**FINANCIAL INCLUSION IN NIGERIA — THE RISE OF MICROFINANCE & FINTECH BANKING**

**Executive Summary**

In collaboration with the Central Bank of Nigeria (CBN) and a global development finance agency, FinTrack Analytics conducted a data-driven comparative study to assess the role of microfinance and fintech banks in advancing financial inclusion across Nigeria. With 28.8 million Adults in Nigeria still unbanked as of 2023, the project sought to understand how digital platforms and legacy financial institutions are serving different regions, demographics, and financial needs.

The analysis utilized a structured, multi-table dataset of 60,000 transaction records spanning a two-year period, covering customer demographics, banking behavior, and transaction distribution across three bank types: Fintech-driven Microfinance Banks (Fintech MFBs) e.g. Opay, Palmpay, Kuda etc., Legacy Microfinance Banks (Legacy MFBs) e.g. LAPO, Accion microfinance bank etc. and Traditional Banks (Commercial Banks) e.g. Zenith, First bank, GTB etc.

Key findings revealed that while Traditional Banks still lead in overall usage and cumulative transaction value (#514B), Fintech MFBs are rapidly expanding their reach—particularly in underserved rural communities. States like Oyo and Rivers showed high adoption of Fintech MFBs, while FCT and Rivers had the most Traditional Bank users. Traditional Banks also processed the highest volume of low-value transactions and had the highest average number of transactions per user. However, Fintech MFBs closely followed and demonstrated strong loan repayment rates (95.6%) and disbursement patterns comparable to traditional banks.

Interestingly, despite persistent trust concerns, users across all age groups are increasingly adopting Fintech MFBs, often alongside their traditional banking services. Legacy MFBs maintained a strong niche in micro-lending, with a 103.8% repayment rate and the highest average disbursement size.

This study highlights the ongoing transformation within Nigeria’s financial sector and the evolving role of digital banking platforms in bridging inclusion gaps. While Traditional Banks remain dominant, Fintech MFBs are proving instrumental in extending services to previously unreached populations, offering valuable insights for policy and product design aimed at deepening financial access nationwide.

**INTRODUCTION**

**Background**

In collaboration with the Central Bank of Nigeria (CBN) and a global development finance agency, FinTrack Analytics undertook a comprehensive data-driven study to evaluate how microfinance and fintech banking platforms are contributing to the financial inclusion across Nigeria. This project focused on exploring and analyzing usage, transaction behavior, accessibility and profitability across the different types of banks.

**Context**

As of 2023, 28.8 million Adults in Nigeria remain unbanked. Platforms like Moniepoint and OPay have deployed agent networks in rural communities, previously untouched by traditional banks. PalmPay and Kuda are enabling millions to transact without ever entering a physical branch. However, challenges around data integrity, low trust, loan defaults, and regional disparity remain.

**Objectives**

The objective is to answer key questions across multiple focus area:

1. Adoption & Reach

* What regions have the highest numbers of fintech bank users vs traditional bank users?

1. Usage Patterns

* What is the average number of transactions per user per bank type?
* Which bank types are processing more low-value high-frequency transactions?
* Are fintech banks more used for transfers while traditional banks focus on deposits/withdrawals?

1. Demographic Behavior

* What bank types are more used by each age group?

1. Loan Trends

* What is the loan repayment rate among fintech MFBs compared to Legacy MFBs and traditional banks?
* What is the average disbursement size and frequency across bank types?

1. Profitability

* Which bank type brings higher cumulative transaction value?

**BANK TYPE OVERVIEW**

**Fintech-Driven Microfinance Banks** (e.g., OPay, Moniepoint):

* Definition: These are microfinance banks that utilize technology to provide financial services, often through mobile platforms and digital channels. They aim to serve the underserved and unbanked populations, offering a range of services like mobile money transfers, loans, and payments.
* Key Features:
  + Digital-first approach: Primary focus on online and mobile platforms.
  + Faster and more convenient services: Offer quicker transactions and access to financial products.
  + Wider reach: Can serve a larger geographic area with fewer physical branches.

**Legacy Microfinance Banks** (e.g., LAPO, Accion):

* Definition: These are traditional microfinance banks that primarily operate through physical branches and have been serving low-income individuals and small businesses for a longer period.
* Key Features:
  + Branch-based operations: Rely on physical locations to serve clients.
  + Established network: Have a long-standing presence and customer base.
  + Focus on lending: Often specialize in providing microloans and other credit products.

**Commercial Banks** (e.g., GTBank, Access):

* Definition: These are large financial institutions that offer a wide range of banking services to both individuals and businesses. They are typically regulated by central banks and are authorized to accept deposits and make loans.
* Key Features:
  + Broad service offerings: Provide a diverse array of products, including savings accounts, checking accounts, loans, credit cards, and investment services.
  + Large customer base: Serve both individual and corporate clients.
  + Widespread network: Have a network of branches and ATMs across the country.

