CRC Credit Bureau Limited
In association with Dun & Bradstreet

CRC Credit Watch

A Publication of CRC Credit Bureau

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Overview:

- Commercial banks dominate the lending landscape for both consumer and corporate loan value.
- Over 133 million Nigerians are multidimensionally poor, driving increased credit dependency amid high living costs and currency depreciation.
- The average consumer loan is valued at about ₦136,000 ($89), while an average corporate loan is ₦43.7 million ($28,473).
- Consumer loan represent 96% of total number of loans and 7% of value of loans
- 89% of overdue consumer loans fall within 1–90 days, meaning many borrowers may still recover with early intervention.
- Term loans made up 46% of corporate loan value, reflecting long-term investment needs.
- 63% of loans were taken by males, while females accounted for 37%.

NOTES

The analysis contained in this document is based on credit data provided to CRC Credit Bureau for the period ended 28th February 2025 by one thousand three hundred and ninety-three (1,393) institutions, comprising twenty-eight (28) commercial banks, one thousand one hundred and thirty-six (1,136) micro lenders, seven (7) merchant banks, and two hundred and twenty-one (221) other institutions.

- All monetary values are presented in their naira equivalent to facilitate representation of aggregated data.
- Consumer is used to represent individuals/persons
- Corporates represents non individual entities e.g corporate organizations and registered entities including government.

Abbreviations and Acronyms

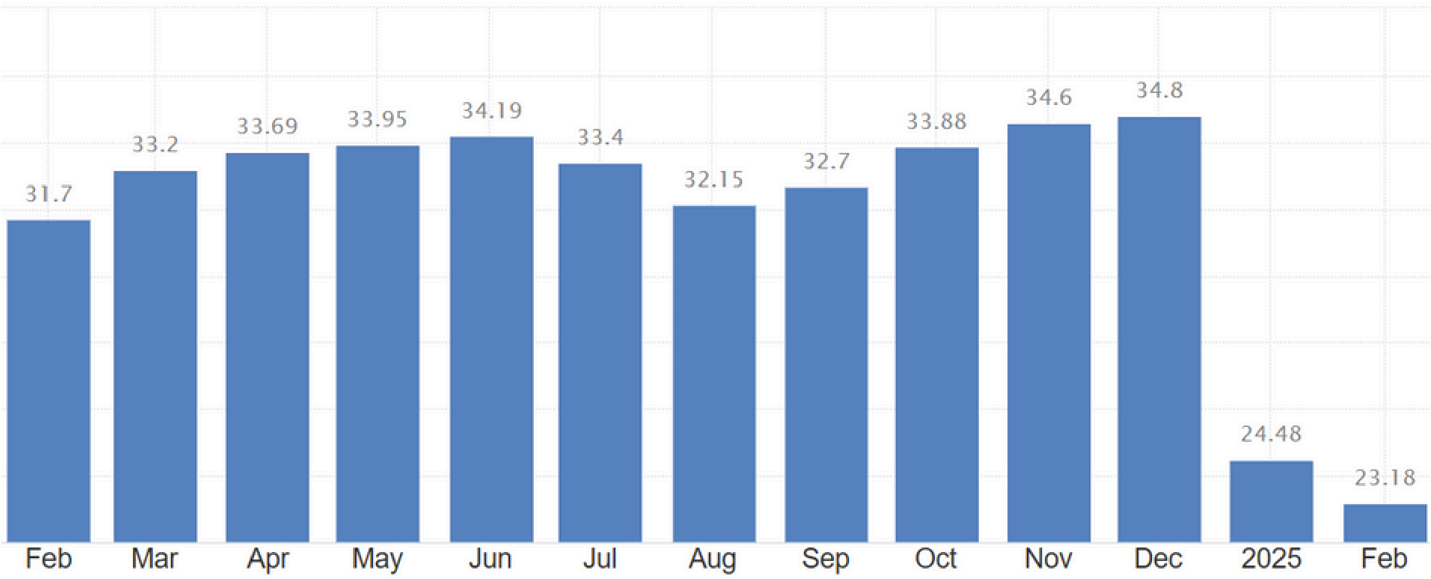
- Federal Competition and Consumer Protection Commission (FCCPC)
- Central Bank of Nigeria (CBN)
- Nigerian Consumer Credit Corporation (CREDICORP)
- National Financial Inclusion Strategy (NFIS)
- National Bureau of Statistics (NBS)
- Economic Recovery and Growth Plan (ERGP)
- Federal Mortgage Bank of Nigeria (FMBN)
- National Development Plan (NDP)
- Monetary Policy Rate (MPR)
- Nigeria Youth Investment Fund (NYIF)
- Non-performing Loan (NPL)
- International Monetary Fund (IMF)
- Fast-Moving Consumer Goods (FMCG)
- Loan-to-Deposit Ratio (LDR)
- Consumer Price Index (CPI)

MACROECONOMIC ENVIRONMENT

Macroeconomic Environment

Nigeria's inflation rate fell to 23.18% in February 2025 from 31.7% recorded in February 2024, with food inflation falling from 37.92% to 23.51% year-on-year. Despite the decline, the depreciation of the naira's value could also contribute to the rising cost of goods and services, significantly eroding household purchasing power, leaving many families struggling to meet daily needs.

Inflation (Feb 2024 - Feb 2025)



Source: tradingeconomics.com | National Bureau of Statistics, Nigeria

According to Worldometer, Nigeria has a population of about 237.5 million, making it the most populous country in Africa and sixth in the world. This large population creates a vast market for consumer loans. The National Bureau of Statistics (2022 Multidimensional Poverty Index) estimated approximately 133 million Nigerians are multidimensionally poor; the rising cost of living has further worsened the financial hardships, prompting more individuals to resort to borrowing as a coping mechanism. The total number of approved digital lenders in Nigeria has surged by 64 percent since April 2023, reflecting the growing credit appetite of Nigerians facing weaker purchasing power and higher prices.

