Financial Innovation and Access (EFInA) created a framework to promote women's financial inclusion through: a) fostering a gender inclusive workplace culture in business operations and b) creation of products and services designed specifically for women. The framework is significant in its recognition of women as a critically important and distinct customer group, rather than characterizing women as a monolith, or as only a "vulnerable population."

To create this framework, partners identified the barriers women face in meaningfully participating in markets, accessing financial services, and having choice in their economic futures. The ultimate product is **eight strategic imperatives** and related recommendations with the greatest potential for addressing these barriers. The recommendations posited by this analysis seek to build upon this framework.

Background: Project Motivation

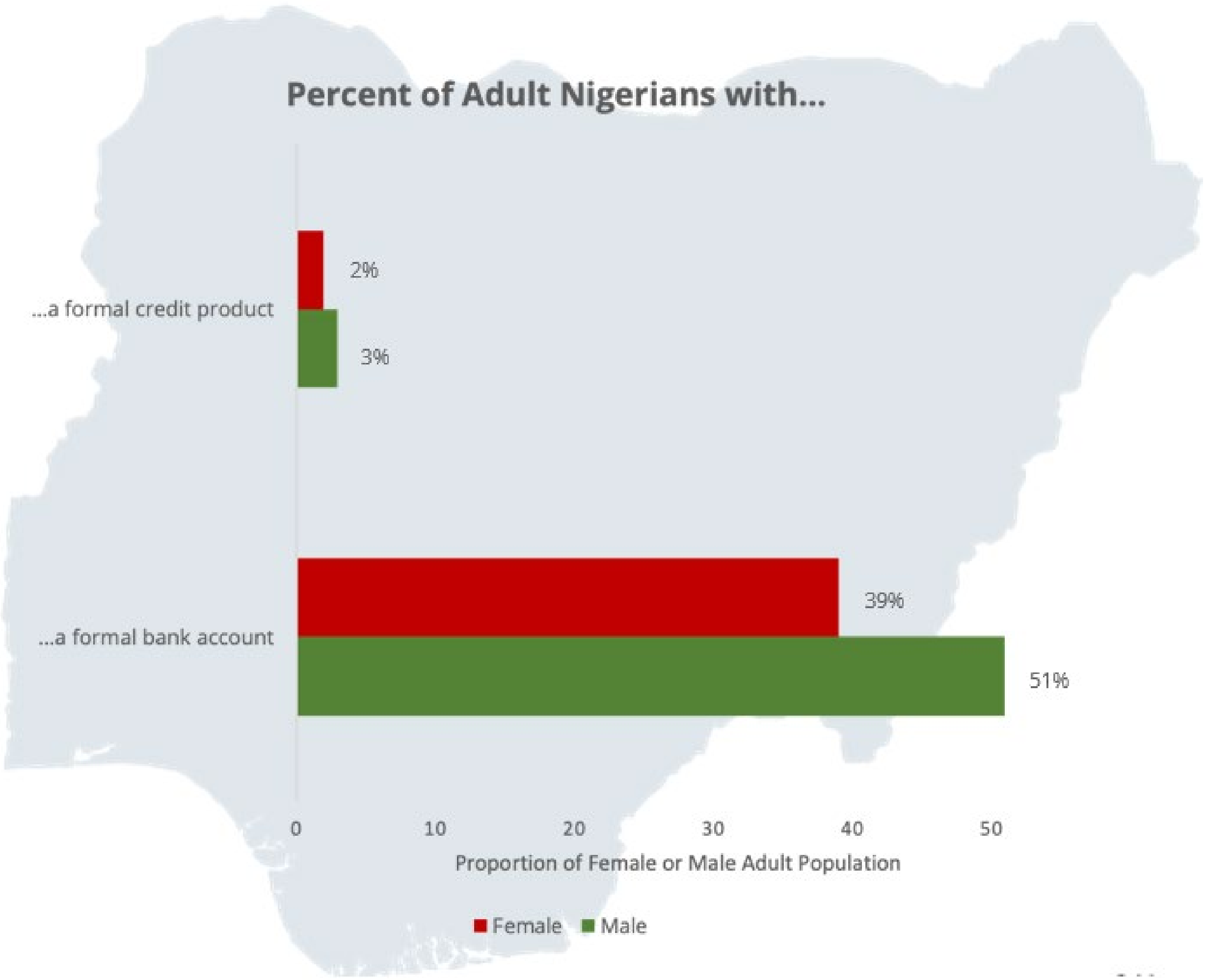
Nigeria has substantial gender gaps in financial access, as indicated by bank account ownership.

12 percentage points

gap in formal financial access in favor of men, measured by bank account ownership

Men and women have similar rates of formal borrowing. On the surface, this may suggest that men and women face similar preferences and challenges in accessing credit. However, the large gender gap in account ownership suggests that men and women *do* have different financial behaviors. If gender is considered as the only differentiating factor between these consumers, there may be key characteristics that are obscured by gender, but that also affect access and use of financial services, particularly credit.

The purpose of this report is to take a closer look at different segments of men and women. Who are Nigeria's borrowers? Why do they borrow? What influences whether they borrow formally or informally?



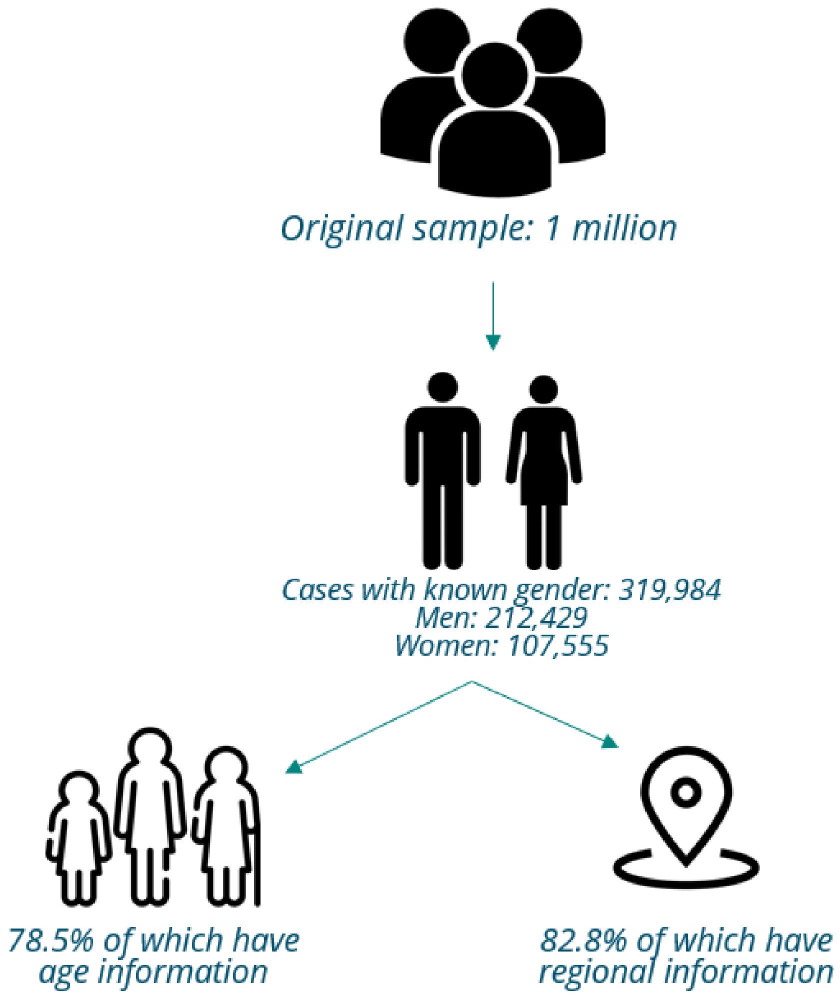
Source: EFinA Access to Finance Survey 2020

Dataset 1: The CreditRegistry Sample

CreditRegistry Nigeria is the country's largest credit bureau and has been operating since 2003. As a Central Bank of Nigeria-licensed credit bureau, CreditRegistry receives its data from providers including commercial banks, microfinance institutions, buy now pay later, fintechs, collection companies, money lenders, mobile network operators, and many other sectors.

As part of this project, CreditRegistry extracted a random sample of 1 million consumer records from consumers who have been in the Bureau database since at least 2015. This consumer data comes from individual consumers to the CreditRegistry or consumers of its subscriber organizations, primarily formal lending institutions. Of this 1 million, about 30 percent of records contained information on the consumer's gender. The resulting sample of consumers with known gender is approximately 320,000 records—a third of which are women.

The Nigerian retail credit market has experienced significant growth in recent years and this has led to a rapid expansion of the CreditRegistry database. The effect of this growth was removed from the analysis by selecting a sample of consumers who were registered on or before 2015. This allowed for fair comparison of account status and behaviour for the same cohort of individuals from 2015-2021 and prevented changes in the sample composition from distorting results.

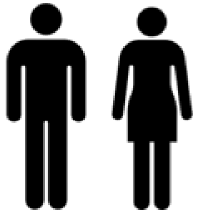


Dataset 2: The Access to Finance Sample

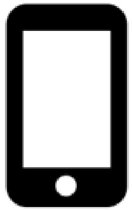
EFInA's Access to Finance (A2F) survey began in 2008 to measure the levels of financial inclusion in Nigeria. The survey seeks to:

a) measure trends in access to and usage of financial services,
b) understand adult Nigerians' financial behaviors,
c) identify the products and services that best fit adult Nigerians' financial needs,
d) monitor financial health, and
e) collect credible data.

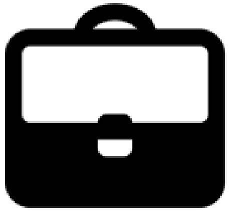
In 2020, the survey reached nearly 28,000 respondents with equal representation across Nigeria's 36 states. This representation allows us to make inferences about the financial behavior and preferences of the average Nigerian adult.



Equal representation of men and women



81% of respondents own a mobile phone



46% of respondents are business owners—16.3% of respondents have non-farming businesses

19% of respondents have no formal education

Dataset Comparisons

	CreditRegistry Sample	Access to Finance Sample
Key demographic information	⅓ women, ⅔ men	½ women, ½ men
Representation	Representative of long-standing CreditRegistry consumers. Lenders governed by the Central Bank of Nigeria are mandated to supply data to the CreditRegistry; all other lenders are not. As such, this data is more skewed to the formal sector than the A2F sample.	Nationally representative of all adult Nigerians aged 18+
Sample size	320,000	28,000
What questions can each dataset answer?	● What are the gender differences in credit behavior and performance amongst CreditRegistry consumers? ● What services work for existing consumers? ● What does financial behavior look like for the financially included? ● What efforts should be undertaken to retain subscribers?	● What are the gender differences among credit behavior and performance for all adult Nigerians? ● How should new consumers be targeted and enrolled? ● Which segments pose particular challenges? Opportunities? ● What efforts should be undertaken to acquire new consumers?

Data Source: EFInA Access to Finance Survey, 2020 and Credit Registry Data

I. Account Performance among CreditRegistry Subscribers

What is the account performance for CreditRegistry subscribers?
How does this differ by demographics?

Indicators:

- Account ownership
- Active account status

Key Takeaways

1. Among CreditRegistry consumers, women aged 18-25 have more bank loans than their male counterparts.
2. Women have higher outstanding loan balances than men in Lagos and Abuja, as compared to the rest of the country.
3. On aggregate, men take out more loans and have more outstanding loans than women—and this is proportionally increasing over time.
4. Despite this growing gap, men and women tend to have similar outstanding loan balances on average. Younger women tend to have smaller outstanding balances, suggesting that they either receive smaller loans to begin with or are quicker to pay back loans.
5. Men and women are more likely to take out loans from banks than microfinance institutions.
6. But, the majority of microfinance loan account holders are women.

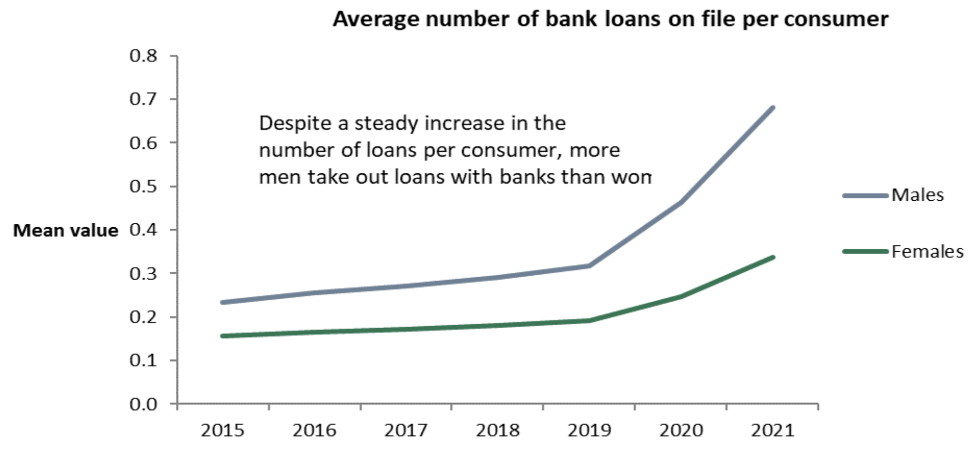
Policy conclusion: The different rates of loan take-up suggest something in the financial ecosystem that lowers women's use of credit services—this could be due to low demand for formal credit products or low provision of credit services to women consumers. Importantly, men are more likely to have outstanding credit, suggesting that women have smaller credit balances or can pay off credit quicker.

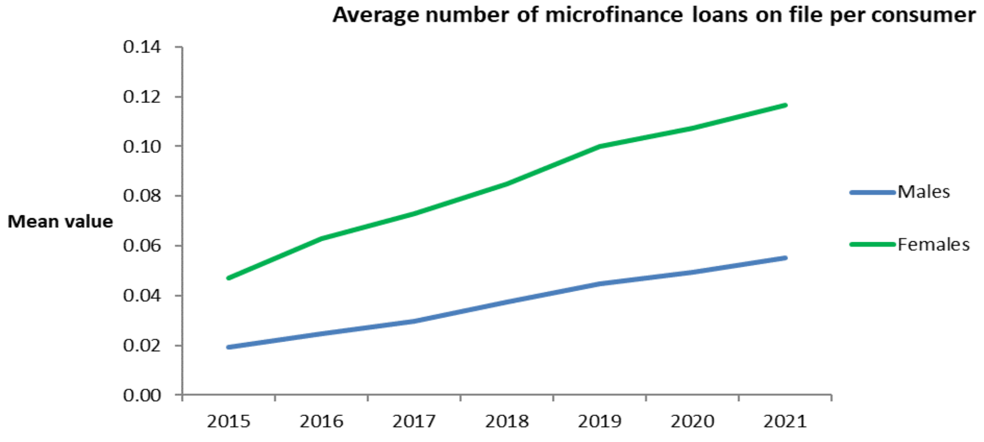
Average Number of Loans per Consumer (last 7 years)

By 2021, men had about double the number of loans in the past 7 years than women

From 2015-2018, there was a steady, but small increase in the number of bank loans per consumer. However, in 2019, there was a marked expansion in the number of bank loans per consumer.

The number of loans (over the last 7 years) per subscriber at microfinance accounts also increased with time. Over all both men and women have more loans with banks than with microfinance institutions. Women are more likely than men to take out loans from microfinance institutions.

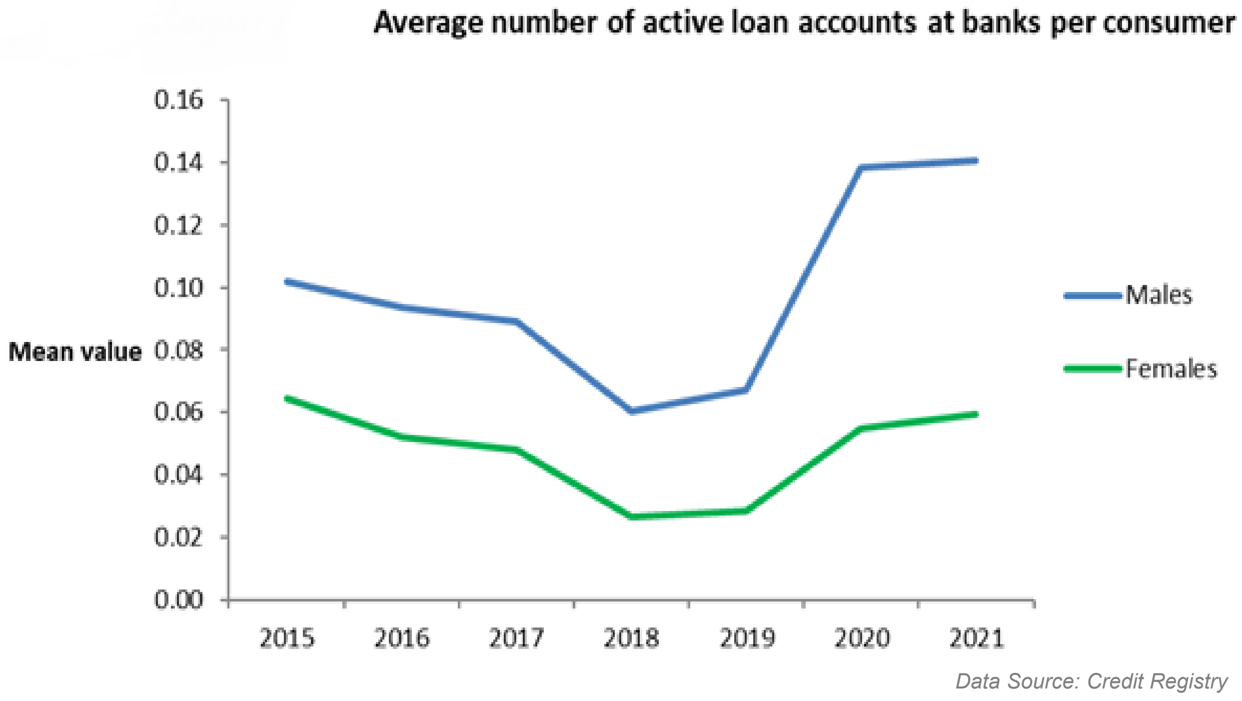




Data Source: Credit Registry

Average Number of Active Loans per Subscriber

Men have more outstanding loans than women



When active loan accounts are considered in isolation (accounts in which a transaction has not been settled or written off), men are more likely to currently have unpaid debt.

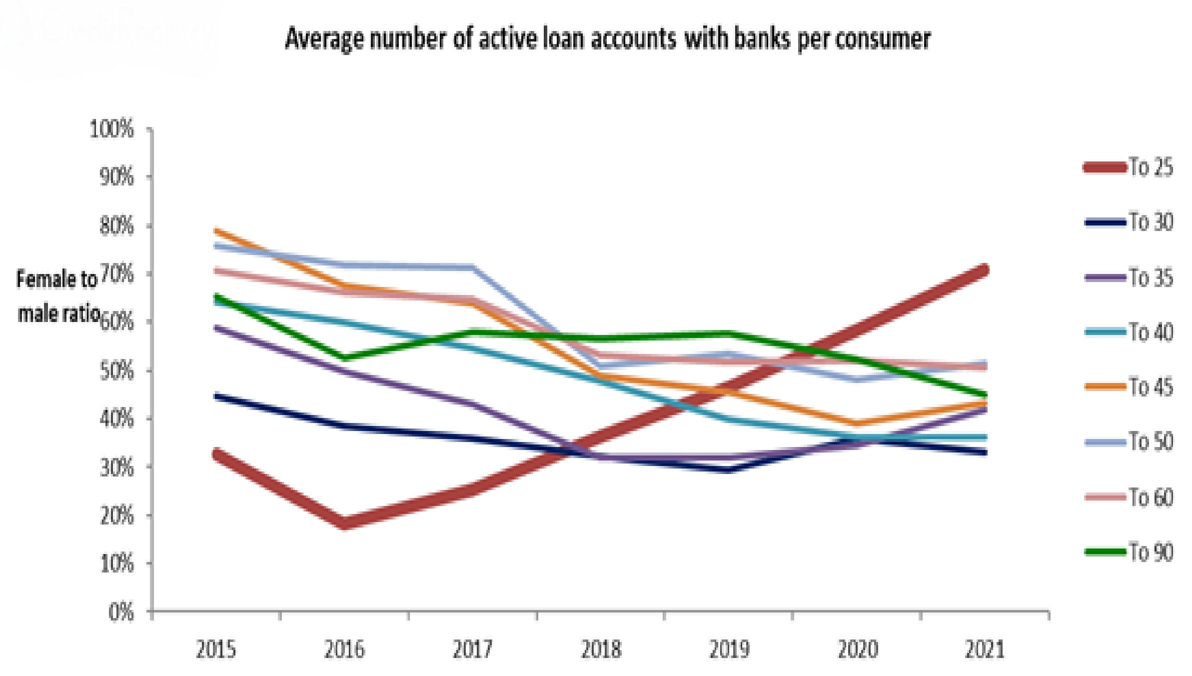
This gap has also been widening since 2015.

In 2015, men had 50 percent more active accounts than women and by 2021, men had nearly 200 percent more.

Importantly, the majority of loan accounts have been settled—for both men and women.

Average Number of Active Loans per Subscriber

Since 2016, women aged 18-25 have increasing numbers of active loans, proportionate to their male counterparts. This suggests that younger women are taking out more credit



This next figure further segments our sample by age. For all age groups, men have more active loans than women. However, for the sample aged 18-25, women's loans are increasing proportionally over time.