**METHODOLOGY**

**Dataset Overview**

The analysis was based on a structured, multi-table excel dataset, comprising 60,000 rows of transactional data. The dataset included;

* **Branches Table:** 60+ bank branches classified by region and bank type (Fintech MFB, Legacy MFB and Traditional Bank)
* **Customers Table:** 25,000 individual customer records with demographics (age, gender, occupation, region)
* **Transactions Table:** 60,000 transaction records (deposits, withdrawals, transfers, loans) from a two-year period.

**Data Cleaning**

The dataset was cleaned mainly in excel. It then was cleaned and organized by removing duplicates, handling missing values, grouping the ages, and ensuring proper formatting of key variables (e.g. transaction type). After the importation of the dataset into mysql database, sql query was written to create a column and group amounts #50,000 and below as low-value otherwise high-value for easy analysis.

**Data Analysis**

* Developed a series of SQL queries to calculate regions with highest numbers of bank type users, average number of transactions per user per bank type, bank types that process more low-value transactions, the transaction type (transfer, deposit, withdrawal) bank types are more used for, the bank type more used by each age group, loan repayment rate among bank types, average disbursement size and frequency across bank types, and cumulative transaction value of each bank type.
* Used Aggregate functions (e.g., SUM, AVG, COUNT) to calculate key statistics such as cumulative transaction value, average number of transactions per user, number of users etc.
* Applied JOIN operation to merge tables and getting more accurate data, combining transaction table with customer table and branch table.
* Filtered and grouped data using WHERE and GROUP BY clauses to focus on specific metrics of interest.

**RESULTS**

1. **Geographical Reach:** Oyo State and Rivers State have the have the highest number of fintech MFBs users (4,454 and 3,700 users respectively), while the FCT Abuja and Rivers State have the highest number of traditional bank users (6,718 and 6,063 users respectively).
2. **Usage Frequency:** Legacy MFBs has an average of 1.2 number of transactions per user, Fintech MFBs has an average of 1.5 number of transactions per user and Traditional Banks has an average of 1.6 number of transactions per user.
3. **Low-Value Transaction Frequency:** Traditional Banks processed 23,762 low-value (#50,000 below) transactions, Fintech MFB processed 19,999 low-value transactions while Legacy MFB processed 10,851 low-value transactions.
4. **Transaction Type:** All the bank types had more deposit transaction records with Traditional Banks having 8,554 deposit records, Fintech MFBs having 7,291 deposit records and Legacy MFBs having 4,006 deposit records.
5. **Demographic Trend:** All age groups uses Traditional Banks the most but also uses Fintech MFBs almost as much as Traditional Banks.
6. **Loan Performance:** Fintech MFBs had 95.6% loan repayment rate having paid 3,580 of 3,743 total disbursed loans, Traditional Banks had 99.4% loan repayment rate having paid 4,336 of 4,361 total disbursed loans and Legacy MFBs (known for focusing more on loan niche) had 103.8% loan repayment having paid 1,954 of 1,883 total disbursed loans (perhaps some of the users paid their loan more than once or in installments)
7. **Loan Disbursement:** Legacy MFBs had an average disbursement size of #20,316 and an average disbursement frequency of 1.04, Fintech MFBs had an average disbursement size of #20,249 and an average disbursement frequency of 1.09 while Traditional Banks had an average disbursement size of #19,247 and an average disbursement frequency of 1.08.
8. **Transaction Value:** Traditional Banks had a cumulative transaction value of #514billion, Fintech MFBs generated a cumulative transaction value of #439billion while Legacy MFBs generated a cumulative transaction value of #237billion.

**OBSERVATIONS AND LIMITATION**

**Observations**

1. Fintech MFBs are rapidly expanding into underserved regions, especially rural communities where Traditional Banks have limited reach. Despite being newer players, their growing branch presence and digital-first approach are accelerating their network coverage.
2. Across the two-year period, Fintech MFBs have shown consistent improvement in user engagement, transaction volume, and loan performance thereby gradually closing the gap with Traditional Banks in terms of functionality and trust.
3. User behavior reflects a shift in perception: While Traditional Banks remain dominant among all age groups, there is a visible pattern of users across all age groups increasingly adopting Fintech MFBs, often alongside their traditional banking services, indicating increasing trust.
4. Loan repayment and disbursement metrics suggest that Legacy MFBs, although niche-focused, are maintaining strong financial discipline, while Fintech MFBs are adapting well and gaining credibility.

**Limitation**

The dataset used is synthetic, and was generated using ChatGPT for educational purposes. This project is a portfolio piece to demonstrate data analysis capabilities, not a representation of real financial data.