Macroeconomic Environment

The Federal Competition and Consumer Protection Commission (FCCPC) registers digital lenders under a 'Limited Interim Regulatory/Registration Framework and Guidelines for Digital Lending 2022,' which governs the digital lending space and ensures that the FCCPC registration and approval are prerequisites for companies seeking to operate. The FCCPC has two approval categories for lenders: full approval and conditional approval. By September 2024, the number of fully approved lenders grew to 269 from 119 in April 2023, while conditional approvals decreased to 42 during the same period. Additionally, 11 lenders on the FCCPC's list were approved directly by the CBN. The growth in the population of digital lenders coincides with the growing demand for personal loans. According to the CBN quarterly economic reports, consumer credit outstanding in Nigeria rose by 11.06 per cent to N4.72 trillion in December 2024, from N4.25 trillion in September 2024.

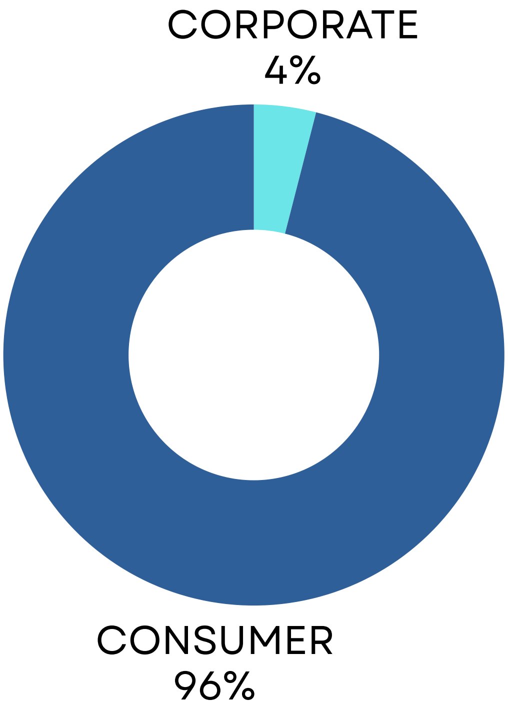
The CBN has been implementing policies aimed at improving financial inclusion, particularly among individuals. Initiatives like the Nigerian Consumer Credit Corporation (CREDICORP) have aimed to increase access to credit for consumers, further expanding the customer base for consumer loans. Despite the larger customer base for consumer loans, economic factors can affect individuals' ability to repay loans, which in turn can impact the stability of consumer lending.

According to available estimates, Nigeria's total credit activity in 2024 represented by ₦7.82 trillion, accounted for approximately 2.38% of the country's total GDP in 2024. This estimate is based on Nigeria's nominal GDP of $252.7 billion and an average 2024 exchange rate of ₦1,300 to $1. This figure underscores the relatively low but growing impact of credit within the Nigerian economy. Despite increased lending activities, Nigeria's credit-to-GDP ratio remains significantly lower than that of comparable emerging economies signaling untapped potential in financial intermediation and access to credit.

LOAN COVERAGE

Loan Coverage

TOTAL FACILITY COUNT



The Nigerian credit market consists of two major loan categories: consumer loans and corporate loans. Consumer loans cater to individuals seeking personal financing, while corporate loans are designed for businesses requiring significant capital for operations and expansion. The structure of this market highlights a clear distinction in loan volume and value between these two segments.

As of February 2025, the total loan value recorded in our repository stood at ₦89.69 trillion, with a total subject count of 48.5 million.

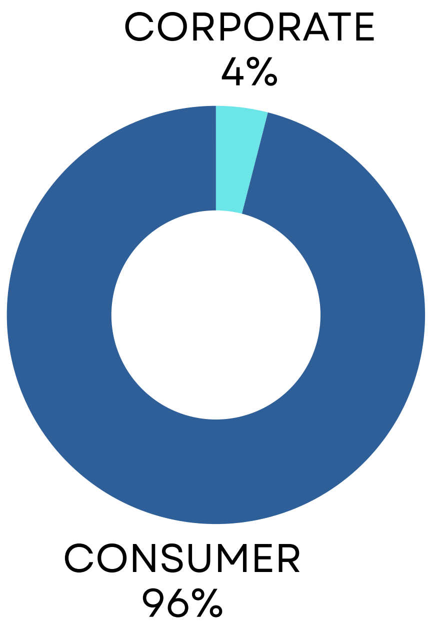
Consumer loans account for 96% of the total number of loans issued, reflecting the growing demand for personal financing to cover basic expenses like food, transportation, and healthcare. However, despite their dominance in loan count, consumer loans represent only 7% of total loan value, highlighting their typically low value compared to larger corporate loans. It is not surprising that the average loan value for a consumer is ₦136,000 compared to ₦43.7 million for commercial/corporate entities during the period. Despite constituting only 4% of the total loan count, corporate loans accounted for 93% of the total loan value.

Loan Coverage

Consumer loans have a significantly larger customer base, as they are designed for individual persons. These loans involve smaller amounts but a higher volume of transactions, with more standardized products to meet the diverse personal financial needs of the general population.

Consumer loan products in Nigeria include personal loans, car loans and home improvement loans. The accessibility of these products leads to a higher number of customers compared to the more complex and less accessible corporate financing options.

SUBJECT COUNT



Corporate loans have fewer loans issued due to the specific nature of business needs and the larger loan amounts involved. The target audience for corporate loans is limited to businesses, corporations, and specific sectors requiring significant capital. In contrast, consumer loans have a significantly higher number of loans issued, reflecting the vast number of individual consumers perhaps needing personal financing. The target audience for consumer loans is broad, encompassing the general population with diverse financial needs.