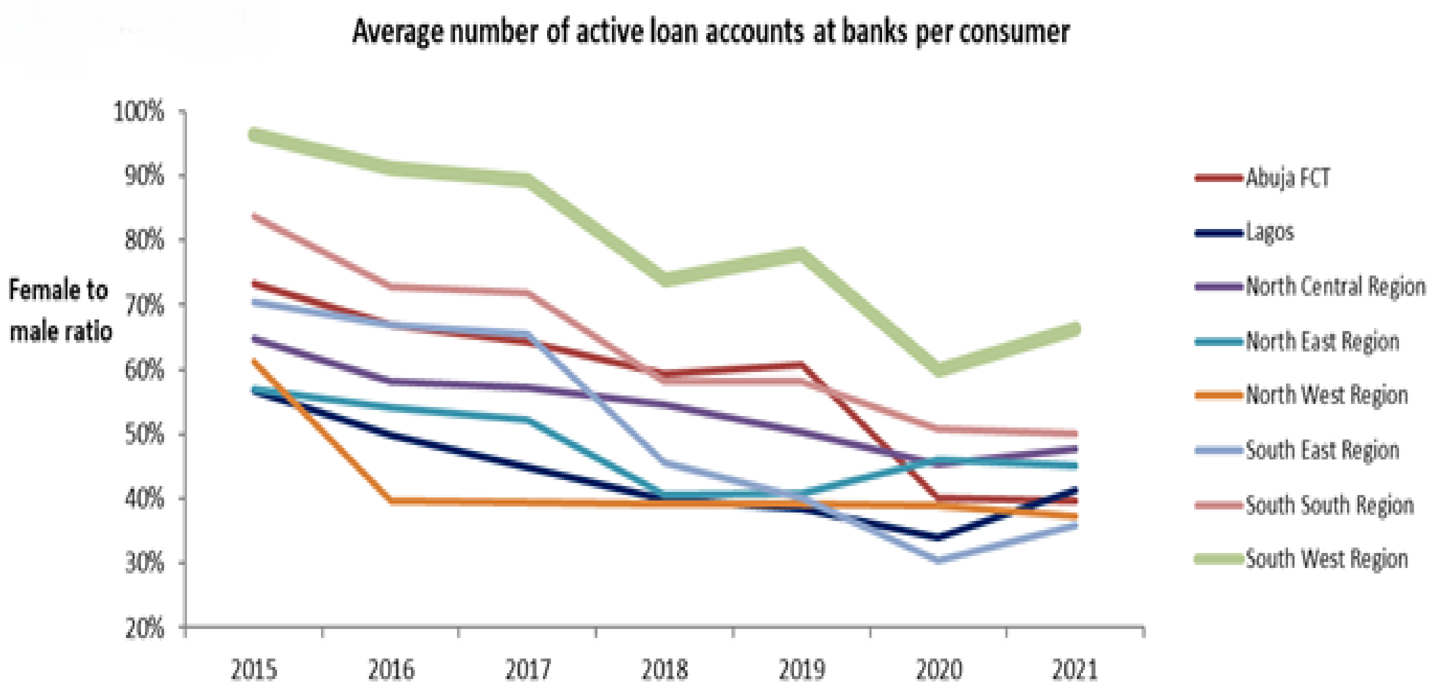
By 2021, this age group reaches near parity with their male counterparts in terms of the number of active loans.

Note: the data presented in this graph is as a ratio of female active loan accounts to male active loan accounts. Ratios greater than 100 percent indicate that women have more loan accounts than men. Ratios less than 100 percent indicate that men have more loan accounts than women.

Data Source: Credit Registry

Average Number of Outstanding Loans per Consumer

In Lagos, men and women have similar rates of active loans. In the North West region, men have more active loans than women



This next figure segments our sample by region. In 2015, the number of men and women's active loan accounts in the South West Region was at parity. However, over time, a gender gap developed in favor of men. Nevertheless, by 2021, this region still had the largest number of loans to women, proportionately to men.

In all other regions, there has been a persistent gender gap in favor of men; a gap which has been widening over time.

Note: the data presented in this graph is as a ratio of female active loan accounts to male active loan accounts. Ratios greater than 100 percent indicate that women have more loan accounts than men. Ratios less than 100 percent indicate that men have more loan accounts than women.

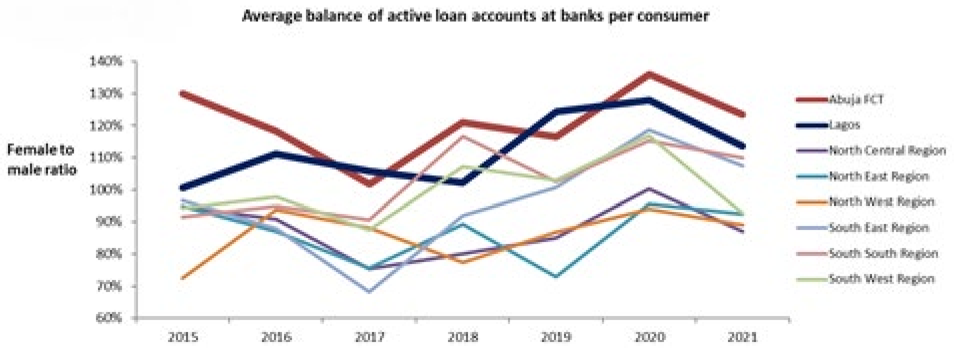
Data Source: Credit Registry

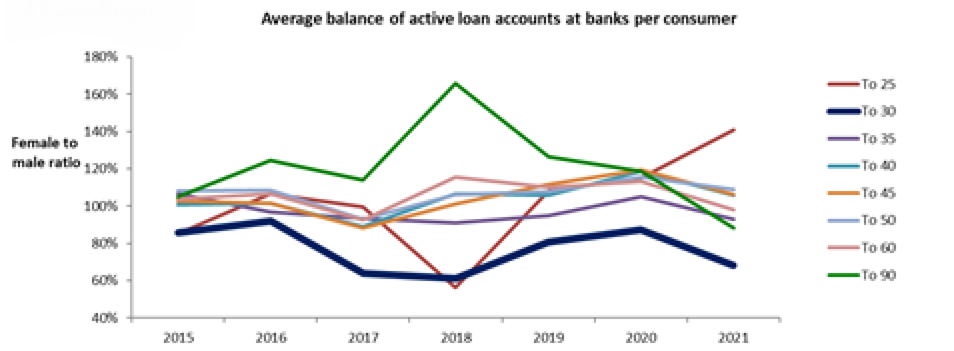
Average Number of Outstanding Loans per Consumer

In urban areas (specifically Lagos and Abuja), women have higher loan account balances as compared to men

On aggregate, there is no discernable difference by gender on the total outstanding loan balance of all active loans. When the data is disaggregated by age, women aged 25-30 consistently have smaller balances, as compared to men. For all other age groups, women borrow at least as much as, often more, than men.

In the cities of Lagos and Abuja, and South East and South South regions, women have higher balances as compared to men.





<u>Note:</u> the data presented in these graphs is as a ratio of female active loan accounts to male active loan accounts. Ratios greater than 100 percent indicate that women have more loan accounts than men. Ratios less than 100 percent indicate that men have more loan accounts than women.

II. Account Performance: National Averages

What is the account performance for the nationally representative sample of borrowers? How does this differ by demographics? How does this compare to the CreditRegistry sample?

Indicators:

- Formal Account Ownership
- Formal Credit Use

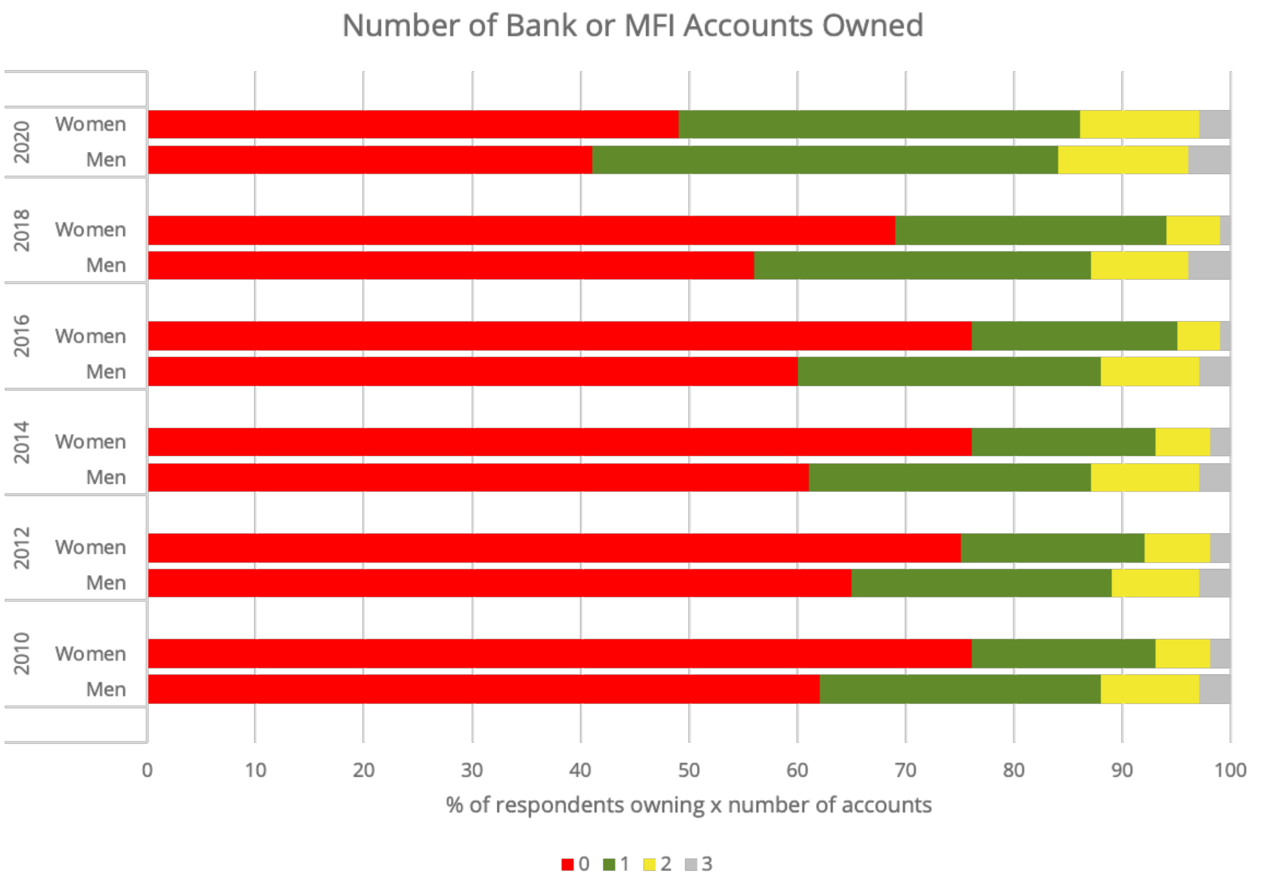
Key Takeaways

1. Only about 50 percent of adult Nigerians own a bank or MFI account. If they do have an account, they typically only have one.
2. Men are more likely than women to have a formal account.
3. Over 95 percent of adult Nigerians, men and women, in 2020 did not borrow from a formal source.

Policy conclusion: Consistent, low levels of financial inclusion can place adult Nigerians at a higher risk of financial vulnerability. Low access to formal credit can also negatively impact households' ability to access consumption credit that can promote consumption smoothing.

Account Ownership

Half of the female population is likely to own a bank or MFI account, in comparison to 60 percent of the male population



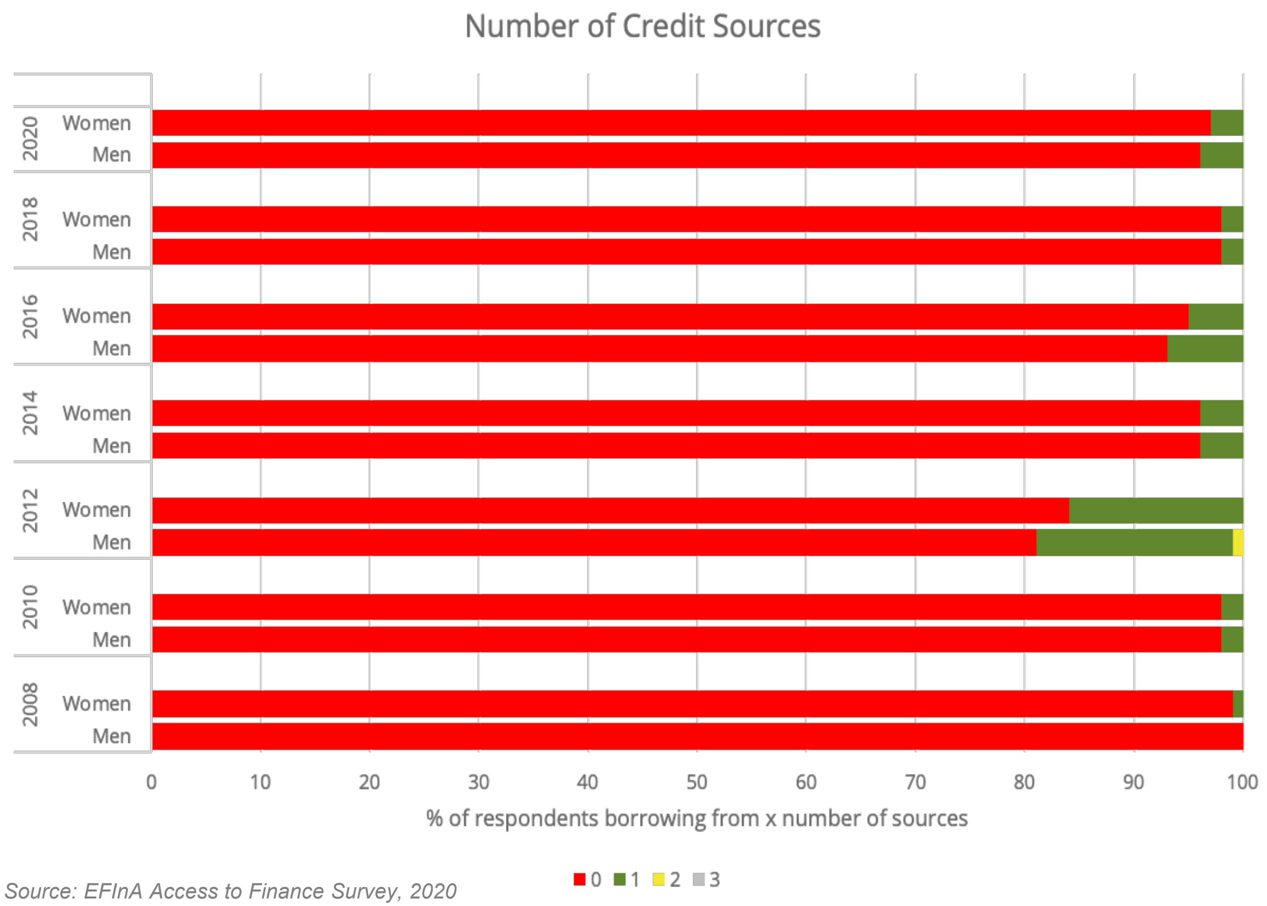
This figure depicts the number of formal bank or MFI accounts owned by respondents in the A2F sample. From 2010-2020, the majority of adult Nigerians—men and women—do not have any formal account. However, over time, the number of respondents with a formal account increases. In 2020, about half of women and 60 percent of men have one or more accounts.

Men are around 8-10 percentage points more likely to have an account throughout the time series. Both men and women, if they have an account, are most likely to only have one account. Less than 5 percent of the sample has more than two accounts. Notably, mobile account ownership is excluded from this analysis.

Data Source: EFInA Access to Finance Survey, 2020

Formal Borrowing

The average adult Nigerian is not likely to borrow from a formal credit source



Data Source: EFInA Access to Finance Survey, 2020

This figure depicts the number of formal sources respondents in the A2F sample have borrowed from.

The data demonstrates that over time neither men nor women are likely to have borrowed from any formal source.*

In 2020, over 95 percent of all adults did not have a formal credit account. There is no discernable difference by gender in formal account usage, as the preference leans heavily toward informal account usage.

**The apparent increase in formal borrowing in 2012 likely is due to a change in the survey question from asking about formal borrowing over the past 12 months, to formal borrowing at any point in time. The question was reverted back to asking about formal borrowing over the past 12 months in 2014.*

III. Access to and Use of Formal and Informal Credit

Is there a relationship between demographics and access to/use of credit?

Indicators:
- Credit enquiries
- Borrowing (source, amount, reason, formality)

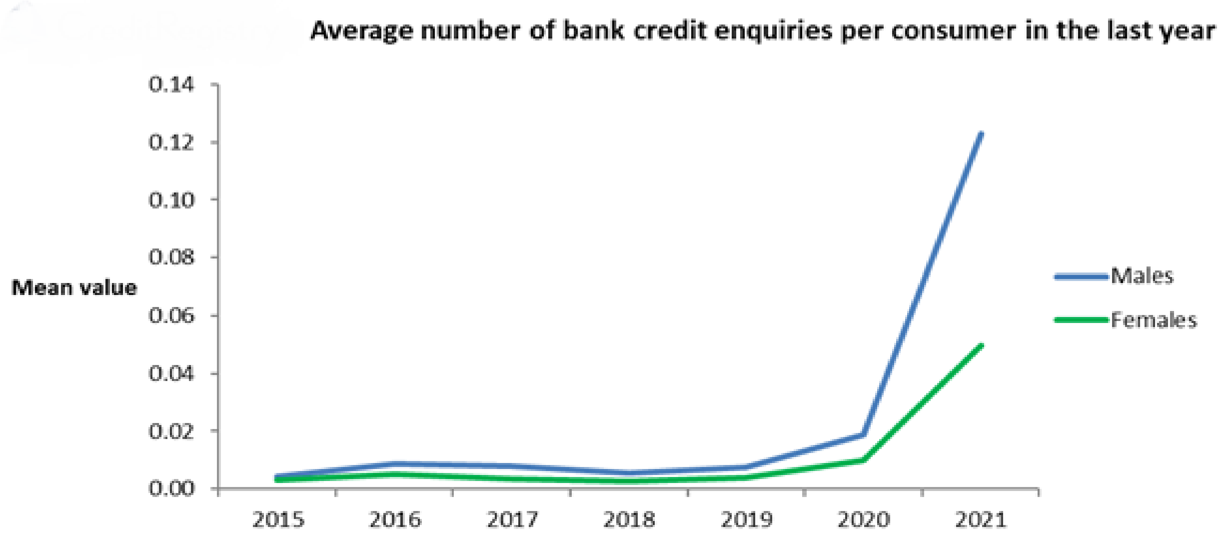
Key Takeaways

1. More credit enquiries—the process required to open a new line of credit—are conducted for men. However, when enquiries are disaggregated by age, women aged 18-25 outpace their male counterparts in terms of credit enquiries.
2. The Access to Finance data shows that the average Nigerian man is also more likely to take out loans than his female counterpart—and this applies to both informal and formal borrowing. On their last reported loan, men are also likely to borrow higher amounts than women. This differs from the borrowing behavior of CreditRegistry consumers, where men and women have outstanding loans similar in terms of amount.
3. The average adult Nigerian borrows about 10,000 Naira (informal & formal), whereas the average CreditRegistry consumer has an outstanding loan of about 300,000 Naira (formal).
4. Women borrow mainly from their networks: friends, families, and savings groups.
5. Women and men both value ease of access when choosing where to borrow from.

Policy conclusion: The CreditRegistry and A2F samples provide different insights into segments of the adult Nigerian population. The CreditRegistry sample is likely savvier, and comfortable with using formal loan products. The average adult Nigerian, however, relies on informal sources for credit. Financial service providers need to understand these individuals' credit needs and comfort to advance financial inclusion

Credit Enquiries

Men have twice as many credit enquiries as women



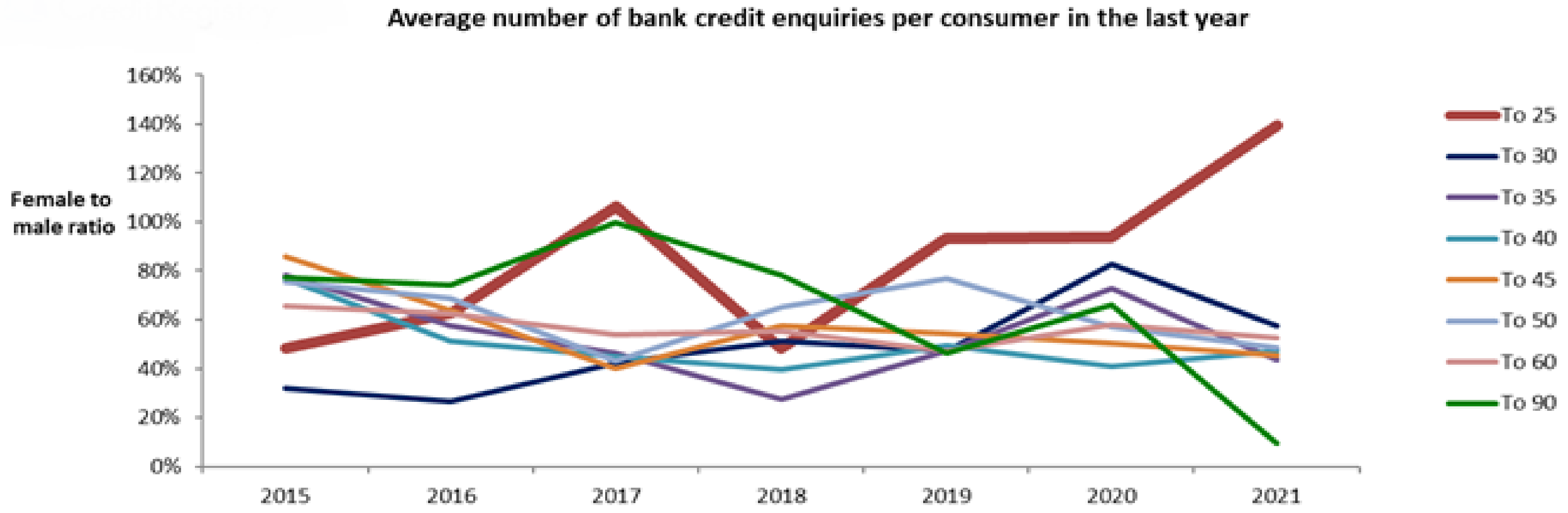
Credit enquiries are typically conducted when consumers apply for new lines of credit—including but not limited to applying for a new loan, credit card, or mortgage. As such, an individual's number of credit enquiries can stand in as an indicator for frequency of formal borrowing.

In this sample, men consistently have about twice as many credit enquiries as women. In 2021, the absolute difference between men and women's credit enquiries increased due to an overall increase in the number of credit enquiries.

Data Source: Credit Registry

Credit Enquiries

When the data is disaggregated by age, younger women make proportionately more credit enquiries than their male counterparts—a different trend than the aggregate pattern



Similar to the trends in bank account ownership, women aged 18-25 in the CreditRegistry sample outpaced their male counterparts in terms of number of credit enquiries from 2018 to 2021. In 2021, however, women aged 18-25 had more credit enquiries than their male counterparts.