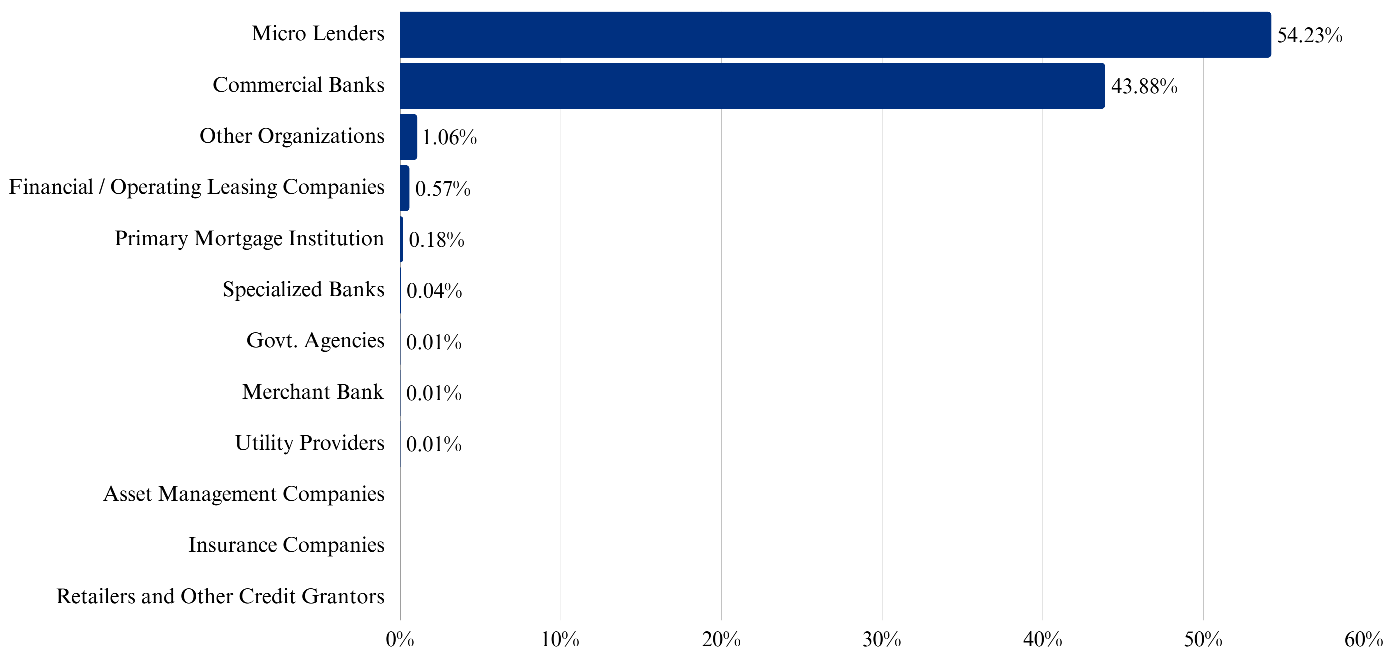
Loan Coverage

FACILITY COUNT BY SECTOR/INSTITUTION

Micro lenders hold a significant share of the loan facility count (54.23%). This dominance reflects the success of microfinance institutions (MFIs) in addressing the needs of underserved communities, particularly low-income earners, MSMEs, and individuals without access to traditional banking services.

The rise of micro lenders is heavily supported by the Nigerian government's National Financial Inclusion Strategy (NFIS), launched in 2012, which aimed to reduce financial exclusion from 46.3% in 2010 to 20% by 2020. Although this target was not fully achieved by 2020, subsequent initiatives by the Central Bank of Nigeria (CBN) led to a boost in the growth of microfinance banks by 2024. These policies targeted rural communities, entrepreneurs, and informal sector workers, where traditional banks had limited reach.

Total Facility Count per Sector



According to the National Bureau of Statistics (NBS), micro lenders disbursed 40% more loans to rural areas between 2023 and early 2024, further cementing their role in financial inclusion. Commercial banks trailed behind micro lenders in facility count, partly because they focus more on corporate clients than micro lenders.

Loan Coverage

This position was corroborated by the figures in our repository, which indicated that microlenders accounted for 54% of consumer loans compared with 46% by commercial banks and others.

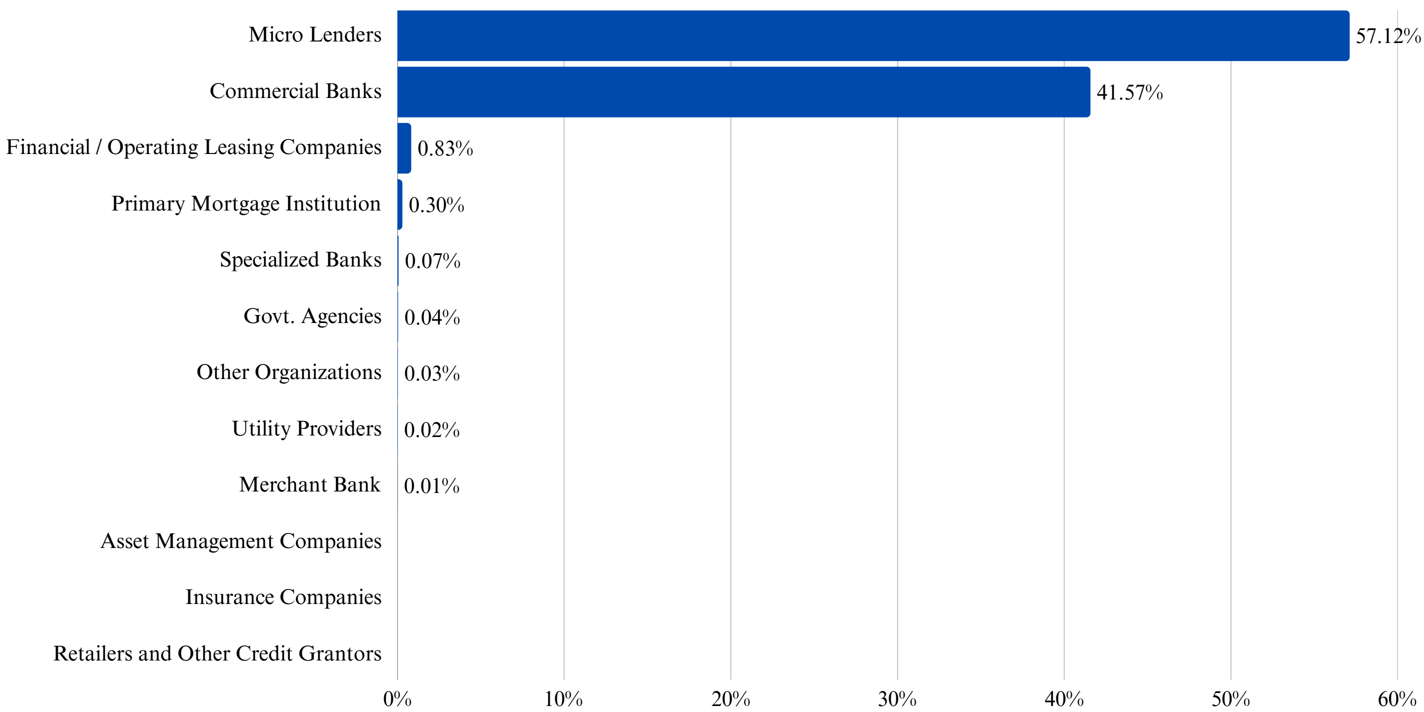
Commercial banks hold a lower facility count (43.88%) compared to microfinance institutions due to their focus on structured corporate and business loans. These loans are typically larger in value, have longer repayment periods, and have strict eligibility criteria, reducing the need for multiple small-scale loan facilities. Despite this, commercial banks remain key players in financing large-scale enterprises and driving economic growth.

Other categories, including Mortgage Institutions, Government Agencies, and Specialized Banks, account for a minimal share, cumulatively representing about 1.9% of total loan facilities. While they play important roles in targeted financing, they are not as prominent in mass lending as microfinance institutions and commercial banks

Loan Coverage

Despite economic challenges, commercial banks have remained strong in lending to both corporate and retail sectors, accounting for approximately 42% of the total subject count. A leading bank in the commercial banks sector strengthened its position through an aggressive expansion strategy and led the industry with over 5.5 million loan customers. Additionally, the Central Bank's cashless policy, along with the revitalized national payment system, has encouraged a growing number of individuals to open accounts with commercial banks.

TOTAL SUBJECT COUNT PER SECTOR



The Nigerian government's ERGP (Economic Recovery and Growth Plan: 2017–2024) is focused on stabilizing macroeconomic indicators, boosting economic diversification, and strengthening the financial sector. The ERGP emphasized improving access to credit, particularly for SMEs and individuals. This plan directly influenced the growth of major micro finance banks, which cater to small businesses and low-income borrowers.

Loan Coverage

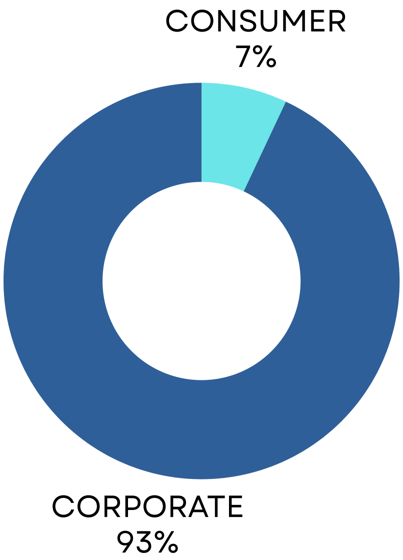
One of the major microfinance institutions in the microlenders sector has about 6 million loan customers. Its strong performance can be attributed to its focus on consumer loans and loans to nano, micro, small, and medium enterprises (NMSMEs) and its contributions to economic empowerment and financial inclusion, especially in underserved regions.

Other microfinance institutions reflect the growth of the microfinance sector in Nigeria. This sector has been instrumental in addressing financial exclusion, particularly among low-income individuals and small businesses.

Other categories, which include Mortgage Institutions, Government Agencies, and Insurance Companies, hold the lowest share of the subject counts (1.3%). This suggests that although these institutions play important roles, they are not as integrated into the mass credit and banking system as micro lenders and commercial banks. Mortgage lending remains underdeveloped in Nigeria due to high interest rates and challenges in securing long-term funding

Loan Coverage

LOAN VALUE



Corporate loans account for a massive 93% of the total loan value, while consumer loans make up only 7%. This analysis highlights the dominant role that corporate lending plays in Nigeria's credit ecosystem compared to individual borrowings.