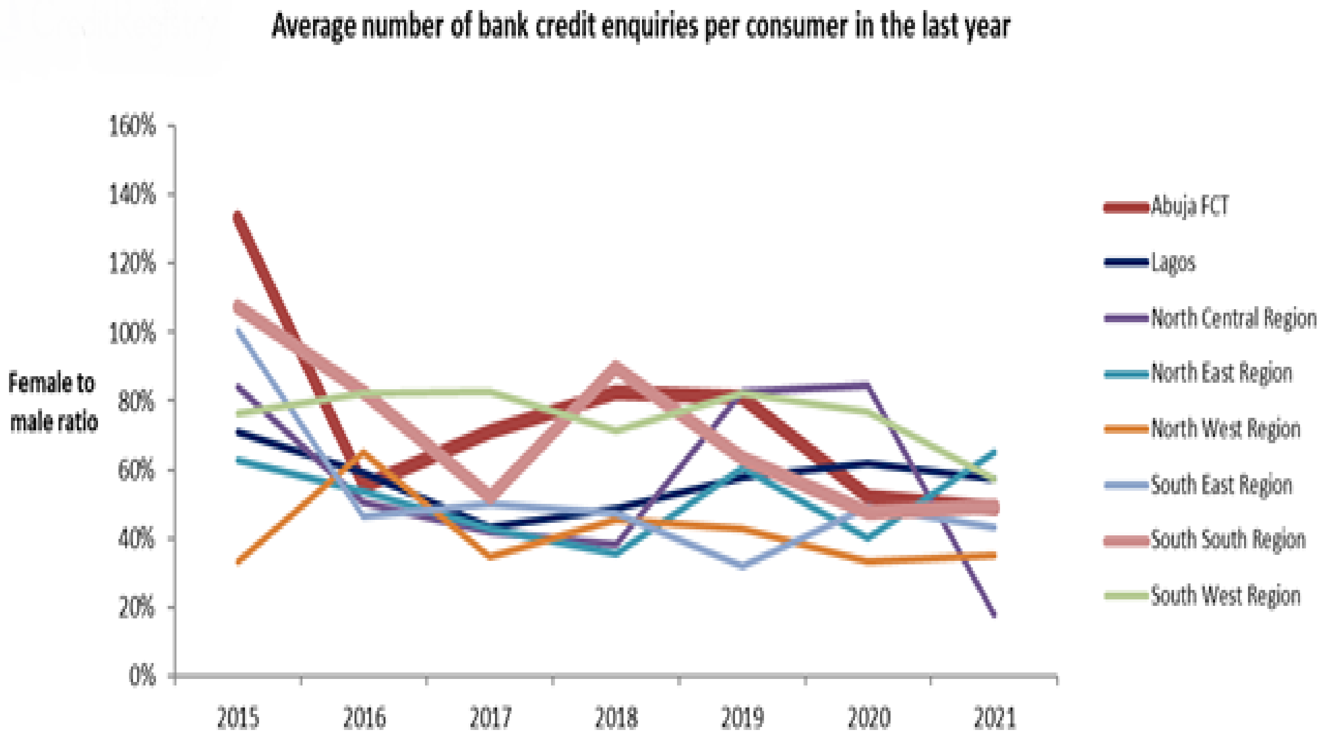
For all other age groups, the number of credit enquiries is proportionally higher for men than women.

Note: the data presented in this graph is as a ratio of female credit enquiries to male credit enquiries. Ratios greater than 100 percent indicate that women have more credit enquiries than men. Ratios less than 100 percent indicate that men have more credit enquiries than women

Data Source: Credit Registry

Credit Enquiries

Across all regions, men have more enquiries proportionately than women



This figure depicts enquiry trends disaggregated by region. Across most regions, male credit enquiries are proportionally higher than female enquiries. In 2015, Abuja and the South South regions had a higher proportion of female credit enquires; however, a gender gap develops from 2016 onward.

Similar to the trends in the previous figure, there is a downturn in the female to male ratio of credit enquiries starting in 2020.

<u>Note:</u> the data presented in this graph is as a ratio of female credit enquiries to male credit enquiries. Ratios greater than 100 percent indicate that women have more credit enquiries than men. Ratios less than 100 percent indicate that men have more credit enquiries than women.

Data Source: Credit Registry

Instances of Borrowing

Men have slightly higher rates of borrowing than women but only about a fourth of adult Nigerians have borrowed any money—formally or informally; suggesting a lack of either need for or access to loans

This figure depicts the number of respondents in the A2F sample that have borrowed money from any source in the past 12 months. This includes formal and informal borrowing, but excludes goods or services taken out on credit.

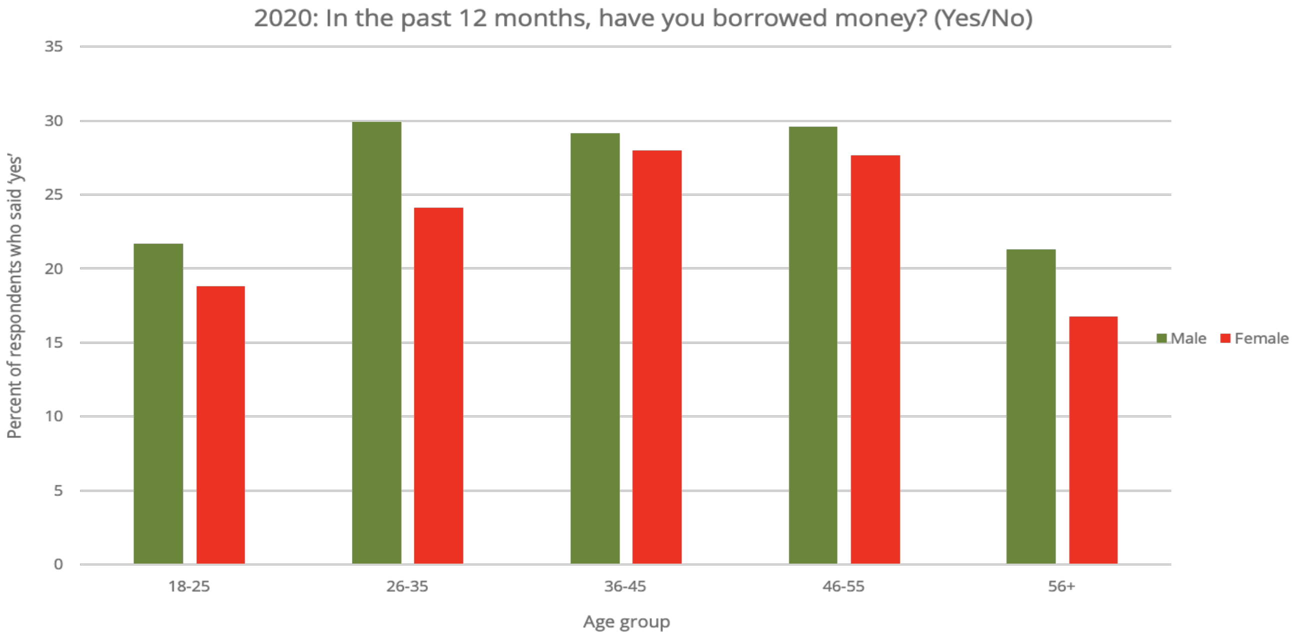
The trends suggest that overall, the likelihood of borrowing has increased over time for men and women. From 2008-2016, men and women borrowed at about the same rate. From 2016-2020 a slight gender gap of about 5 percentage points has developed in favor of men.

Like the trends in borrowing from the CreditRegistry data, a gender gap developed in favor of men in more recent years. However, the trends suggest a stagnation or slight downturn in overall borrowing—unlike the CreditRegistry data which demonstrates a sharp uptick in formal credit enquiries. The differences in the data could be attributed to the CreditRegistry capturing more information on enquiries in the later years of the dataset.

Data Source: EFInA Access to Finance Survey, 2020

Instances of Borrowing

Borrowing is concentrated among adults aged 26-55. The youngest and oldest adults are least likely to borrow

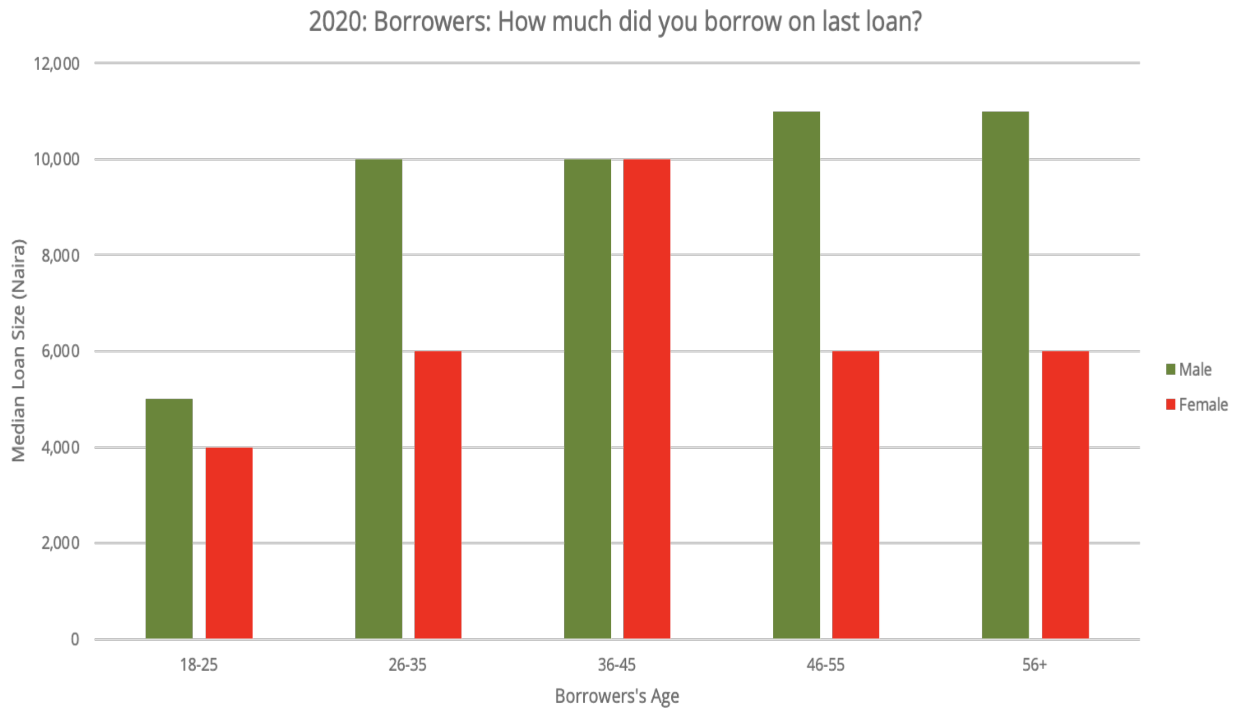


This figure demonstrates the formal and informal borrowing of A2F respondents in 2020, disaggregated by age and gender. Borrowing appears to increase by age, but then decline after age 56 for both men and women. Men, however, are still more likely to borrow, as compared to other women in their age group.

Data Source: EFInA Access to Finance Survey, 2020

Amount Borrowed

The value of loans for women decreases after they reach the age of 45. Men continue to have loans of higher value as they age. This suggests younger women are most likely to access larger, formal loans



This figure demonstrates the median amount borrowed on the A2F respondent's last formal and informal loan. Across all age groups, except 36-45, men borrow larger amounts than women. For the 36-45 age group, women and men borrow similar amounts.

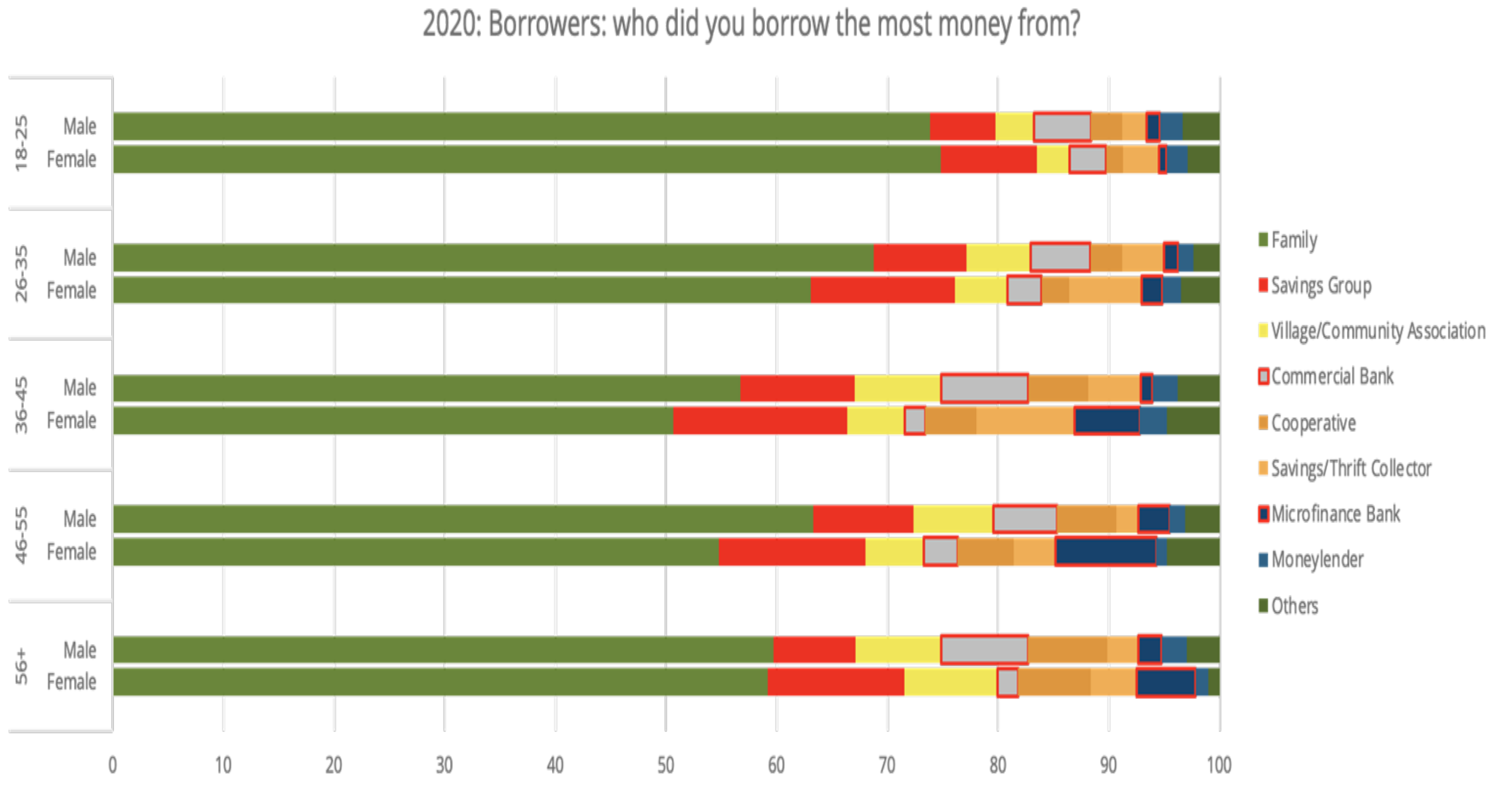
Moreover, the trend for women suggest that the amount borrowed increases with age, until middle age. After middle age, the amount women borrow decreases. In contrast, the amount men borrow increases with age.

The fact that men borrow in larger amounts could be due to their likelihood to borrow more from formal sources. Informal loans are typically smaller and more frequent than formal loans.

Data Source: EFInA Access to Finance Survey, 2020

Formality

Women are most likely to borrow from their networks: friends, family, savings groups, and village associations



The majority of borrowers in the A2F sample borrow from informal sources. Of these informal sources, respondents borrow the most from their direct network—friends and family. Women also tend to borrow from savings groups at a higher rate than men.

Men are more likely than women to use commercial banks. Women, on the other hand, are more likely to use microfinance banks. This insight mirrors the CreditRegistry data on account ownership, where more men were likely to have a formal account at a bank and women at microfinance institutions.

Data Source: EFInA Access to Finance Survey, 2020

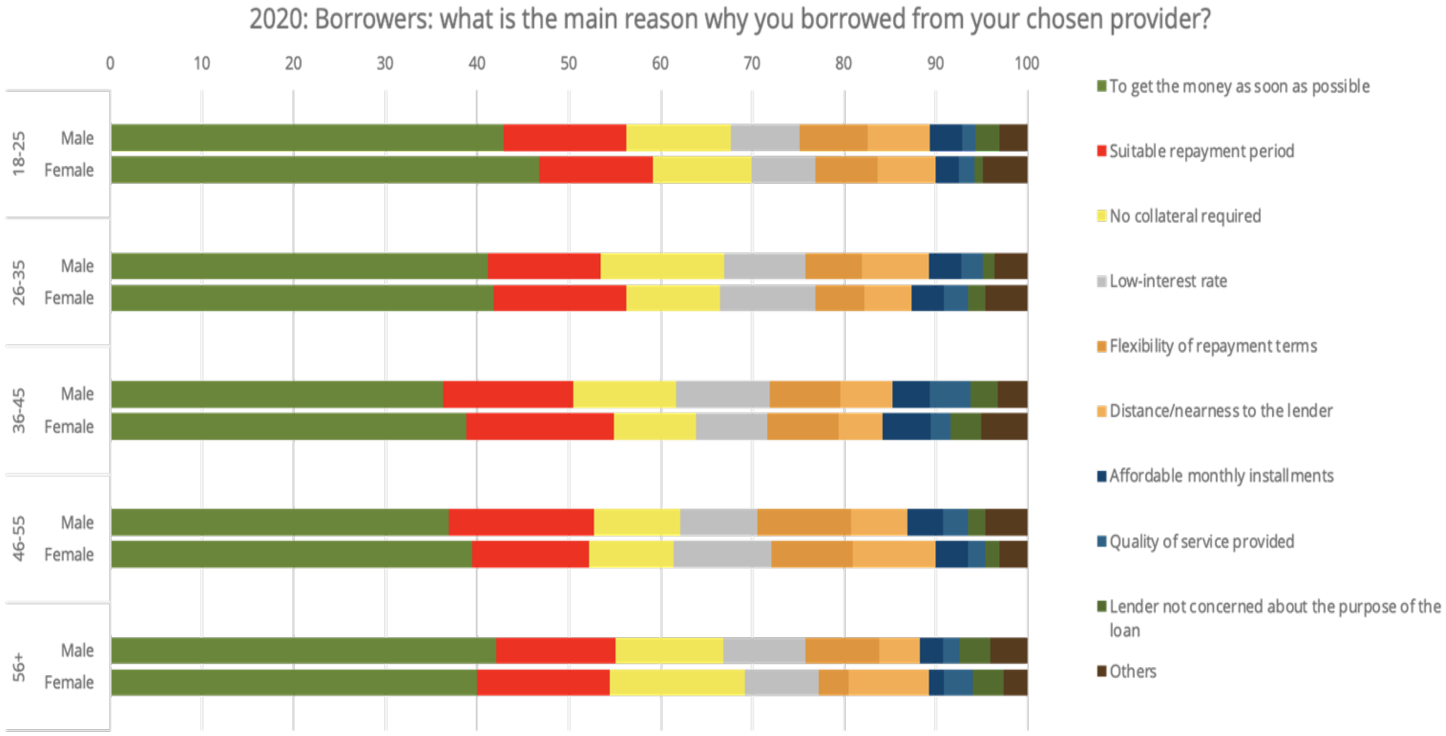
Lender Preference

The average adult Nigerian looks for ease of access when deciding where to borrow from

The A2F sample further provides insights into the reasons why respondents may borrow from a particular source.

The trends suggest that the top reasons for choosing a provider are: to get the money as soon as possible, suitable repayment periods, and no collateral requirements.

Most of these reasons are associated with informal or flexible lending schemes. There is no strong variation in preference according to gender or age.



Data Source: EFInA Access to Finance Survey, 2020

IV. Credit Performance (Formal)

Is there a relationship between demographics and credit performance?

Indicators:

- Account delinquency
- Missing payments
- Written-off accounts
- Debt manageability

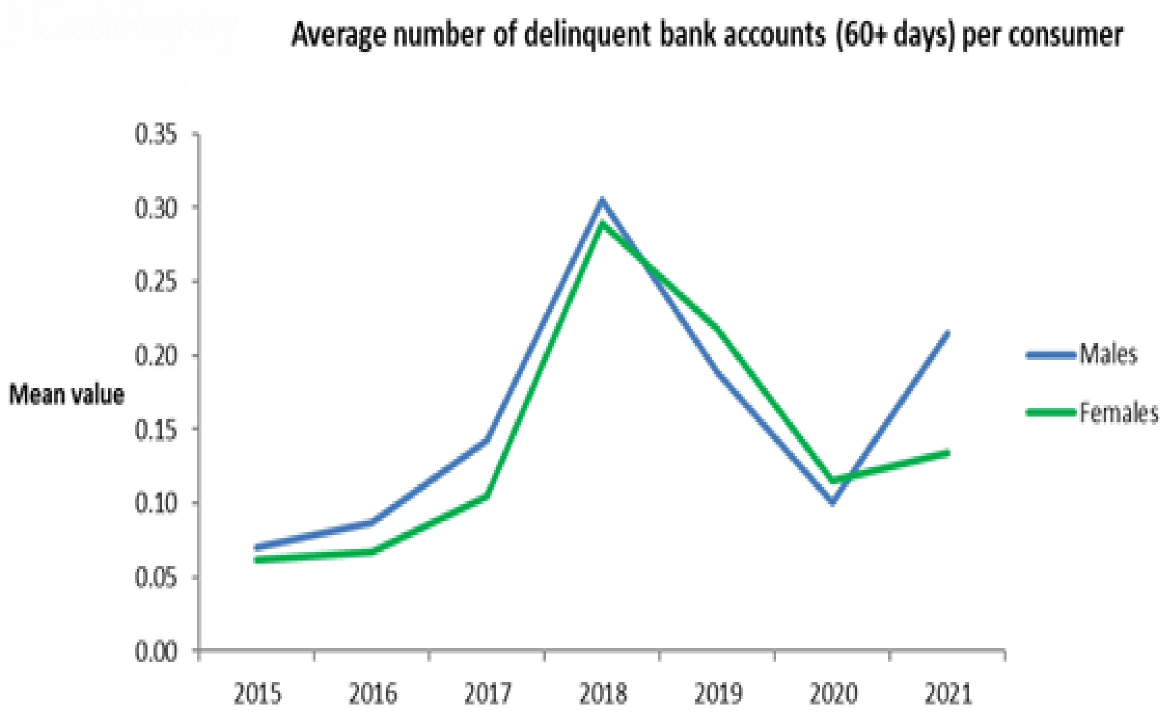
Key Takeaways

1. Men are more likely to miss or be late with payments (both in the CreditRegistry and A2F sample). However, women are slightly more likely to have loan accounts deemed uncollectable—though this difference is very small.
2. Women aged 18-25 are less likely to miss payments than their male counterparts in the CreditRegistry sample.
3. About 30 percent of all adult Nigerian borrowers have reported missing a payment, but only 10 percent cite that their debt is unmanageable.

Policy conclusion: The data shows that women have better repayment rates than men. However, since new-to-credit clients are often assessed by their assets and income, financial services providers may be turning down female clients that are more likely to be in good standing.

Account Delinquency

In 2021, men were more likely to have accounts in bad standing than women



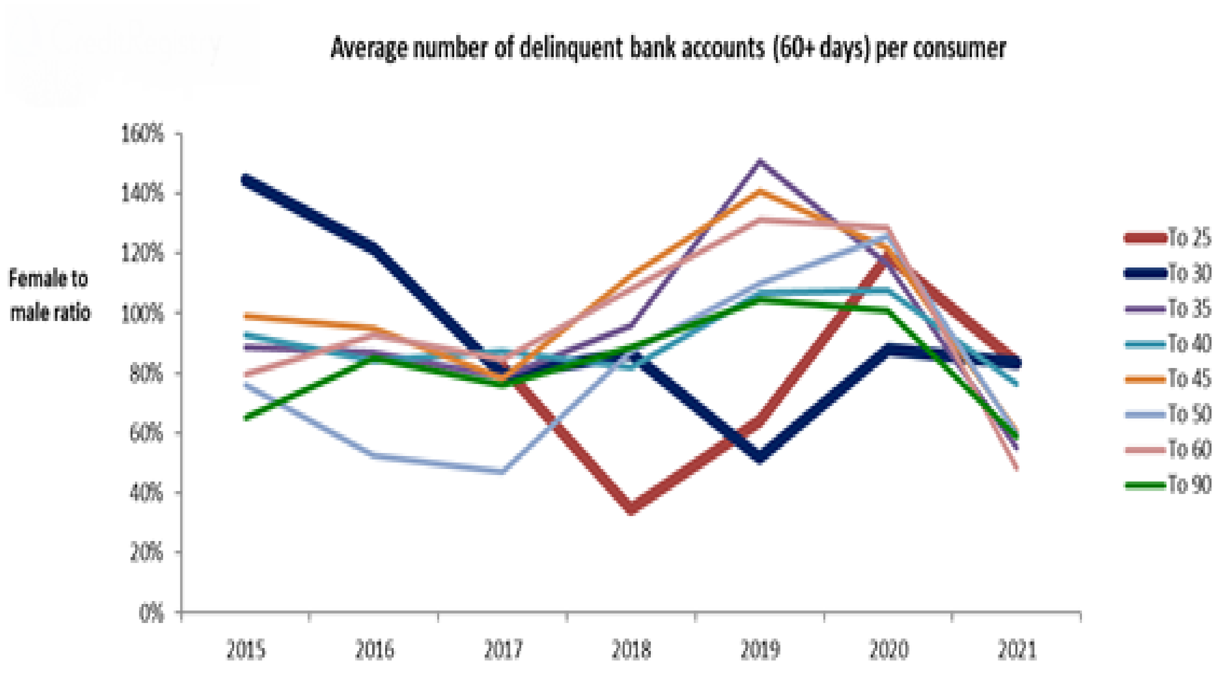
This figure depicts the number of CreditRegistry accounts that are overdue by 60 days or more. In 2018, there was a significant increase in delinquent accounts for both men and women. Account delinquency declined in 2019 and 2020 from 2018 levels, but rose again in 2021.

There is no discernable difference in male and female account delinquency up until 2021, when male account delinquency increases more sharply than female accounts. The patterns in delinquency could be following changes in Nigeria's economy—specifically, the increases in delinquency could be attributed to the economic downturns of 2016 and 2021 (associated with the COVID-19 pandemic).

Note: the data presented in this graph is as a ratio of female delinquent accounts to male delinquent accounts. Ratios greater than 100 percent indicate that women have more delinquent accounts than men. Ratios less than 100 percent indicate that men have more delinquent accounts than women.

Account Delinquency

Over time, younger women are least likely to have accounts in bad standing, compared to their male counterparts



This figure disaggregates overdue accounts by age. The trends suggest that women aged 18-25 have historically low rates of account delinquency, as compared to their male counterparts. From 2019, account delinquency in this age group increases proportionally, but remains on par with male account delinquency. Women aged 25-30 also have lower rates of delinquency as compared to men, especially since 2016.

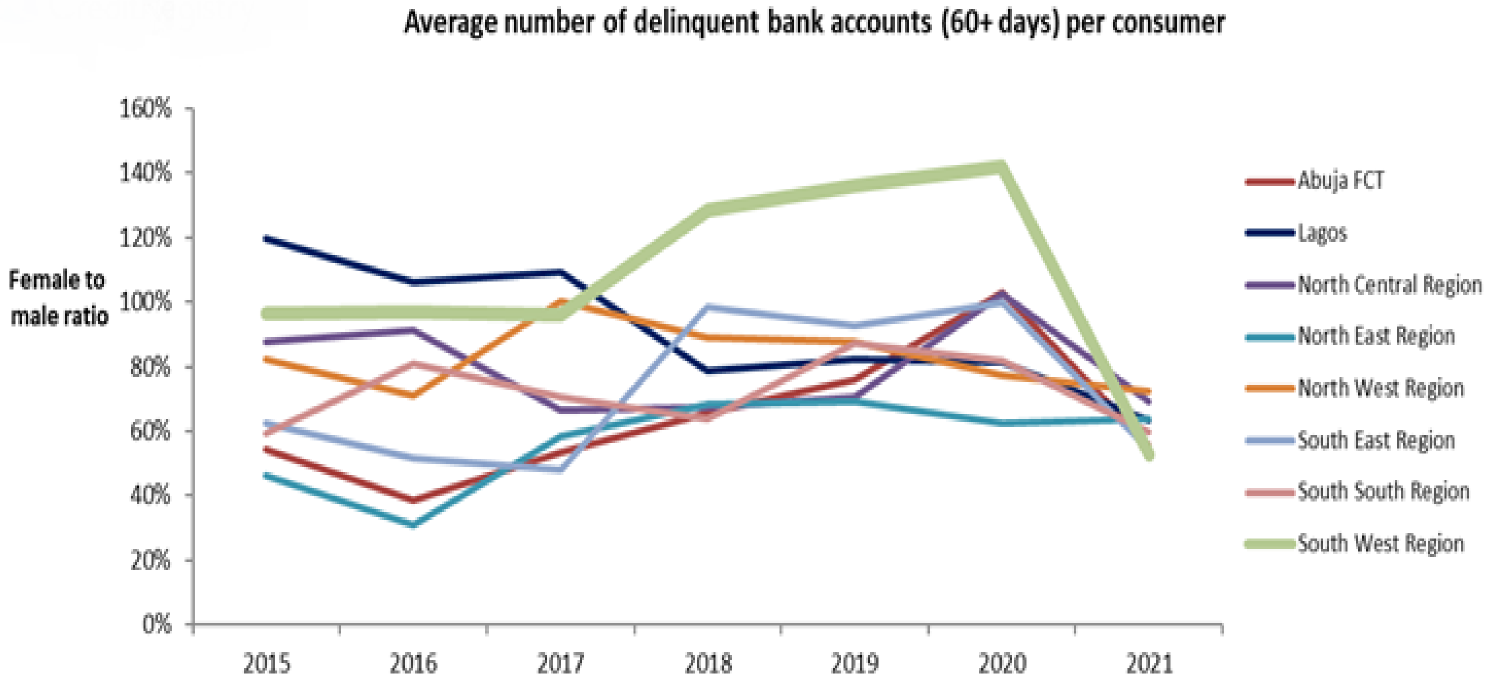
By 2021, women across all age groups have lower rates of delinquency than their male counterparts.

<u>Note</u>: the data presented in this graph is as a ratio of female delinquent accounts to male delinquent accounts. Ratios greater than 100 percent indicate that women have more delinquent accounts than men. Ratios less than 100 percent indicate that men have more delinquent accounts than women.

Data Source: Credit Registry

Account Delinquency

Overall, female delinquency was about 30 percent less than male delinquency in 2021



This figure disaggregates overdue accounts by region.

From 2018-2020 the trends suggest that women in the South West region had significantly more delinquent accounts than men.

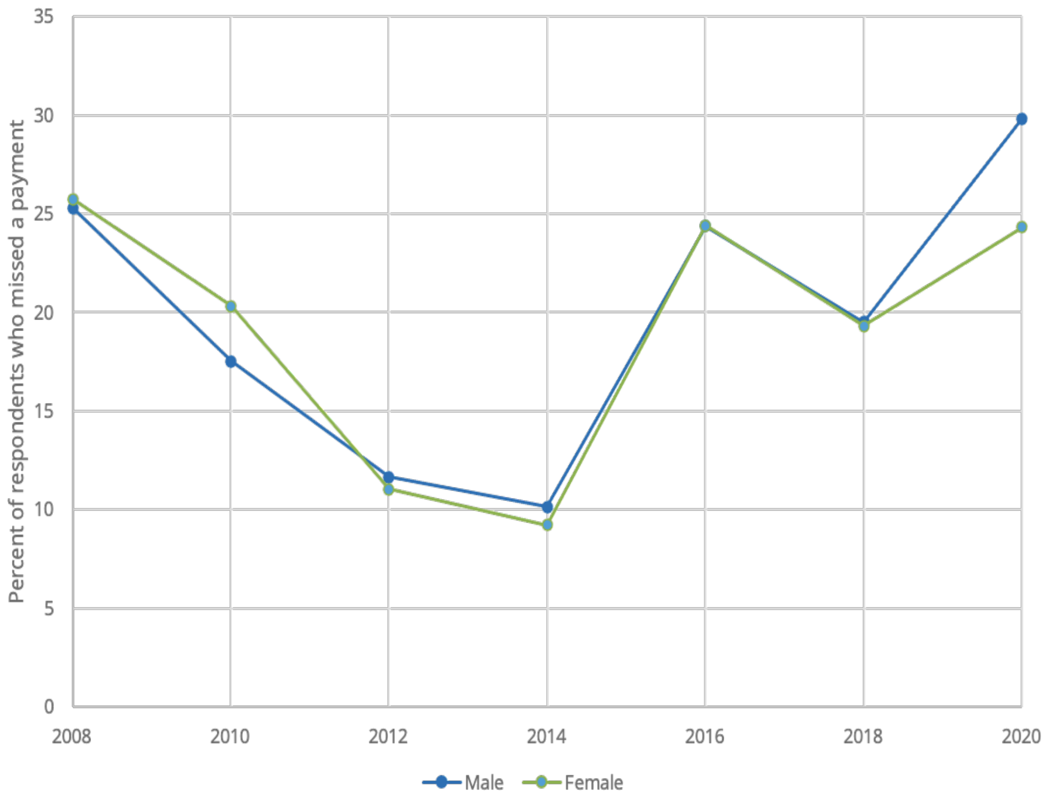
By 2021, women across all regions are 30 percent less likely to have delinquent accounts.

Note: the data presented in this graph is as a ratio of female delinquent accounts to male delinquent accounts. Ratios greater than 100 percent indicate that women have more delinquent accounts than men. Ratios less than 100 percent indicate that men have more delinquent accounts than women.

Data Source: Credit Registry

Missed Payments in the A2F Sample

In 2020, men were slightly more likely to miss payments than women



Another indicator of credit performance is the probability of missing payments. The below figure depicts whether respondents in the A2F sample missed any payments (on a formal or informal account) in 2020.

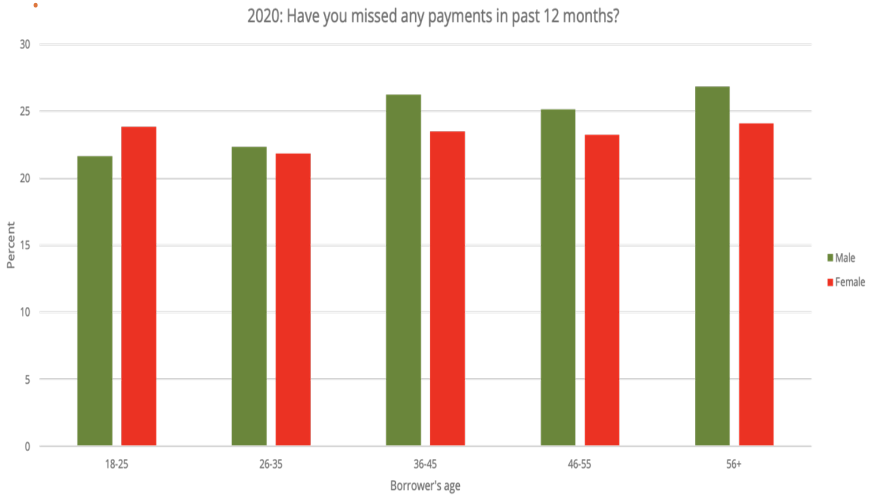
The trends suggest that from 2008-2018, men and women missed a similar amount of payments. In 2020, there was slight gender gap: more men missed payments than women.

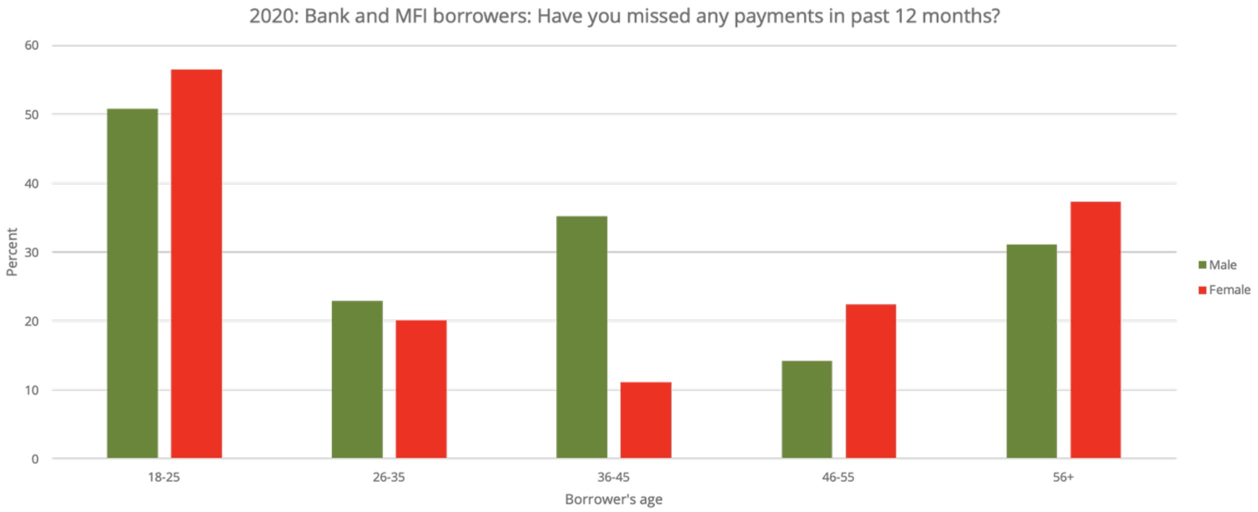
This finding is similar to the account delinquency data from the CreditRegistry which demonstrated that men and women had similar rates of delinquency. In 2020, for both datasets, account delinquency and missed payments increased slightly for men, as compared to women.

Data Source: EFInA Access to Finance Survey, 2020

Missed Payments in the A2F Sample

Younger adults were slightly more likely to miss formal payments



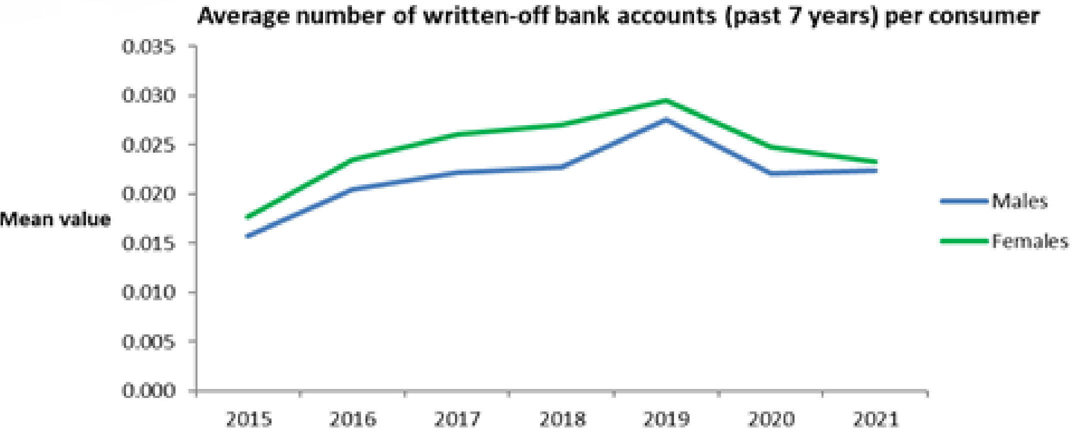


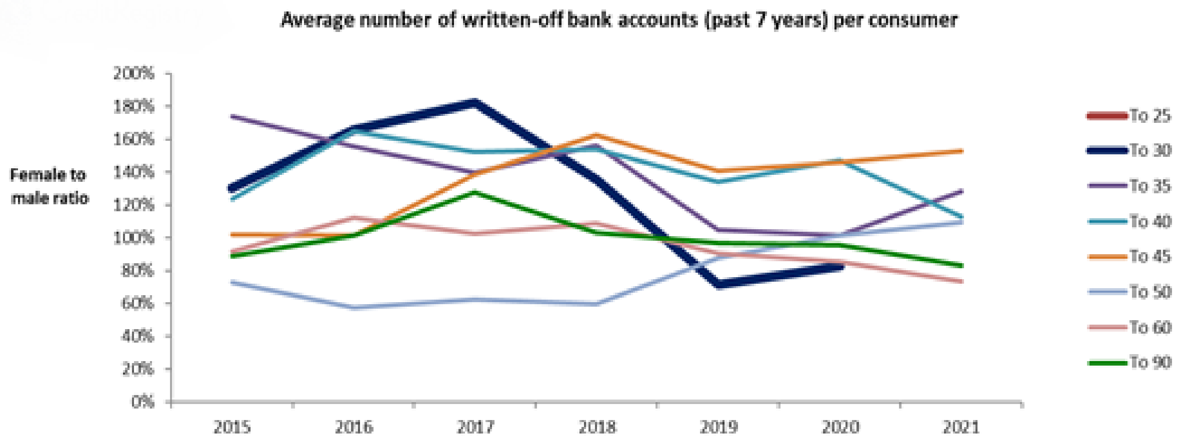
This figure disaggregates the sample by age. The trends suggest that men are slightly more likely to miss payments and that there may be a small increase in missed payments by age.

When restricted to respondents that have borrowed formally, there are larger gender differences that vary by age. Women aged 18-25 and 46+ are more likely to miss payments than their male counterparts. This is counter to the account delinquency data from the CreditRegistry that demonstrated women and men in this age group had similar rates of account delinquency. This could be because the A2F sample does not include data on microfinance institutions. For all other groups, men are still most likely to miss payments.

Written-off Accounts in the CreditRegistry Sample

Men and women have similar rates of write-off accounts; but younger women are at the least risk of having a write-off account





The first figure depicts the average number of written off accounts, or accounts that were deemed to be uncollectible perhaps due to bankruptcy or insufficient capital, by gender. The trends suggest that overall, women had a slightly higher number of written off accounts as compared to men, though this gap narrowed in 2021.

When the data is disaggregated by age, women aged less than 30 have increasingly less bank write-offs over time, than their male counterparts.

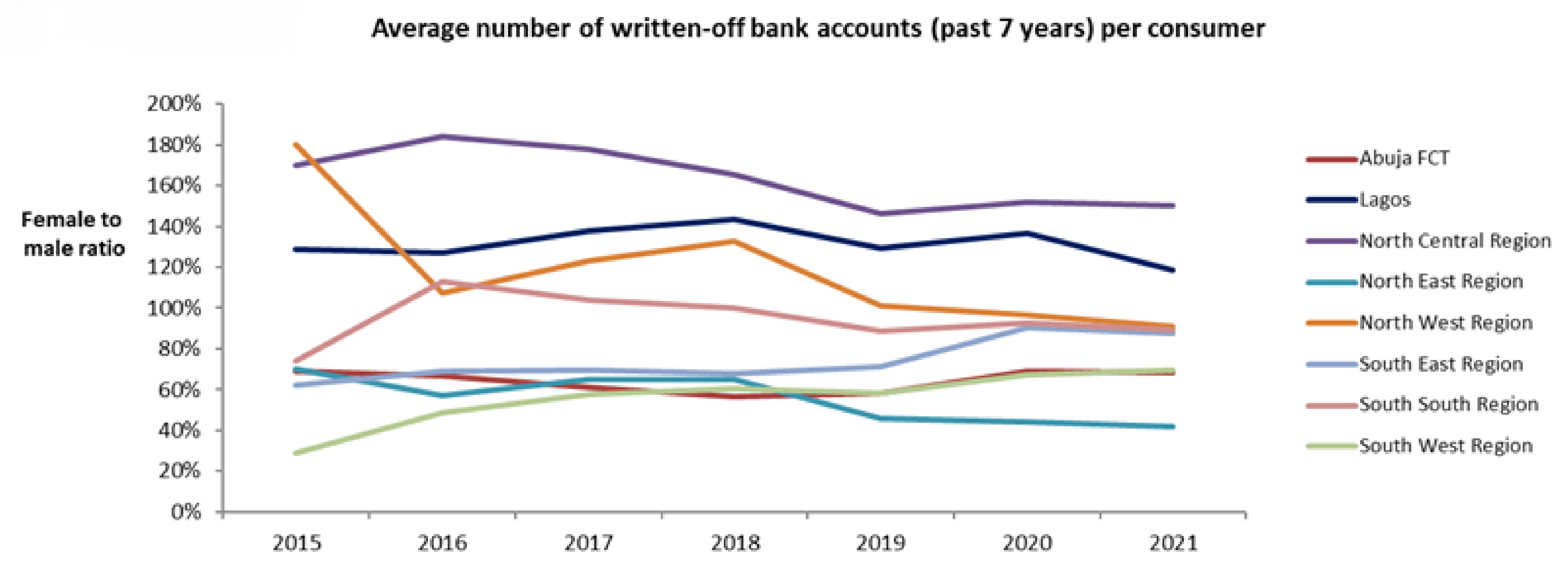
Note: the data presented in this graph is as a ratio of female written off accounts to male delinquent accounts. Ratios greater than 100 percent indicate that women have more written off accounts than men. Ratios less than 100 percent indicate that men have more written off accounts than women.

Data Source: Credit Registry

Written-off Accounts in the CreditRegistry Sample

There are significant regional differences in the female:male ratio of write-off accounts

When the data on written off accounts is disaggregated by region, women have the most bank write-offs compared to men over time in the North Central region. In the North East, Abuja, and Lagos regions the opposite is true: women have fewer account write offs as compared to men.



Note: the data presented in this graph is as a ratio of female written off accounts to male delinquent accounts. Ratios greater than 100 percent indicate that women have more written off accounts than men. Ratios less than 100 percent indicate that men have more written off accounts than women.

Data Source: Credit Registry

Debt Manageability

The average adult Nigerian reports having no or manageable debt

Despite the fact that nearly a third of adults missed a payment in 2020, respondents in the A2F survey report that their debt is generally manageable. Less than ten percent of respondents report having difficulty in managing their debt. There is little variation by gender.

Data Source: EFInA Access to Finance Survey, 2020

V. SMARTScores

Is there a relationship between demographics and credit performance?