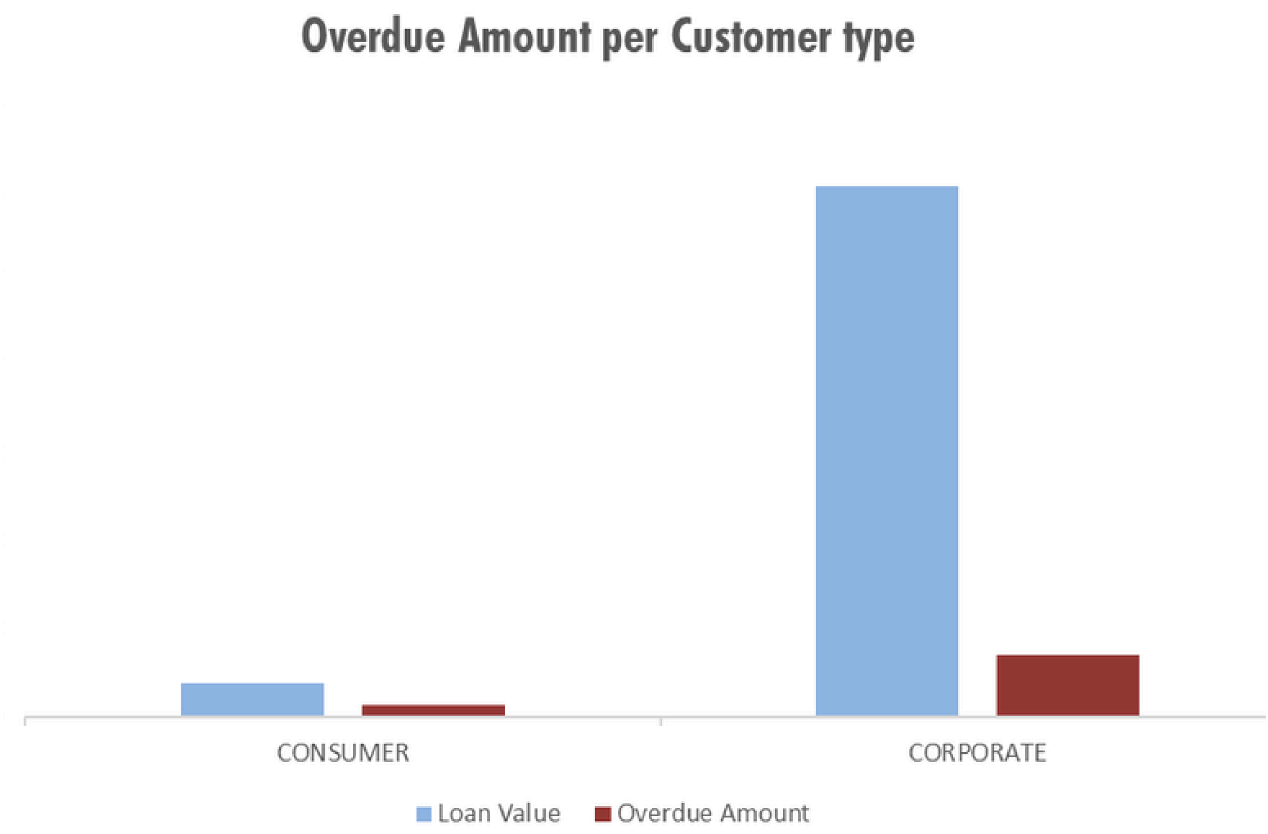
Corporate loans are typically tied to large-scale business activities, such as infrastructure projects, industrial investments, and multinational corporate operations. These require significant capital, leading to higher loan values. The dominance of corporate lending reflects the priority of banks and financial institutions in Nigeria towards supporting business growth, particularly in sectors like oil and gas, telecommunications, and manufacturing. Moreover, policies such as the CBN's Anchor Borrowers' Programme and other interventions aimed at supporting MSMEs and corporate entities in agriculture and industrial sectors further amplified corporate loan uptake.

The lower value of these loans reflects that they are often for smaller, more manageable sums for average consumers.

However, systemic issues like high lending rates, limited access to formal credit for the unbanked population, and economic hardships (such as rising living costs) meant that consumers were generally more risk-averse in taking loans.

LOAN PERFORMANCE OVERVIEW

Loan Performance Overview



Loan performance trends highlight a clear divide between consumer and corporate lending. Since corporate loans account for a much larger portion of total loan value, it is expected that overdue balances from corporate lending will also be significant.

While corporate entities have larger outstanding overdue balances, consumer loans show a higher frequency of overdue cases relative to their total loan count. This means that although businesses carry greater loan burdens in terms of naira value, a higher percentage of individual borrowers are struggling with repayments.

The reasons behind overdue loans in each segment differ significantly. Corporate loans are typically used for large-scale projects such as business expansion, infrastructure development, and capital expenditures. When corporate loans enter default, it is often due to broader financial challenges, such as economic downturns or disruptions in key sectors like oil and gas, construction, and telecommunications. For example, fluctuating oil prices or sudden regulatory changes can significantly impact business cash flows, leading to loan delinquencies.