Indicators:

- SMARTScores
- Thick Files

Key Takeaways

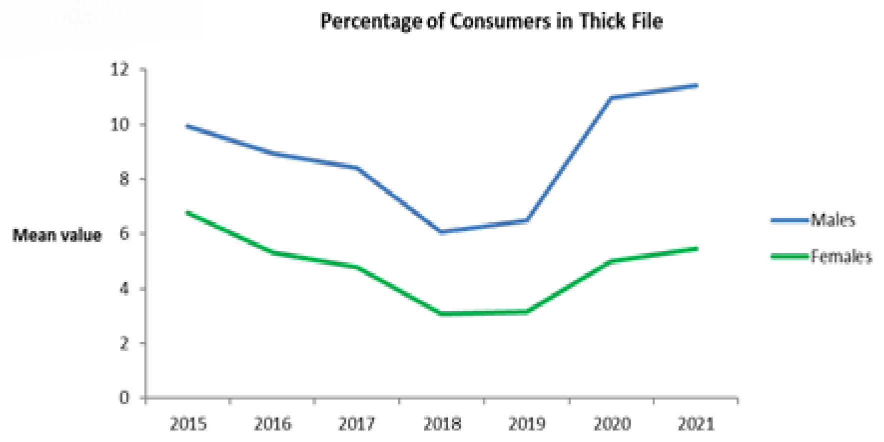
1. Though men are more likely to have Thick Files (at least one loan account open), women with Thick Files have a higher credit score than their male counterparts.
2. On average, women of all age groups have the same—or higher—credit score than their male counterparts.

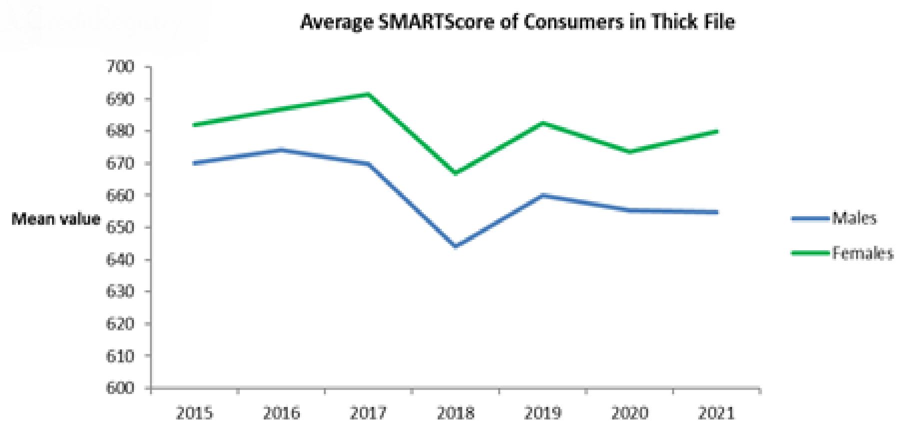
Policy conclusion: Multiple accounts and overborrowing are not necessarily synonymous. But financial service providers should take care to monitor those at risk for overborrowing, and place loan limits for clients at risk.

SMARTScores and Thick Files

Women with active accounts perform better on credit scores than their male counterparts

SMARTScore is Nigeria's first consumer credit score. It is a proprietary tool developed by the CreditRegistry to calculate an individual's credit score. An individual's SMARTScore is an indicator of their financial health and aggregates information like an individual's number of credit lines, debt level, credit history, and credit enquiries.





Men are 67 percent more likely than women to have Thick Files, which are consumers with at least one open credit account.

Amongst Thick File subscribers, women consistently score 10-20 points higher than men on the SMARTscore. In sum, those women who have thick files perform better than men with thick files.

Data Source: Credit Registry

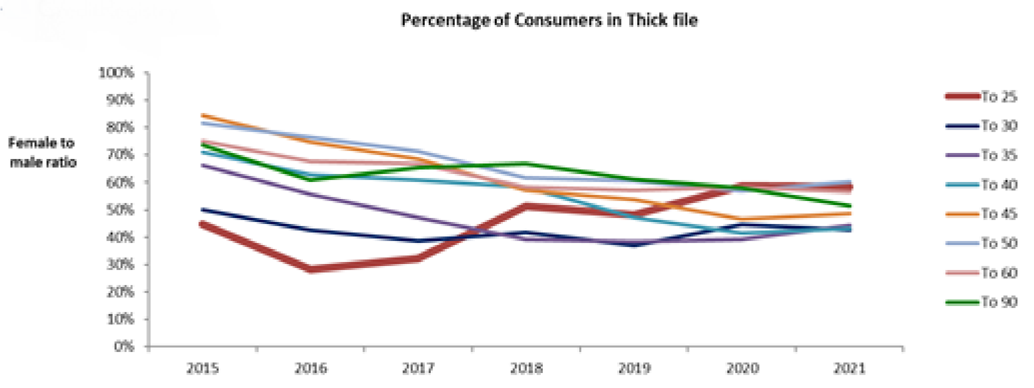
SMARTScores and Thick Files

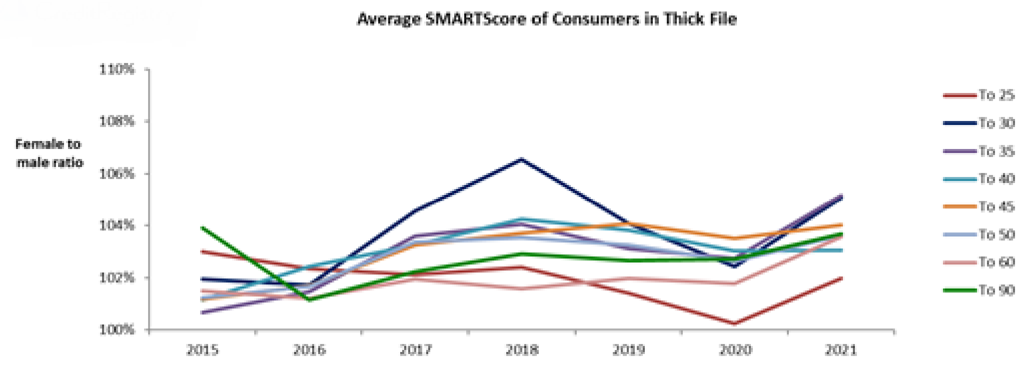
Women are less likely to have active accounts but those that do on average have higher credit scores than their male counterparts

For all age groups, men are more likely to have Thick Files. However, similar to the trends associated with the number of accounts, the rate of Think File ownership for women aged 18-25 increases at a rate higher than their male counterparts.

By 2021, this age group has the highest proportion of female to male Thick Files.

Similar to the previous figures, women of all age groups are more likely to have higher SMARTScores than their male counterparts, despite the fact that they are less likely to have Thick Files.

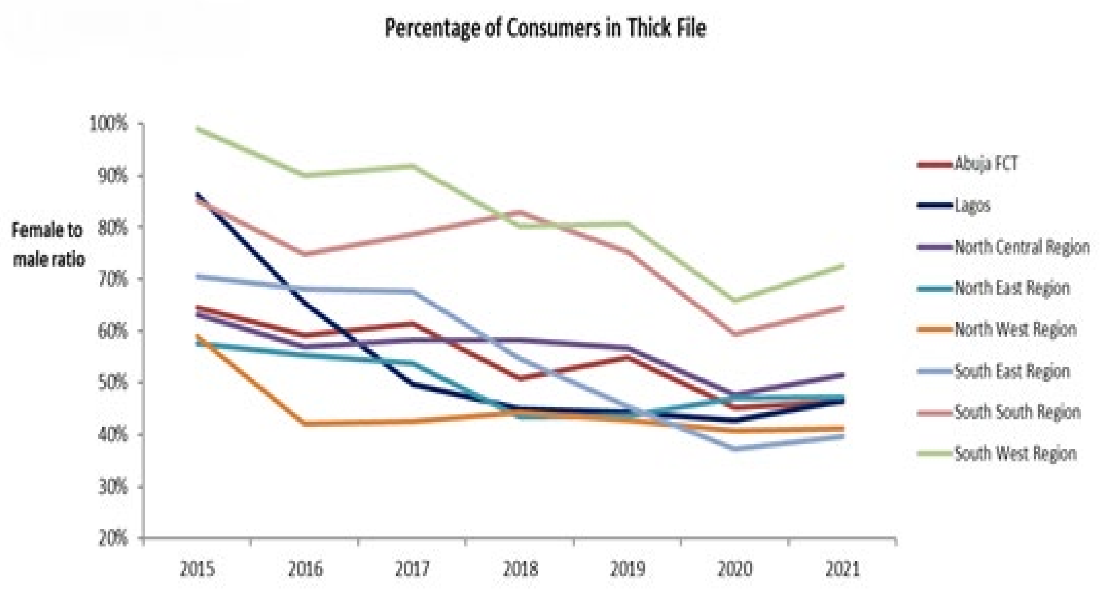


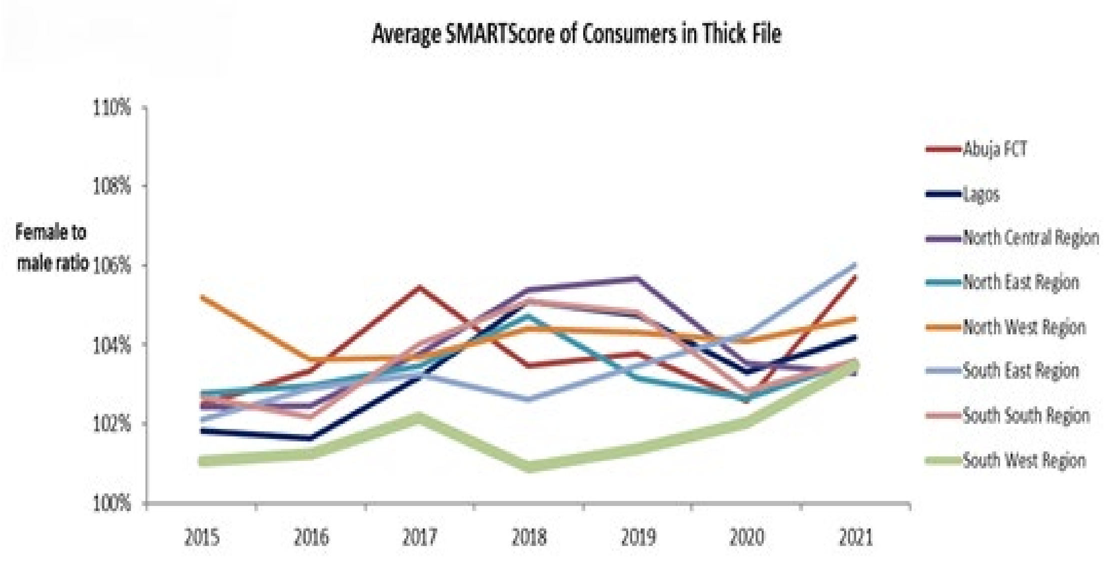


SMARTScores and Thick Files

In all regions, men are more likely to have Thick Files, compared to their female counterparts. But women are likely to have higher SMARTScores than men

However, women in the South West region proportionally have the lowest scores compared to men.





VI. Market Opportunities Based on Segmentation Analysis

Which segments of the population have the most potential to grow? What opportunities do financial service providers have to market and reach these consumers? Which ones need more concerted effort?

Indicators:

- Borrowing preferences
- Perception of informal vs. formal borrowing
- Segmentation analysis of borrowing (amount and propensity to borrow)

Key Takeaways

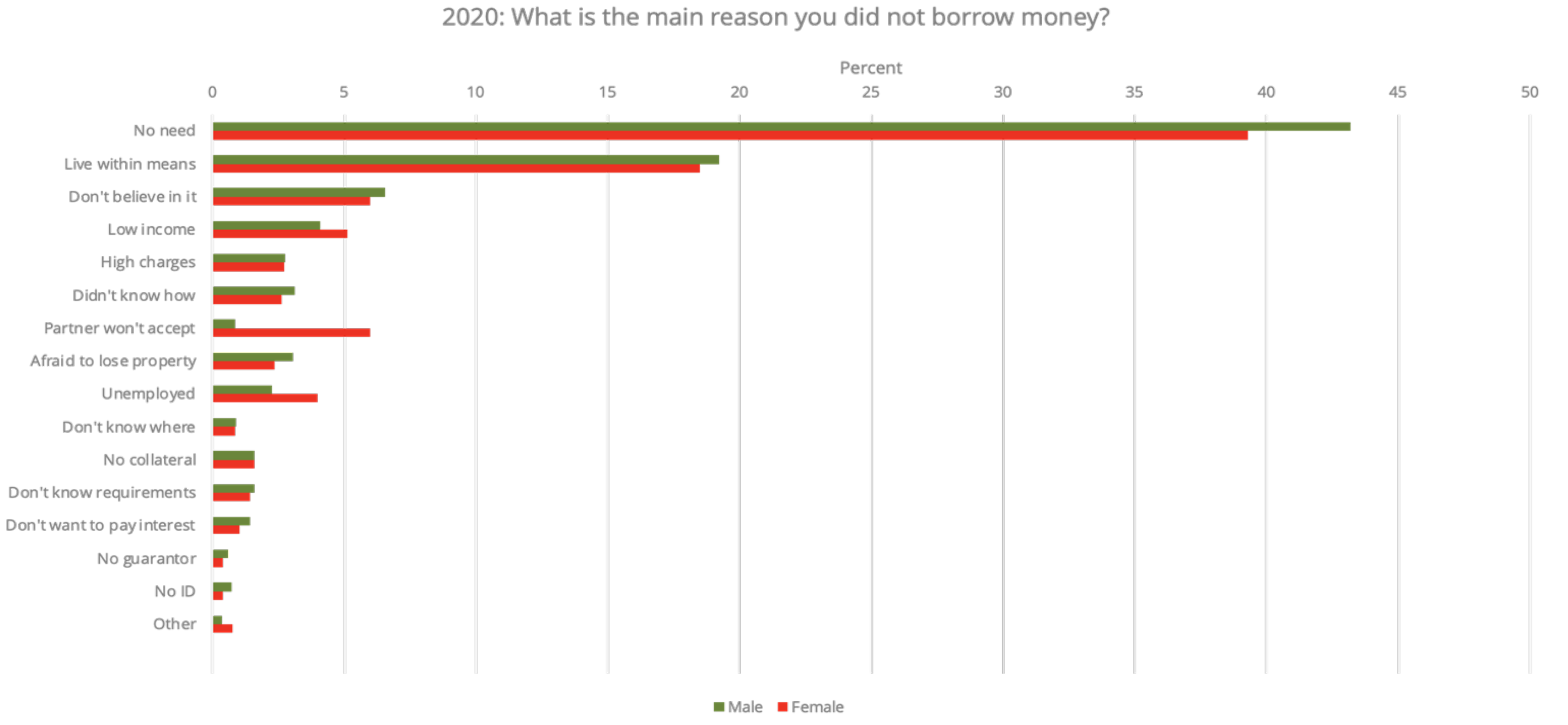
1. Dynamics within the household (decision making, asset ownership) matter more for women, than men, when it comes to predictors of borrowing (amount and formality).
2. Financially included women, women with more education, and women in urban areas are more likely to borrow formally than all other women in the sample.
3. The gender gap is widest in rural areas.
4. For both men and women, the most commonly reported reasons to borrow are: business, risk preparedness, and household expenses.
5. Women's past experiences with a provider affects their decision to use a provider again, more so than men.
6. Women cite that they turn to formal credit providers when they want more information about financial services. But, they also cite that formal providers are generally not affordable.

Policy conclusion: Not all women are the same. Education, decision-making, and location can all affect women's financial behavior, knowledge, and preferences. By identifying which barrier most affects women's ability to borrow, financial service providers can create programming and services to fill those gaps.

Borrowing Preferences

The majority of respondents did not borrow because they did not identify a need to borrow

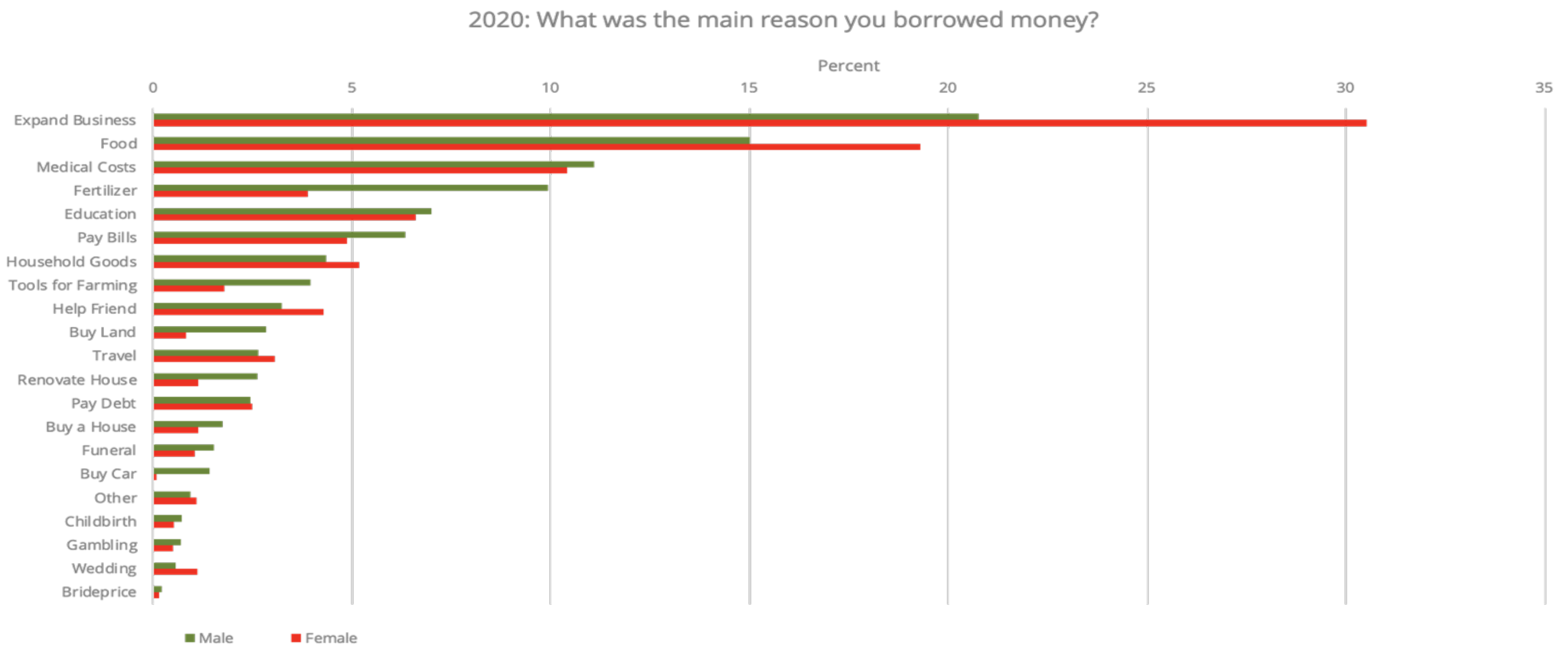
About 6 percent of women also report that they don't borrow because they anticipate their spouse will not accept it. Men do not experience this concern.



Borrowing Preferences

Respondents tend to borrow for three reasons: business, risk preparedness, and household expenses

The most commonly cited reason to borrow money was to start or expand a business. Women were also about 10 percentage points more likely than men to use borrowed money for this purpose. The second common reason is to spend money on the household: food, medical costs, household goods, and bills. Men were also more likely to spend money on fertilizer and other agricultural development tools.

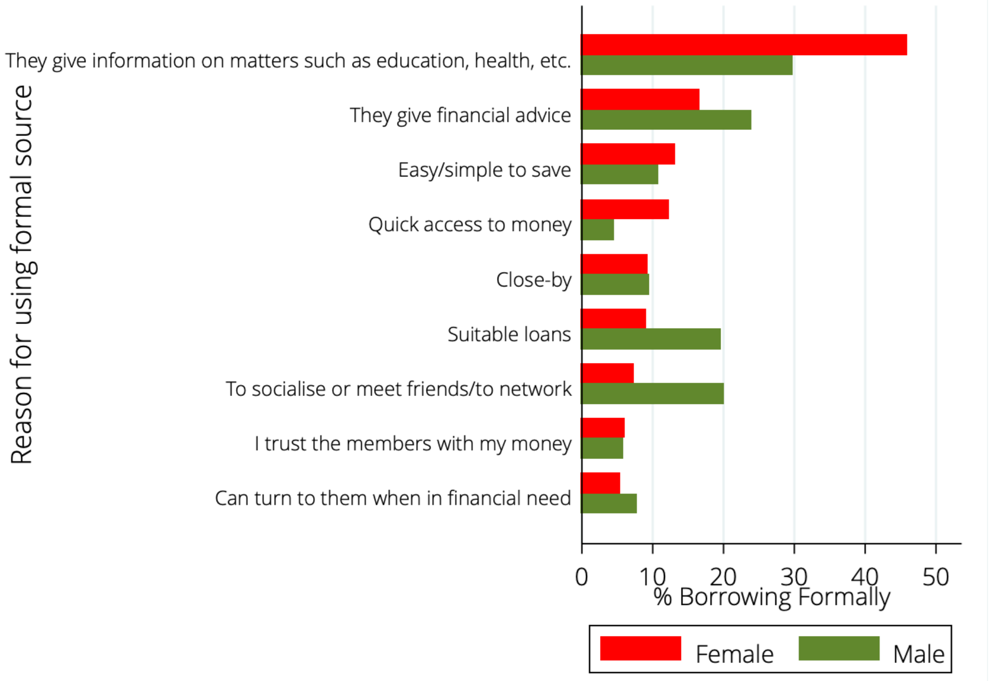


Data Source: EFInA Access to Finance Survey, 2020

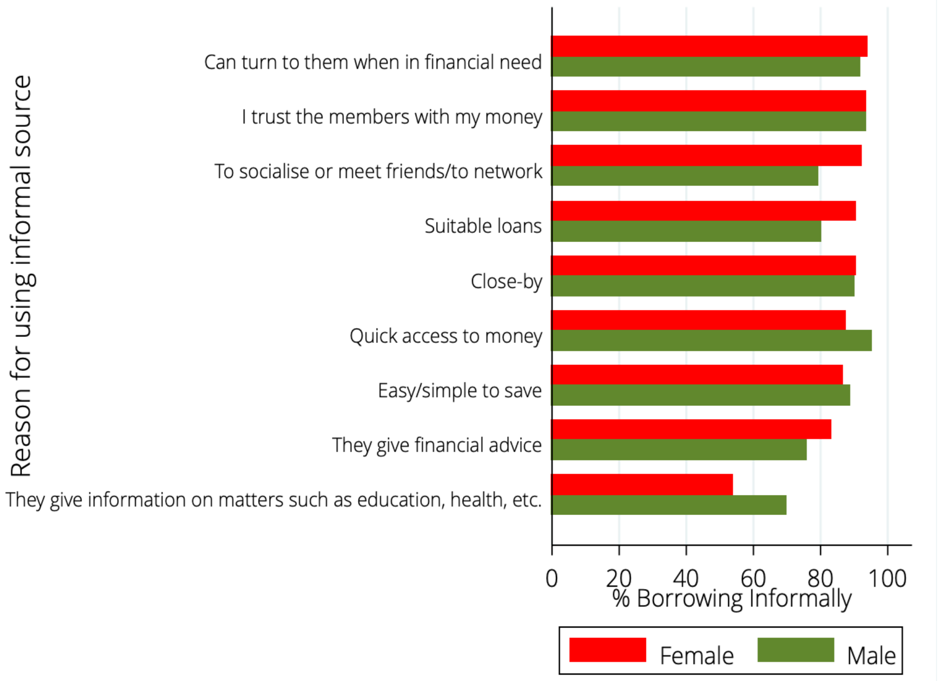
Borrowing Preferences

Women use formal sources to when they need detailed information, otherwise they turn to informal sources (trust, simplicity, and cost)

Why did you choose to borrow from a formal source?



Why did you choose to borrow from an informal source?

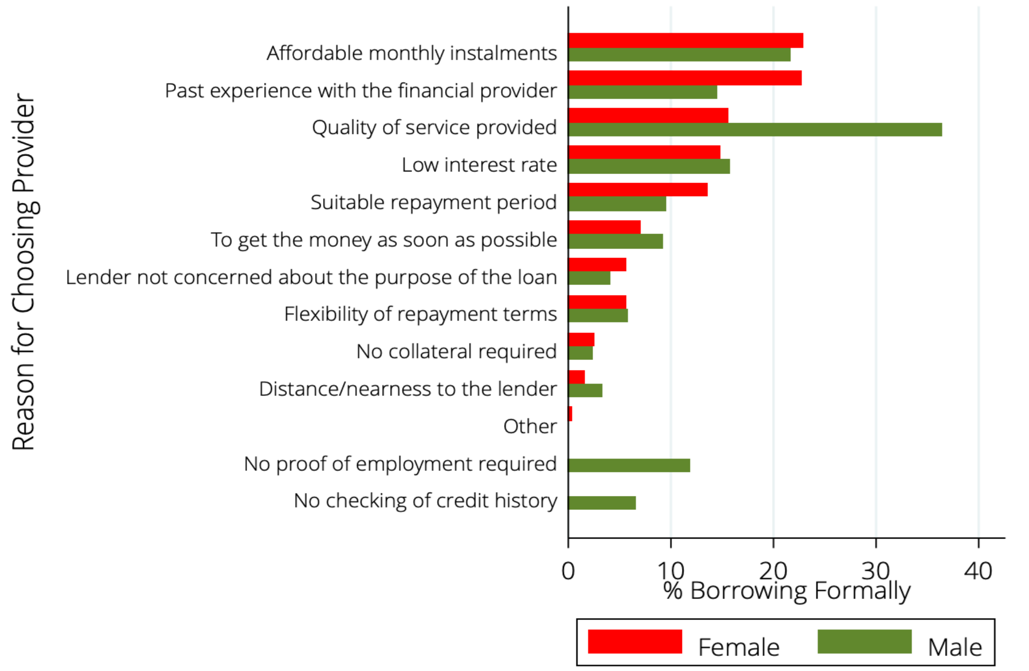


Data Source: EFInA Access to Finance Survey, 2020

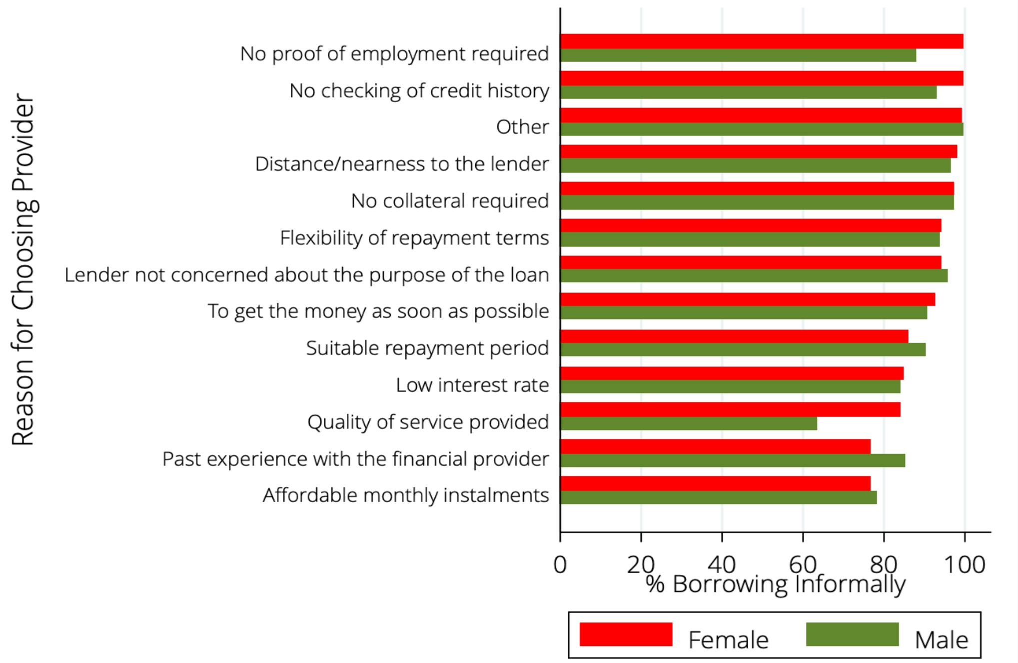
Borrowing Preferences

Women choose formal providers based on affordability and their past experience and informal providers based on ease and accessibility

Why did you choose this particular formal provider?



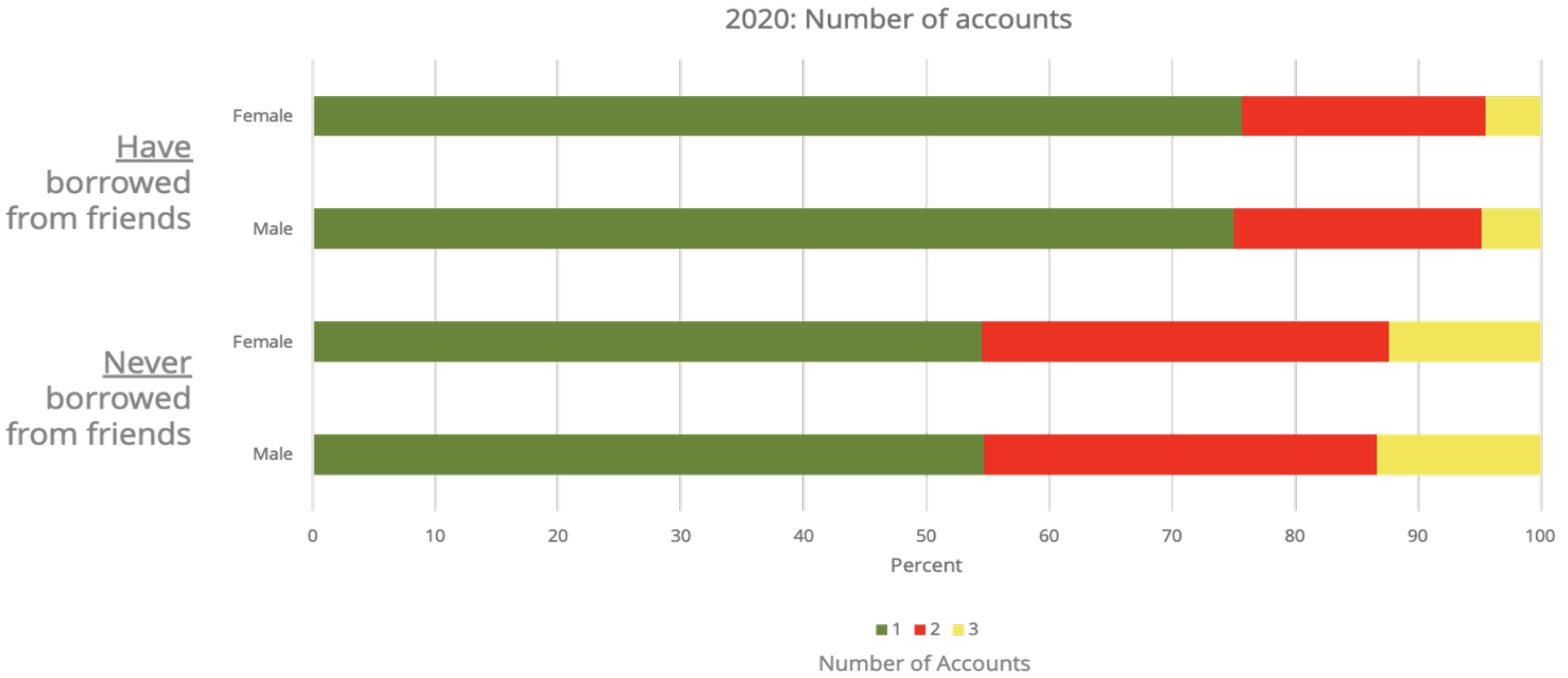
Why did you choose this particular informal provider?



Data Source: EFInA Access to Finance Survey, 2020

Borrowing Preferences by Formal Account Ownership

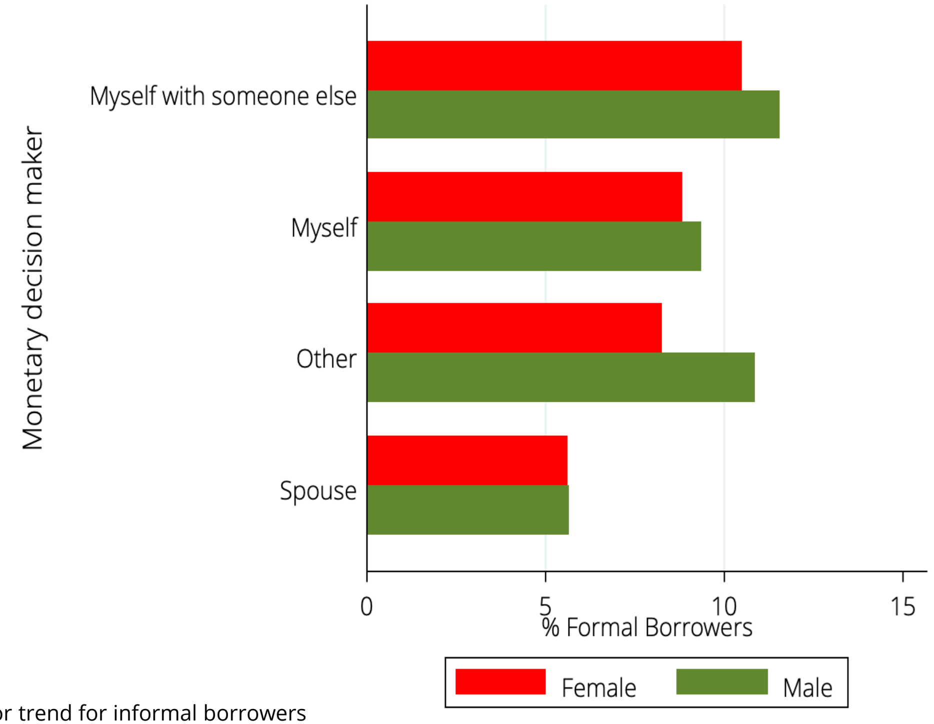
Even when respondents have a formal account, they are still likely to borrow from friends (informally). Respondents that have only one formal account are even more likely to borrow from friends

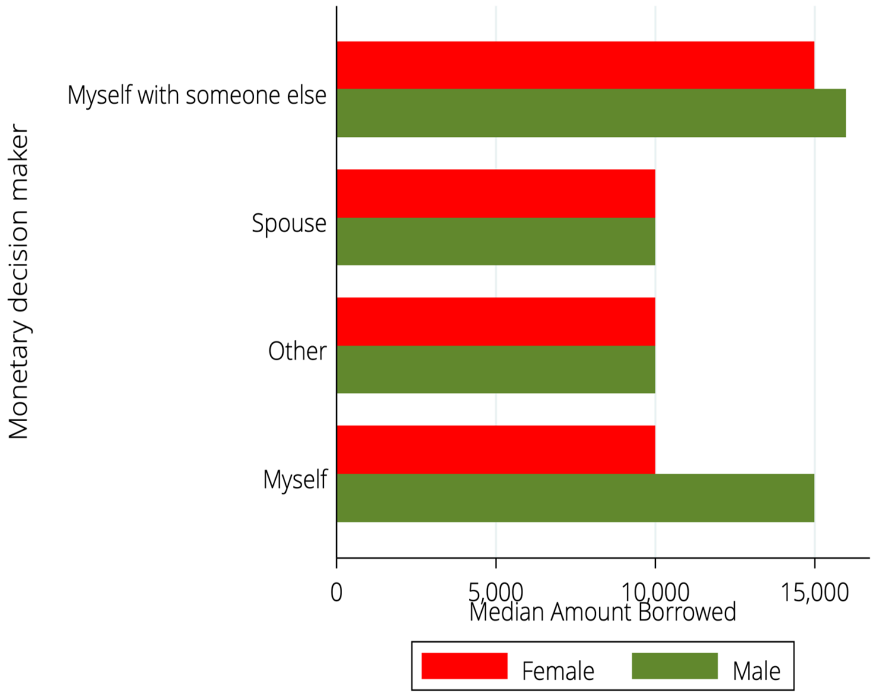


Decision Making Power

Women in households that make decisions jointly borrow more money, and are more likely to be formal borrowers than women who are sole decision makers or have no role in decision making*

Who makes decisions over how money is spent in the household?



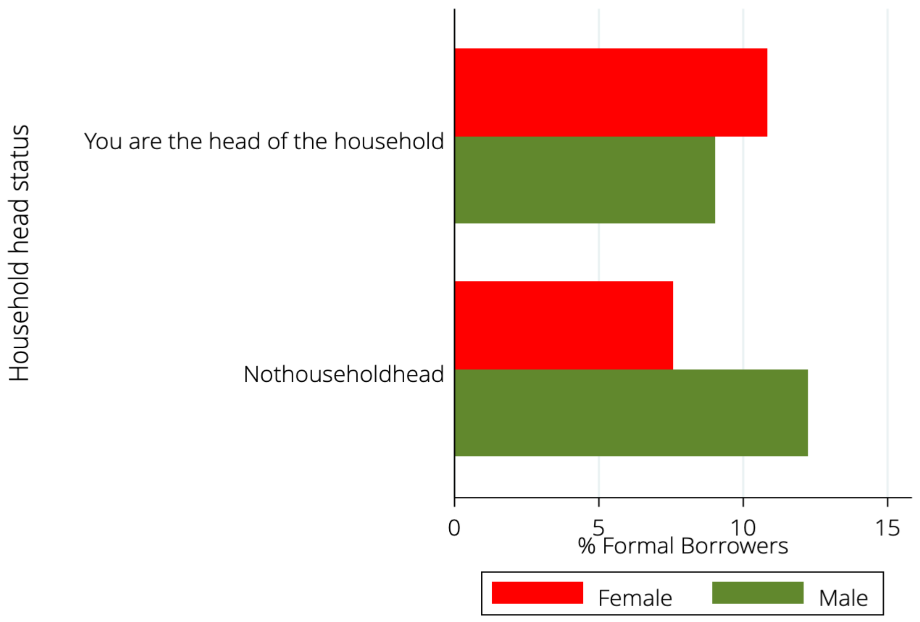


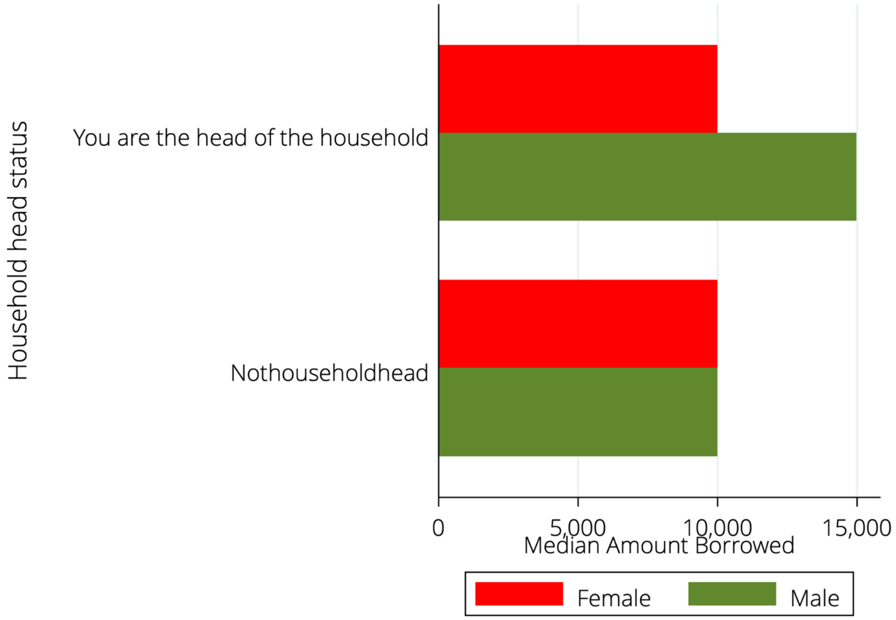
*no major trend for informal borrowers

Decision Making Power

Household head status matters more for women than men when it comes to formal borrowing. This does not affect amount borrowed*

What is your household head status?



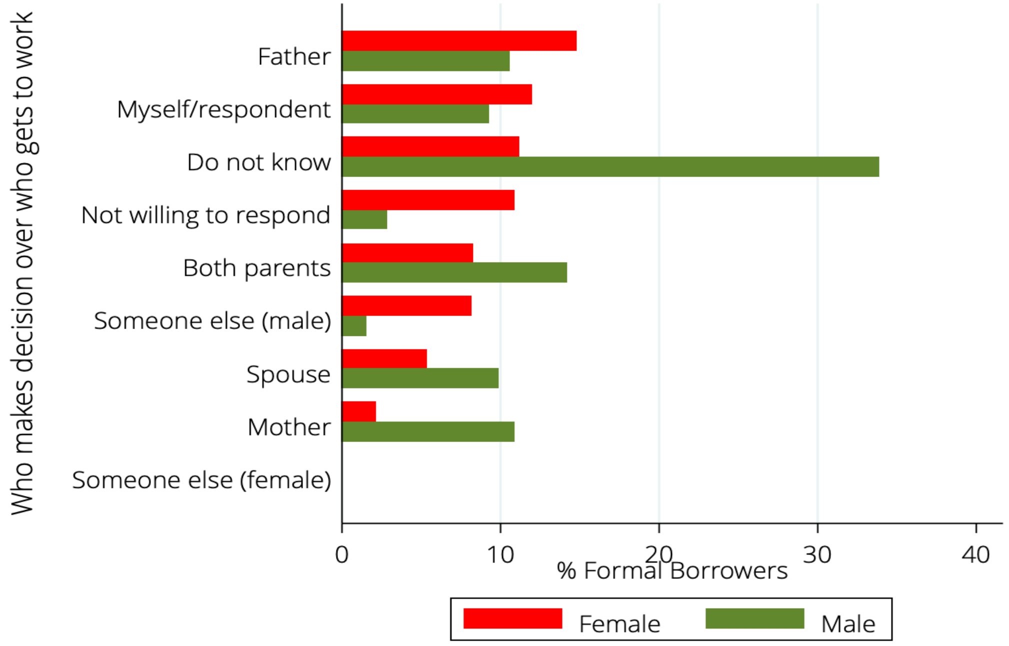


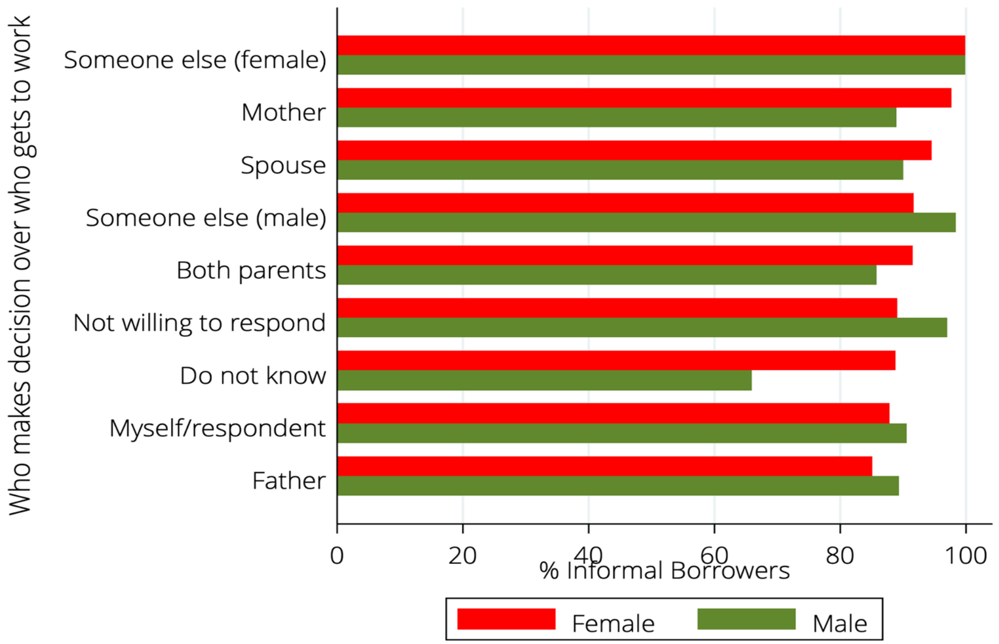
*no major trend for informal borrowers

Decision Making Power

There may be an effect of the gender on the decision maker on formal vs. informal borrowing. Male decision makers are associated with more formal borrowing

Who makes decisions over who gets to work in the household?





*no major trend for informal borrowers

Data Source: EFInA Access to Finance Survey, 2020

Decision Making Power

Women that own and can sell their own assets are more likely to be formal borrowers

Women that own but cannot sell their own assets are less likely to borrow formally, as compared to women that do not own assets.