Loan Performance Overview

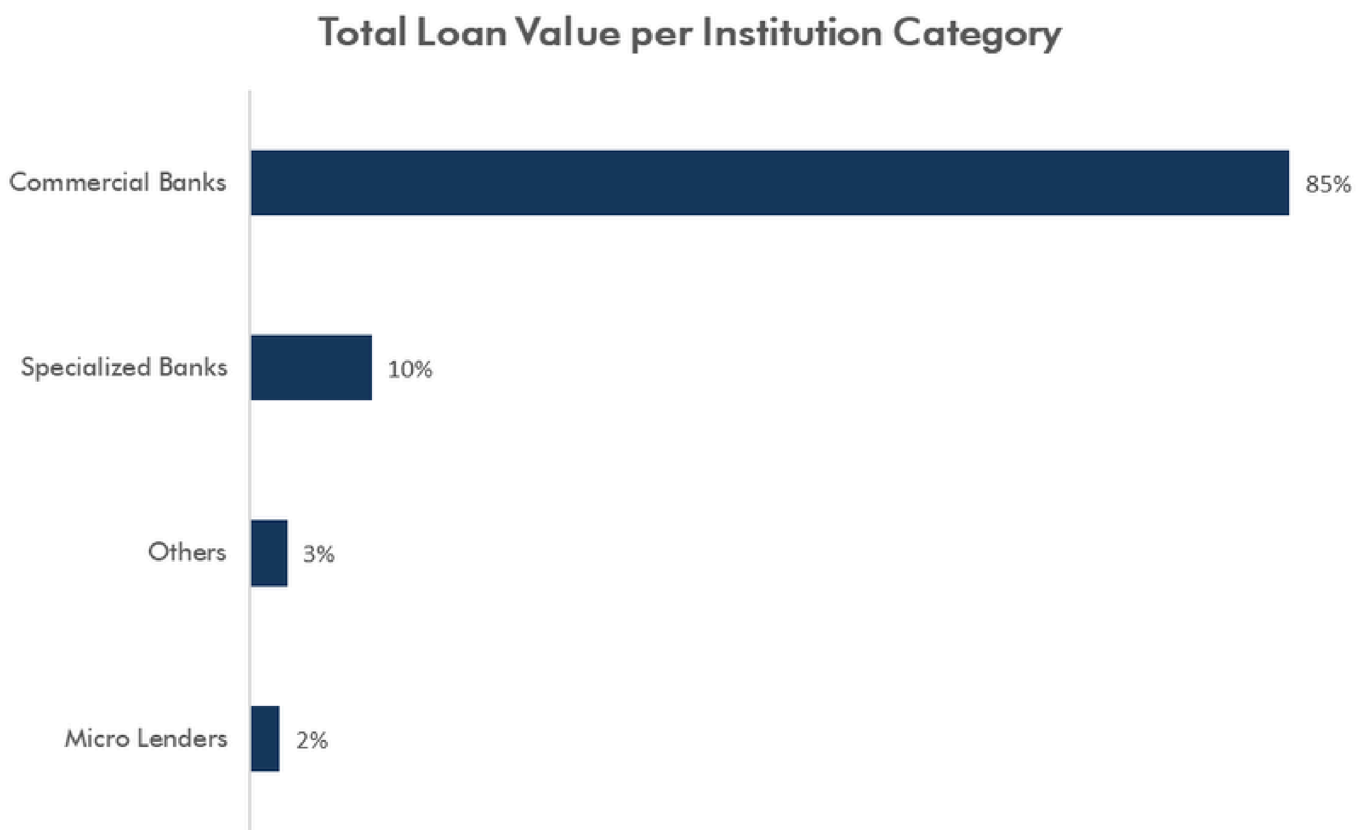
On the consumer side, smaller loans like personal loans, salary loan and other loans make up the bulk of credit. High overdue rates for consumer loans suggest that individuals are struggling to meet their obligations, as economic pressures mount, consumers find it harder to keep up with loan repayments, leading to a higher frequency of overdue loans

Nigeria's banking industry, which dominates the financial system, remains resilient despite external and domestic shocks. Research shows that most overdue loans (in terms of loan count) are in the early-stage delinquency category (1-90 days). For example, a study by the Federal Reserve Bank found that, in the U.S. for the consumer credit sector, around 75-90% of overdue loans are in the 1-90 day category. The majority of these loans are expected to return to good standing, as borrowers may temporarily fall behind but typically catch up on payments within this timeframe. Our data, which shows 89% of the loan count in the 1-90 days bracket, is consistent with this trend, suggesting that a high percentage of overdue accounts are at a relatively lower risk of long-term default, especially if appropriate collection actions are taken early.