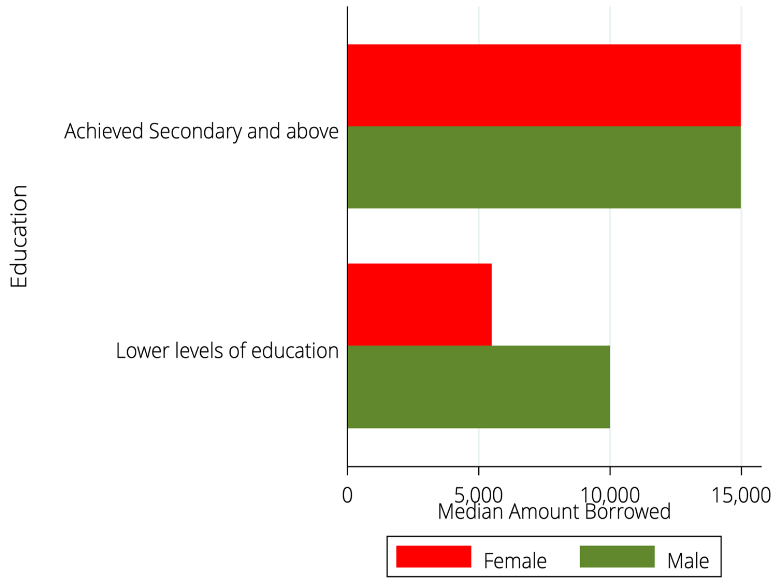
*no major trend for informal borrowers

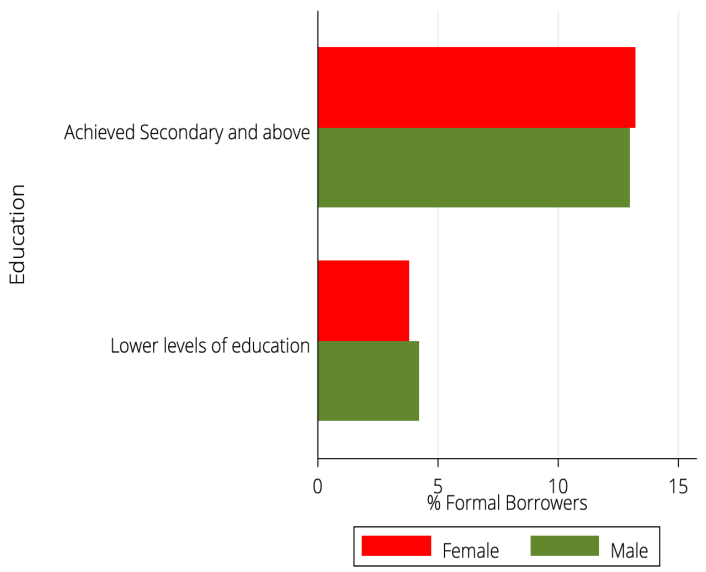
Decision Making Power

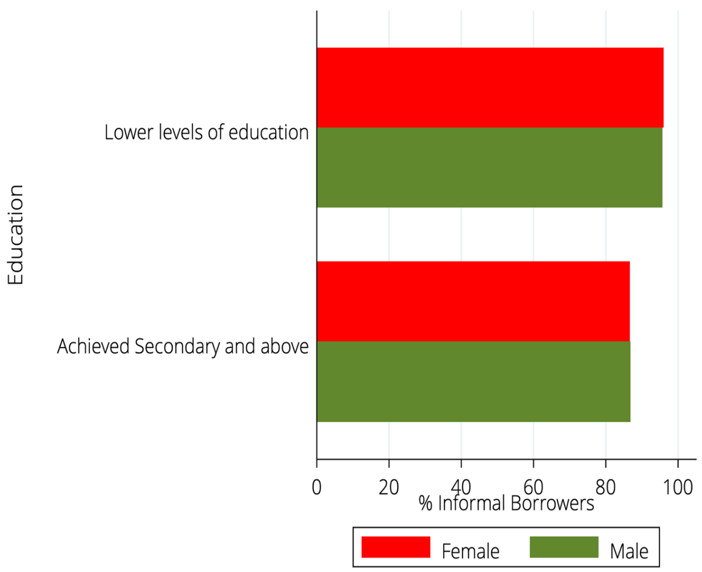
More educated women are 10 percentage points more likely to be formal borrowers

The gender gap in formal borrowing amount also nearly disappears amongst more educated respondents.

What is the highest level of education you received?







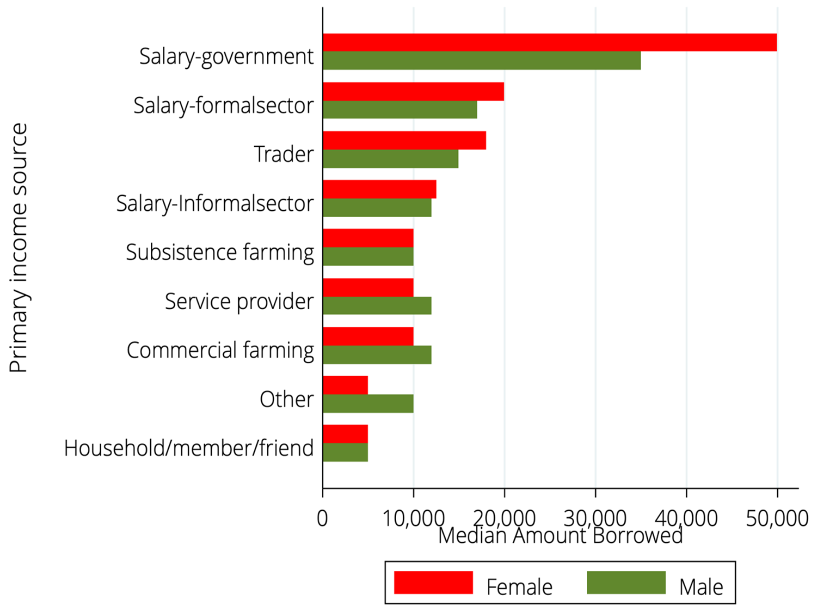
Data Source: EFInA Access to Finance Survey, 2020

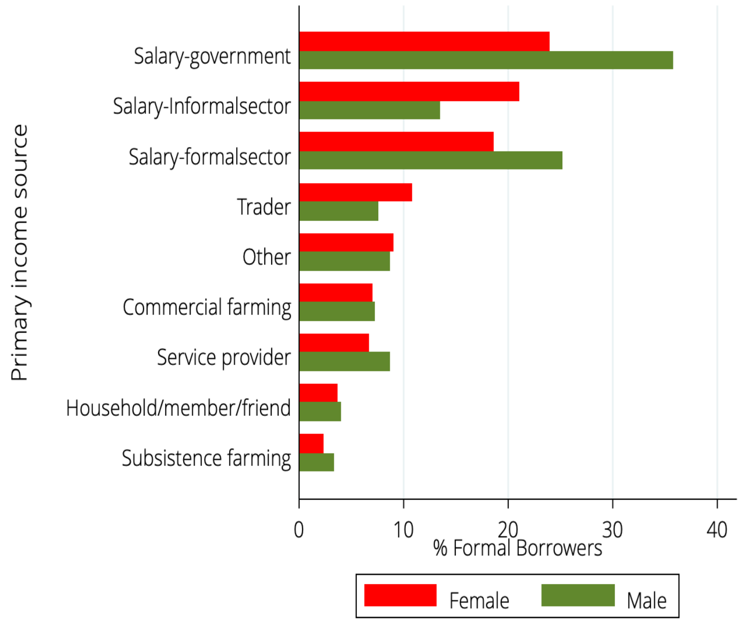
Decision Making Power

Women tend to borrow as much as men across all categories, except commercial farming and services

Female salaried workers (informal or formal) are more likely to be formal borrowers. Female government employees borrow the most (median amount), even compared to their male counterparts.

What is your primary source of income?



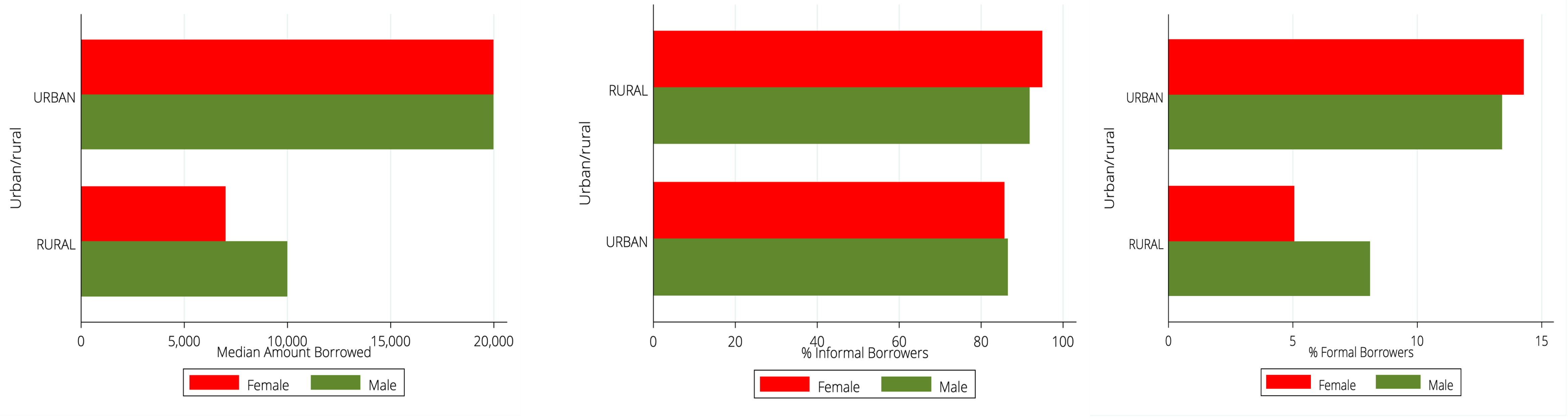


Decision Making Power

The gender difference between borrowers is most prominent in rural areas

Urban consumers are more likely to borrow from formal sources and less likely to borrow informally.

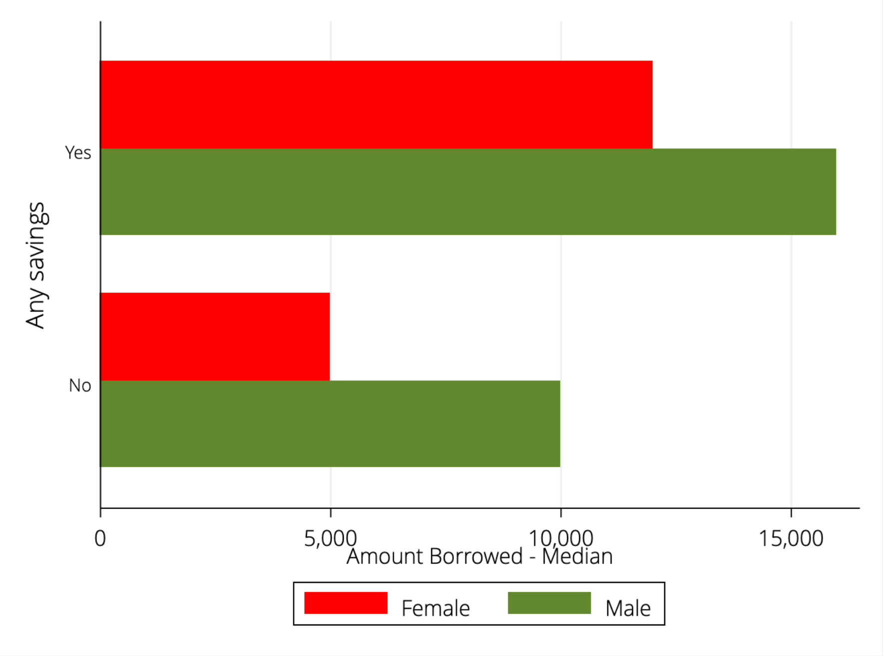
What is your primary source of income?

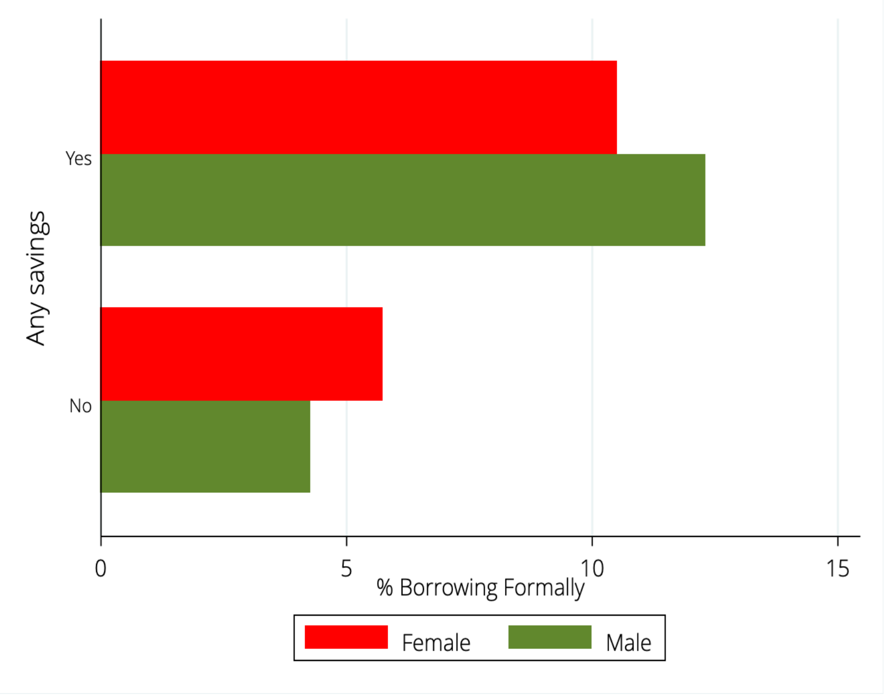


Savings

Savings is a big indicator of formal borrowing and amount borrowed, for both men and women*

Do you have any savings?





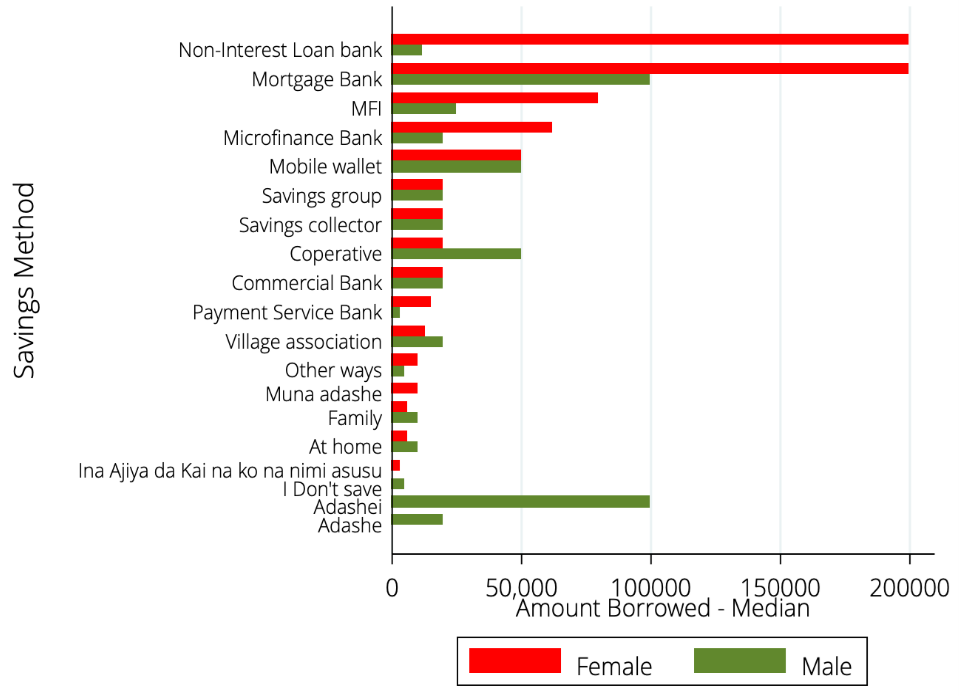
**no major trend for informal borrowers*

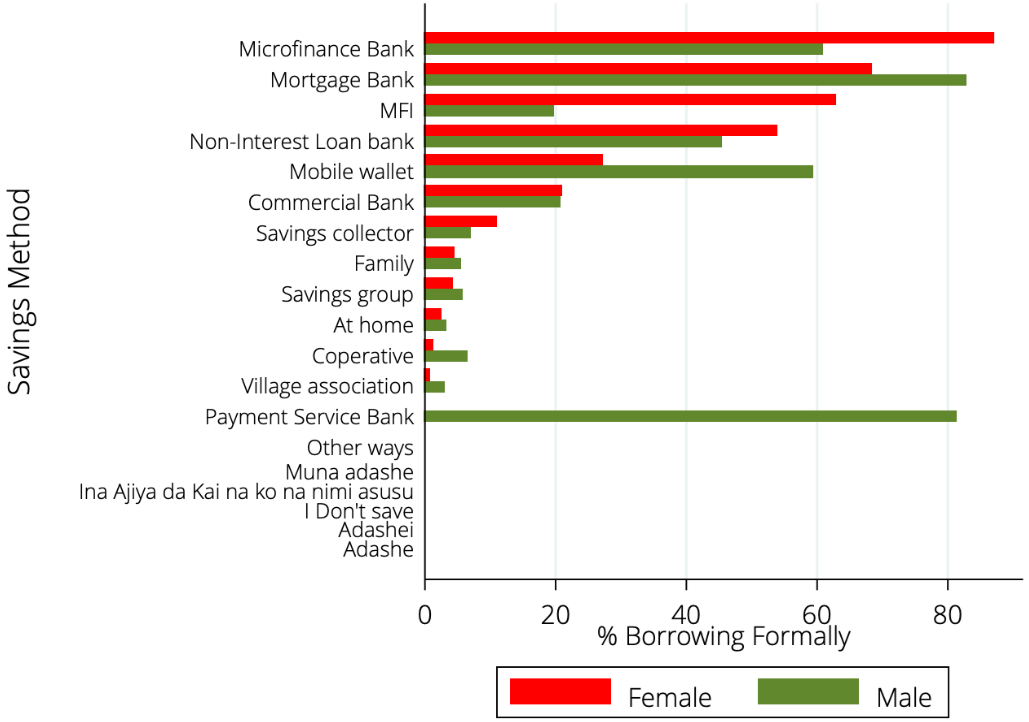
Data Source: EFInA Access to Finance Survey, 2020

Savings

Women that save at mortgage banks, MFIs, MF banks, non-interest loan banks are more likely to borrow formally and borrow higher amounts

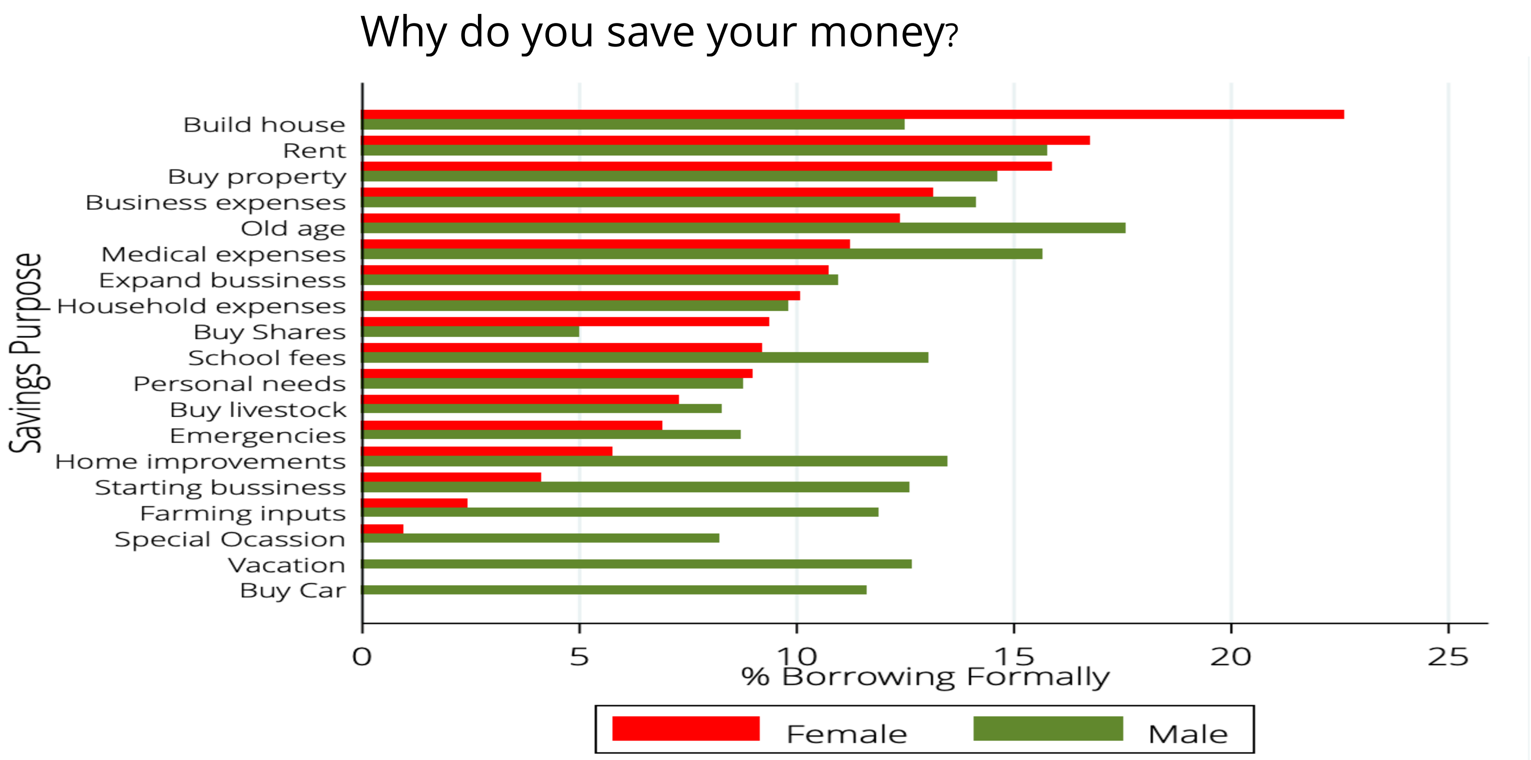
Where do you save your money?