Loan Analysis

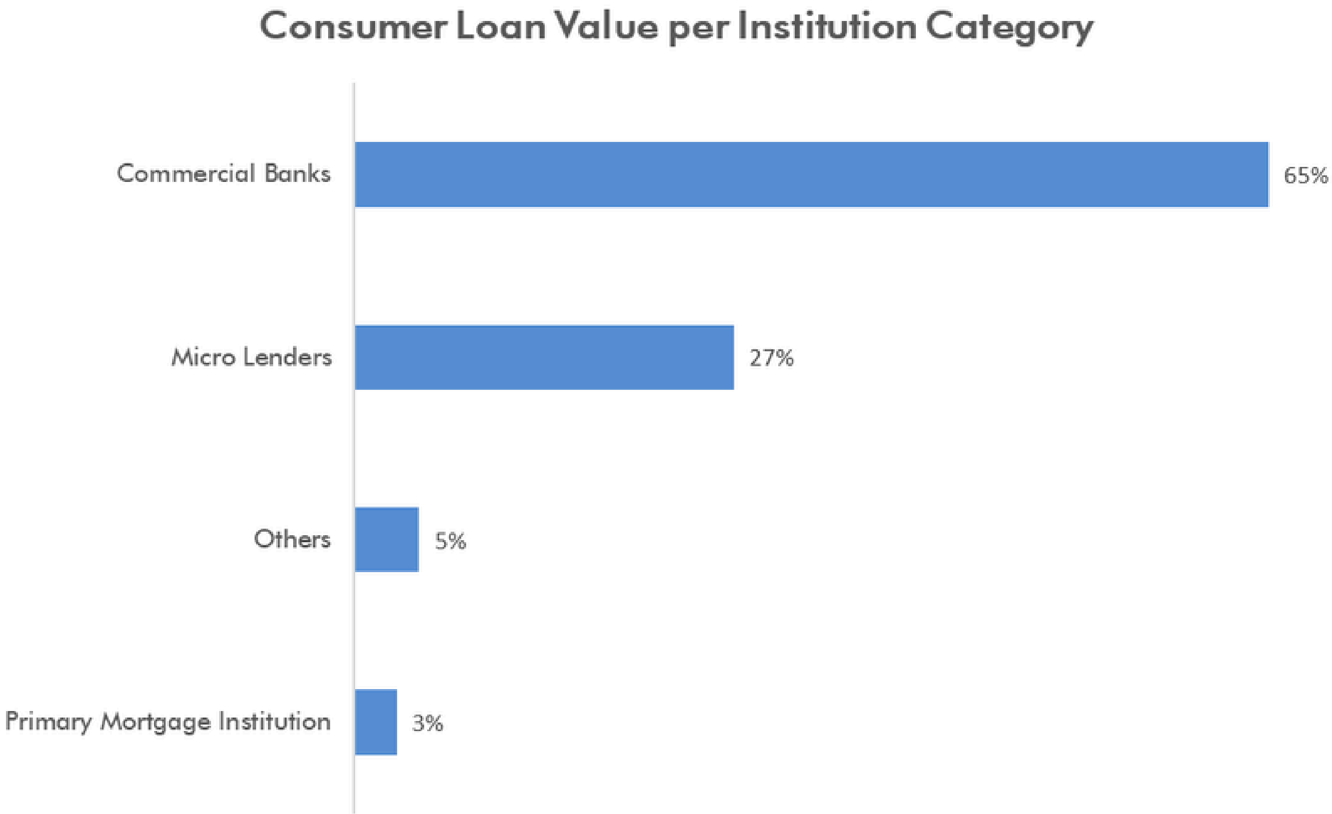
Loan Analysis

Commercial Banks dominate the lending landscape for both consumer and corporate loans. accounting for 85% of total count. Micro Lenders are popular among lower-income groups due to their speed and accessibility, representing only 2% of total loan disbursements by value. This small share belies the sheer volume of transactions these institutions process on a daily basis. Fintech-driven platforms have penetrated Nigeria's consumer credit market, offering short-term, unsecured loans through mobile applications. Their operational models rely on alternative data sources for providing credit access to users traditionally excluded from the formal banking system.



Recent reports indicate that top Nigerian banks have expanded their lending portfolios, driven by the Central Bank of Nigeria's (CBN) mandate and market demands.

Loan Analysis



This distribution is deeply reflective of the current economic and regulatory climate in Nigeria. The dominance of Commercial Banks is unsurprising given their access to more robust capital bases, established infrastructure, and expansive customer reach. Despite the economic headwinds, including double-digit inflation, exchange rate volatility, and high cost of borrowing, these banks continue to be the primary source of credit for Nigerian consumers. With the adjustment of the Monetary Policy Rate (MPR) upwards in recent months to curb inflation, borrowing costs have increased significantly. Yet, consumers still lean towards commercial banks, possibly due to perceived reliability, structured repayment options, and broader loan product offerings.

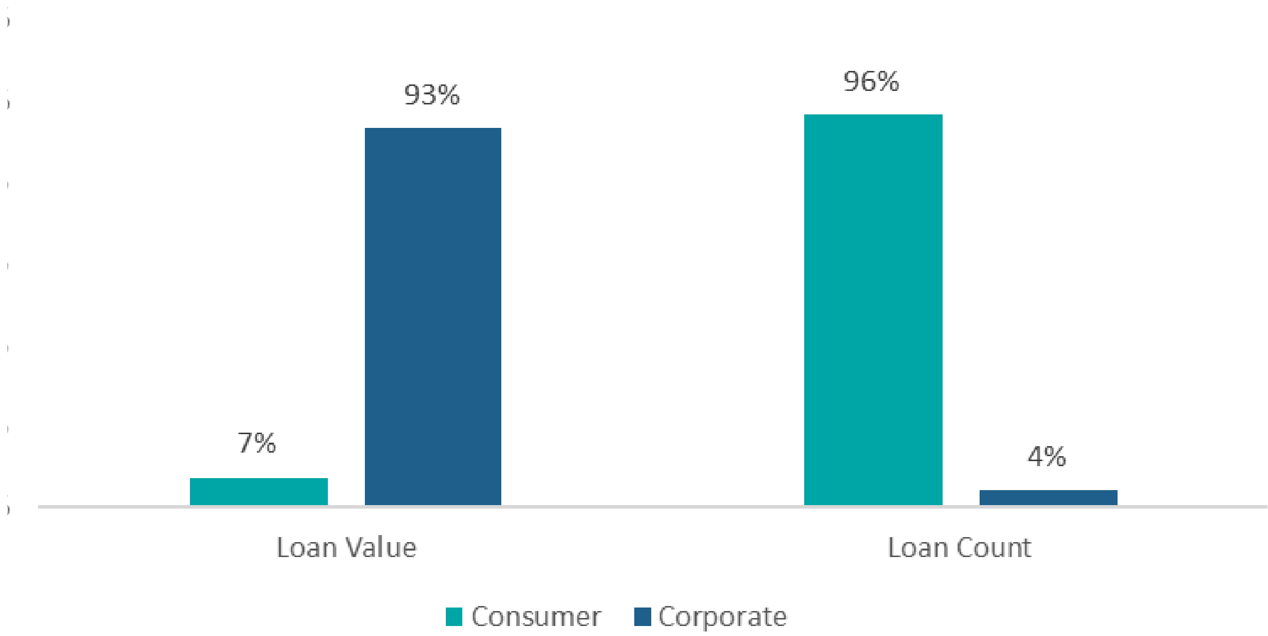
Loan Analysis

Despite the CBN's efforts to manage loan risks, national NPL ratio has increased, reaching around 5.1% in 2024. Banks have increased provisions for loan impairments, with some seeing significant increases in their provision estimates compared to previous years

The CBN's policy of a 65% LDR (Loan-to-Deposit Ratio) has led to more aggressive lending by banks to maintain compliance, pushing for a larger portion of deposits to be allocated as loans. Banks have shown varying LDRs, with some exceeding 80% while others maintain more conservative ratios around 50%, balancing risk with regulatory requirements

Loan Analysis

LOAN COUNT AND VALUE ANALYSIS PER CUSTOMER TYPE



Basically consumer loans account for 7% of loan value and 96% of loan counts. This means that although consumer loans are many in number, the equivalent loan value is small compared to corporate (93%), this is understandable as corporate loans is usually bigger in value.