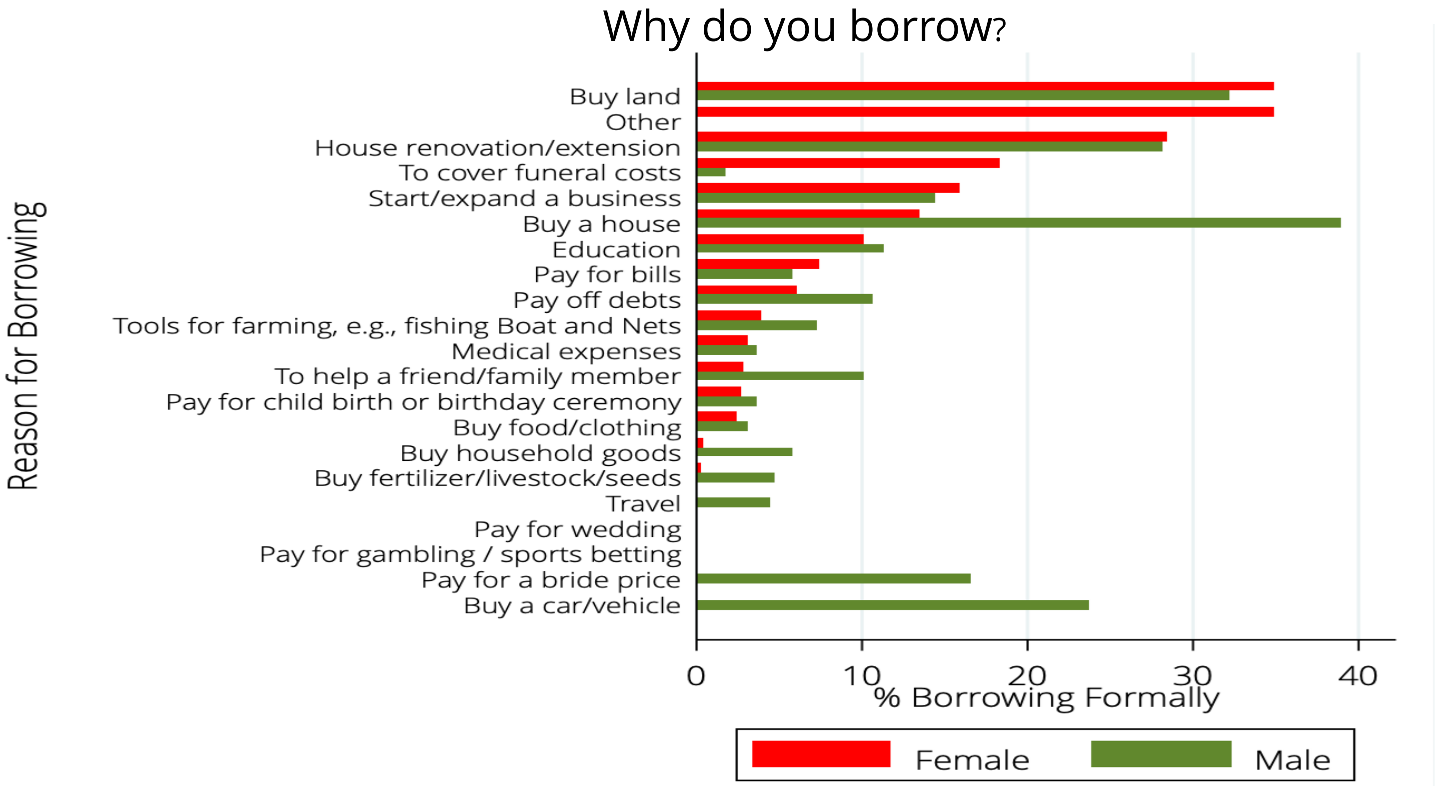
Savings

Women use their savings to buy land and invest in their homes are more likely to be formal borrowers; men who to use their savings for old age, medical expenses, and household investment are more likely to borrow formally



Purpose for Borrowing

Similar to their reasons to save, a majority of formal female borrowers are looking to buy/invest in land or their homes. However, the majority of consumers borrow informally, no matter their reason for borrowing



Credit Source

Respondents take out largest loans from the government, mortgage banks, and MFIs. Women take out larger loans from mobile money operators, as compared to men

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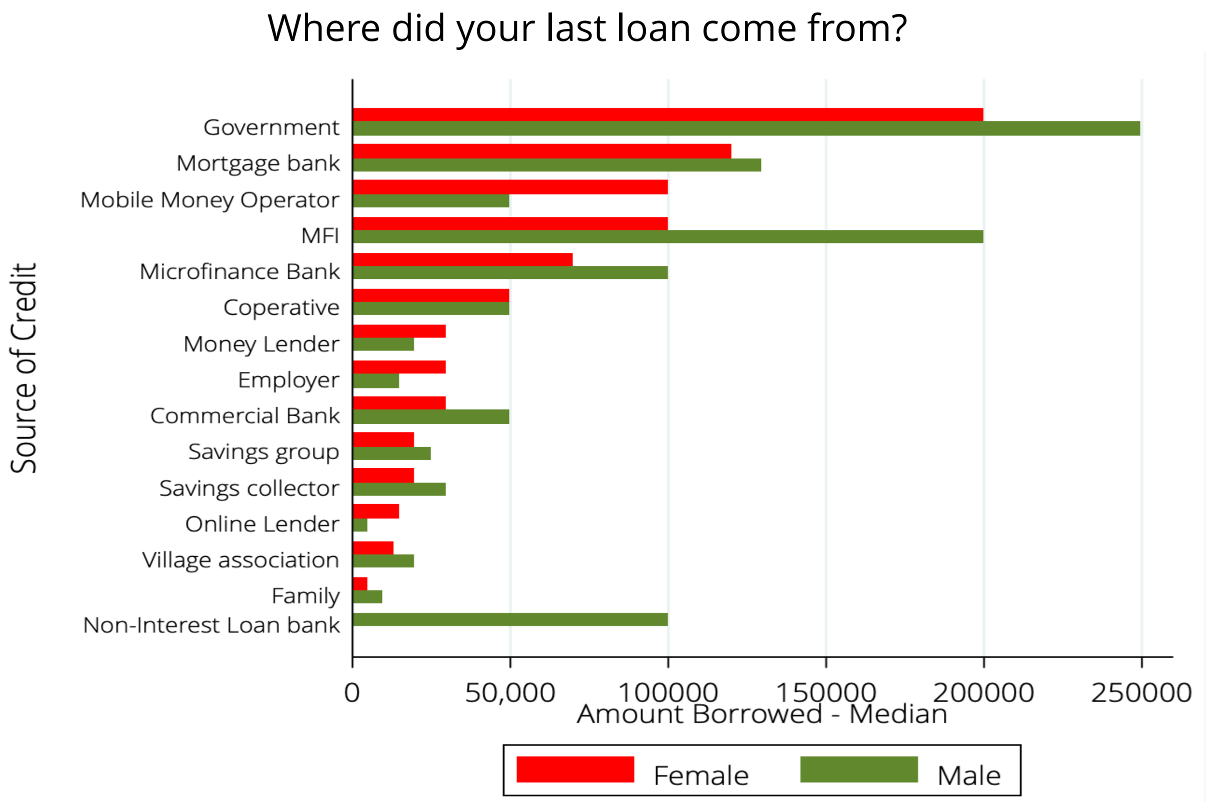
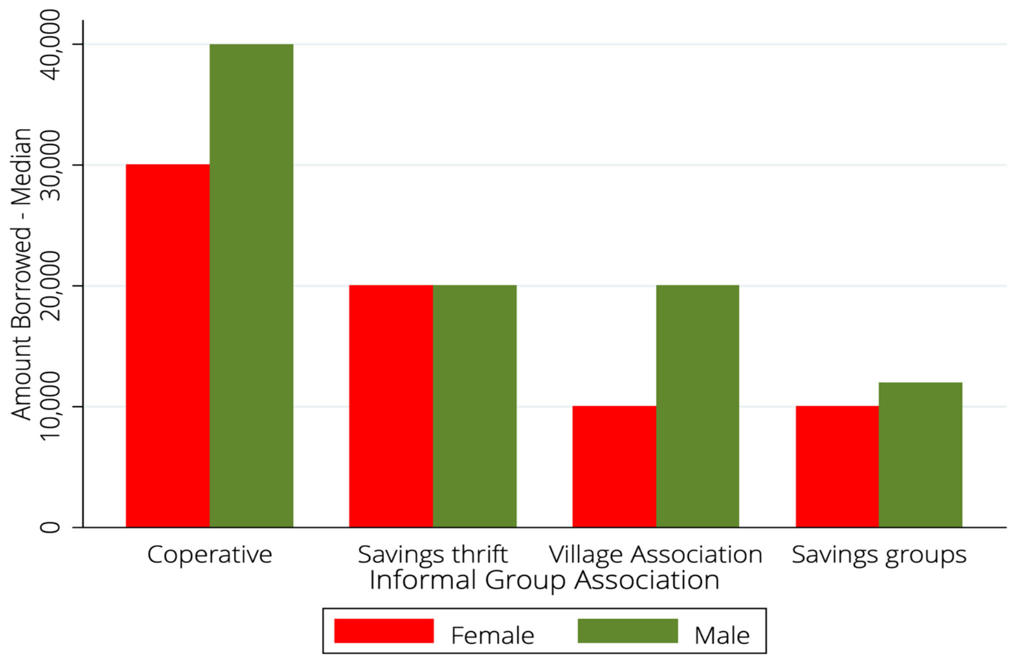


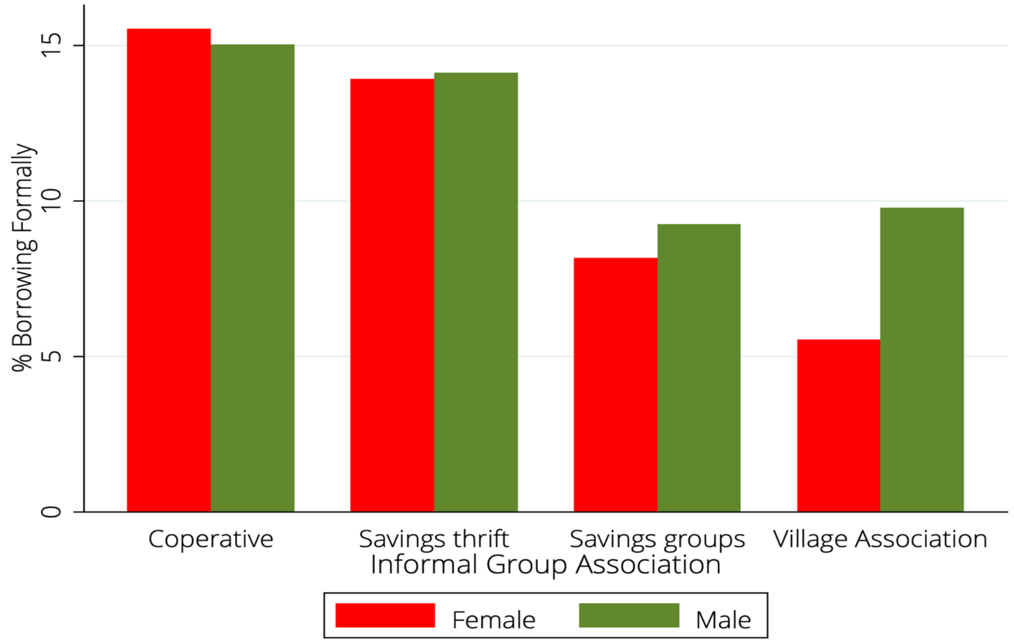
Data Source: EFInA Access to Finance Survey, 2020

Group Membership

Cooperative members are most likely to take out formal loans, and in higher amounts

Are you a member of any group or community organization?



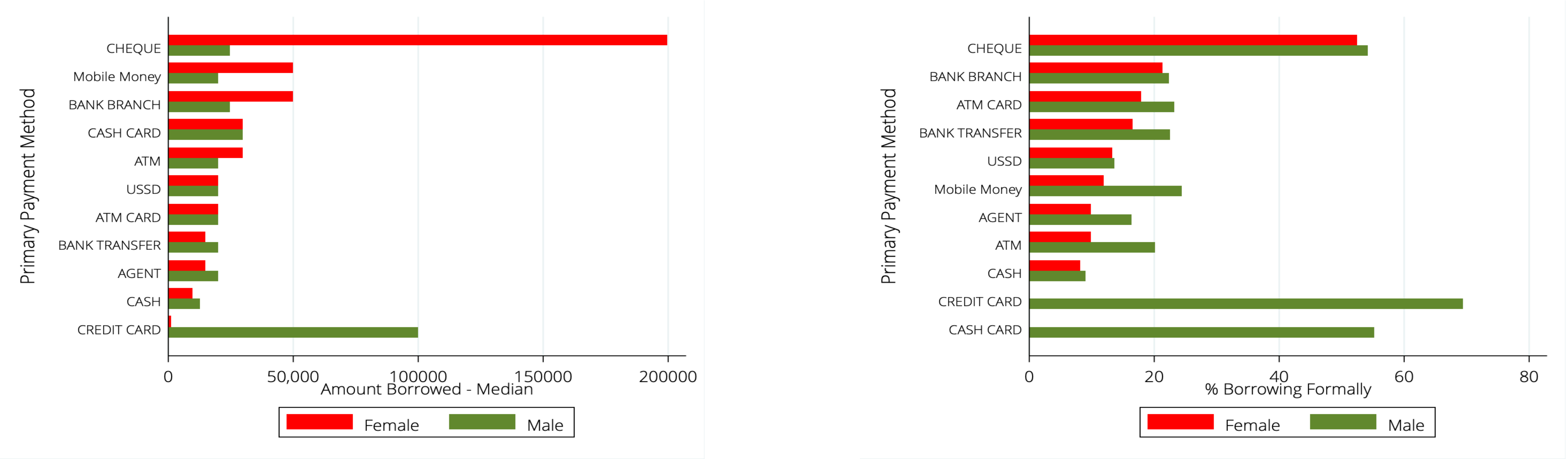


Payments

Women who use checks as their primary payment method borrow more formally, and in amount as compared to their male counterparts and all other women. Female mobile money users also borrow higher amounts than their male counterparts

.

How do you make most of your payments?



VII. Conclusions

Key takeaway #1: About 55 percent of adult Nigerians—men and women—do not borrow at all. Only 3 percent borrow formally.

The Access to Finance data demonstrates that most adult Nigerians borrow when they:

- Trust the provider
- Feel they have the right qualifications to borrow
- Can easily access loans
- Identify a significant need

This suggests that there could be a disconnect between the **perception of loan products and products in-market**.

Framework for Advancing Women's Financial Inclusion Goals:
1. Measures to Support Account Opening
3. Deliver Channels to Serve Women
5. Enabling Environment Required to Enhance

What can financial service providers do to overcome this norm of non-borrowing?

Improve trust. The data demonstrates that the most common reason for borrowing from an informal source is because they can trust that source with their money. Improving trust can look like expanding the agent network so there are more face-to-face interactions between the FSP and consumer; or, improving the ease and transparency of transactions. Improving trust also requires efforts from the financial services provider to raise awareness of the availability and functions of credit products.

Instill flexible loan requirements. Loan requirements can exclude low-income populations from accessing formal credit. For example, many survey respondents cited not having collateral as a reason for preferring informal credit. However, many banks now accept movable collateral following the National Collateral Registry Initiative. This will allow more MSMEs to access necessary finance.

Market consumer credit. The A2F data suggests that respondents borrow large amounts of credit from formal sources only. This may perpetuate the perception that borrowing is only available for large investments. By marketing consumer credit as a way to **smooth consumption and increase resilience**, people may become more aware of the suite of credit products available.

Key takeaway #2: Young women are a promising consumer segment to invest in

The CreditRegistry data demonstrates that women aged 18-25 at the time of registration were more likely than their male counterparts to:

- Have an active account
- Make credit enquiries
- Have an account in good standing

They are also likely to have commensurate SMARTScores as men in the same age group. This suggests that this segment is **financially savvy, responsible, and interested in credit**.

Framework for Advancing Women's Financial Inclusion Goals:
1. Measures to Support Account Opening
2. Financial & Digital Literacy
3. Deliver Channels to Serve Women
5. Enabling Environment Required to Enhance

What can financial service providers do to invest in these women, and encourage them to be more financially successful?

Young women are interested in borrowing and make responsible repayment decisions. While they are young and accumulating capital, they may benefit from programs that offer **financial advising.** Results from the A2F data suggest that women also value providers that can provide them with education and information.

Young women may not yet have financial responsibility over others. Helping women with **financial planning** and offering them tools for **labeled investments, savings, and credit**, can financially prepare them for future educational, household, and personal and business expenses.

The sample of young women in data is small but they have demonstrated high potential. Encourage good behavior by working with **older girls and teens** to begin savings with programs that match funds while in school and loan products to young women that offer 0% or low-interest rates when paid off on time. Such programs can instill financial acumen, an entrepreneurial mindset and comfort and trust in financial services.

Key takeaway #3: 98 percent of Nigerian women are left out of formal credit markets

The Access to Finance data demonstrates that most women do not use or have access to formal credit markets. In particular, the segments that are the most excluded are women:

- In rural areas
- With low levels of education
- Less decision making power
- No identifiable need for formal credit (need small amounts)

This suggests that this segment will require **more concerted effort to target**.

Framework for Advancing Women's Financial Inclusion Goals:
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5. Enabling Environment Required to Enhance
7. DFS and Fin-tech solutions

What can financial service providers do to target these women and provide them with services that meet their needs?

Work with community groups, such as cooperatives, savings, and village associations to provide women with information on credit products. Women cite trust being one of the highest reasons for not using formal credit. But, women in a community organization is more likely to use formal credit. This could suggest a peer effect; if her friends use credit, she might too.

Provide smaller and more flexible loans. The majority of women turn to informal sources when they want to borrow small amounts—for food, travel, daily expenses. Formal banks are reserved for higher cost items. However, providing women with smaller loans can help build their credit history, making it easier for them to apply for higher value loans when they need to.

Look at **users of other financial services.** Women that are comfortable with technology and financial services are more likely to seek credit. Women with mobile money accounts, for example, are familiar with savings and potentially with airtime borrowing. Marketing on those platforms can help women learn about credit products.

Key takeaway #4: Gender norms and household dynamics can shape women's access to finance

Framework for Advancing Women's Financial Inclusion Goals:
1. Measures to Support Account Opening
3. Deliver Channels to Serve Women
4. Systems of Gender Disaggregated Data
5. Enabling Environment Required to Enhance

The CreditRegistry data demonstrates that value and insights can be derived from documenting gender differences in loan information. Such insights can impact business strategy in formal financial services to increase access to credit. The Access to Finance data suggests that traditional gender roles and household dynamics can impact the way women use formal financial products, especially lending and credit:

- The largest value loans that women take out are to buy land or improve their homes. Men's largest value loans are to buy a house, pay bride prices, or purchase vehicles. This suggests that the association of women's work as "home-based" can extend into lending behavior.
- Yet, women report wanting to use credit most often for starting or expanding their business. However, these loans are more likely to be smaller and informal. This suggests perhaps that formal institutions provide formal services that align with preconceived notions of gender roles.
- Women in households where both spouses *jointly* make monetary decisions are more likely to take out higher value and formal loans.

This suggests that in areas where adherence to traditional social and gender norms is high, financial service providers should create products that are context aware and transformative.

What can financial service providers do to provide access to finance in the face of limiting social norms?

Establish seed capital funds. Overcoming the social norms related stigma of borrowing can start by calling it something new. By establishing small value seed capital funds, financial institutions can market their services as investment. Return on investment for seed capital funds are also typically less stringent than loans. Capital funds can also encourage a close working relationship between the lender and the borrower, which may increase trust in formal financial institutions.

Target loans to households, not individuals. Evidence from India suggests that in areas where gender norms limit women's ability to access credit, marketing loans and services to households can increase uptake, since men often have the final say over monetary decisions. This outreach could look like emphasizing joint loan products, or campaigns that show women's access to credit is directly linked to household productivity. This approach can help sensitize women to credit products and encourage joint decision making.

Document the gender differences in loan approvals. Are there certain loans that women are more likely to get approved or rejected for? Analyzing this type of gender-disaggregated data can help to reveal any implicit biases in the supply of formal financial services. Addressing supply-side biases in lending can look like gender-blind application processes, establishing lending quotas or alternative methods of credit-scoring for new borrowers.

Key takeaway #5: Analyzing gender disaggregated data can help breakdown the perception of women consumers as a monolith

The Access to Finance data demonstrates that women are not a monolithic segment. Women have different financial behaviors, preferences, and access. While some women are currently low users of formal financial services, the following demographics of women have the highest potential for market growth:

- Young women, especially entrepreneurs, in rural areas
- Women aged 18-30 with formal employment
- Women who are the head of their household

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How can financial service providers tap the potential of these demographics?

Create entrepreneurship training programs for young women in rural areas. The CreditRegistry data shows that young women, once given access to formal financial products, are responsible and savvy with their money. Providing aspiring entrepreneurs with resources to start and grow their businesses can create a new base of new and eager consumers.

Provide clear incentives to large employers to deposit wages into formal accounts. The data suggests that women who have access to formal financial products such as savings accounts, are more likely to start borrowing. Working with employers to start implementing direct deposit programs can extend financial services to the previously unbanked and encourage more active use of accounts.

Collect new and analyze existing gender disaggregated data. When onboarding new clients, formal service providers should collect and validate gender disaggregated data. FSPs can also use pre-existing data like the Access to Finance and CreditRegistry datasets to dive deeper into the demographic characteristics of the regions in which they operate. If certain regions are identified as having higher rates of joint or female-led decision making, these may be easy-to-target areas for expanding or designing new products.

How should financial service providers design products “for women”?

What gender-centric design is:	What gender-centric design isn’t:
Design and delivery changes that address women’s demand-side constraints (ie. literacy, distance from urban centers, decision-making power) Products that meet women’s financial needs (ie. flexible loan periods, no fee accounts)	“Pink-washing” products to make them appeal superficially to women (ie. replicating products and making aesthetic changes) Products that reinforce traditional gender norms

Elements of gender-centric design:

1. Market research and segmentation analysis: Like most product development strategies, creating gender-centric products requires conducting thorough market research. Institutions should identify: 1) why women aren’t using currently available products (supply and demand side constraints), and 2) features women value when deciding to use a new product or service. See: A Data-Driven Path to Women’s Financial Inclusion: Insights from Financial Service Providers (Data2x and the UN Foundation 2020)

2. Test and refine: A/B testing and small-scale pilots allow institutions to test out different design and delivery features before launching a product.

3. Targeting and rollout: When a product is ready to go to market, institutions may need to take concerted action to ensure their target population is aware of and registering for the product, and has access to help during the onboarding process. This could include deploying agents to help with onboarding or working with women’s groups to pilot a product.

4. Monitoring and Evaluation: Collecting and analyzing gender-disaggregated administrative data can help provide valuable information about trends in product usage. Administrative data should be supplemented with data on consumer experience (collected through redress channels or surveys) to address and resolve any challenges. See: Gender Performance Indicators 2.0: How Well Are We Serving Women? (Women’s World Banking 2015)

Considerations for Future Research

Government institutions, non-profits or financial service providers that are looking to conduct similar market research to the one conducted in this report may wish to consider the following:

- While this report provides commentary on the trends in the Nigerian lending and credit market, it cannot provide robust insights into the causes driving these trends. For example, women aged 18-25 in the CreditRegistry database have healthier financial behaviors than their male counterparts, but it is not clear *why*.* To answer the “why,” researchers may consider surveying the specific population of interest to measure the differences in their specific financial behaviors. Survey data can be helpful in answering the "why" questions that cannot always be answered by analysis of administrative data. For example, survey data can help unpack the barriers faced by women in older segments and how younger women are overcoming these barriers.
- This report conducts a gender disaggregated analysis and further segments the adult Nigerian population by indicators like age, urbanity, income, and preference for (in)formal products. Further segmentation analysis of survey data by geography can be useful to anticipate the challenges of expanding product availability.
- Researchers may wish to understand consumer experiences with specific product offerings. To achieve this, researchers can collect and analyze gender-disaggregated administrative data associated with specific products or providers. Qualitative data can be used to supplement this, and identify which features work for the target population.

**Note*: while the A2F survey does ask “why” questions, sample differences prevented us from using insights from the A2F data to explain trends in the CreditRegistry data.*

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