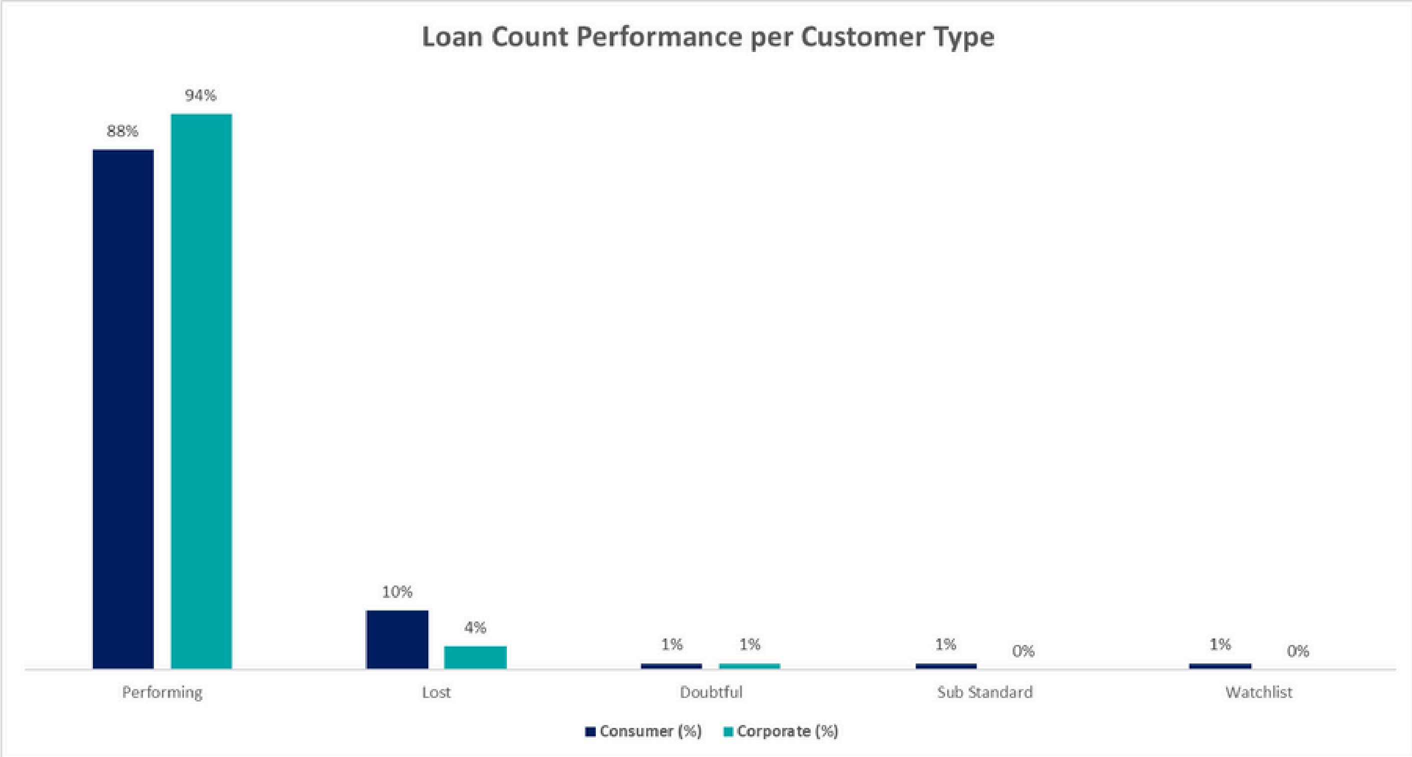
From our data, with an average consumer loan of around ₦136,000. it highlights the relatively low purchasing power and the demand for credit among Nigerian households. Consumer lending is dominated by microloans, salary advances, and personal loans, which are typically facilitated by commercial banks, microfinance banks, and fintech lending platforms. The rise of digital lending platforms in Nigeria has greatly influenced consumer credit, making small loans more accessible to the underbanked. The Central Bank of Nigeria's (CBN) initiatives to promote financial inclusion have contributed to this growth, as lending apps provide fast access to funds without the need for credit scores. Factors driving demand for consumer credit include the country's economic challenges that push households to rely more on credit for daily expenses and urgent needs.

Loan Analysis

The most recent data indicates that Nigeria's financial inclusion rate stood at an impressive 74% in 2023 from 67% in 2020. This surge signals that significant strides have been made towards comprehensive financial inclusion in recent times. The digital revolution has significantly impacted financial transactions, with electronic payments becoming increasingly popular, even in the informal sector, especially since the entry of financial service technology companies(fintechs) into the market. As a result, the percentage of the adult population that holds a transaction account with a regulated financial institution and/or has conducted electronic payments through such an institution in the last year is a record 52%. This figure indicates a growing trend in the adoption of electronic transactions, further complementing the nation's efforts at financial inclusion across the board. According to the EFInA Access to Financial Services in Nigeria 2023 Survey, Nigeria saw only 6% of its adult population utilize credit products from regulated financial institutions. The low credit uptake suggests that the eligibility criteria may be too strict and awareness is too low, raising questions about the inclusivity of credit services in the country.

Corporate loans constitute only 4% of the loan count but represent a significant 93% of the total loan value. The average corporate loan is valued at over ₦43.7 million. The heavy concentration of loan value in corporate lending represents a higher risk profile. Economic downturns, exchange rate volatility, and sector-specific challenges can have significant impacts on non-performing loan (NPL) rates. The CBN has enforced policies to manage credit risk in the corporate sector, including mandating higher collateral requirements and encouraging banks to increase provisions for large loans in sectors prone to default.

Loan Analysis



The data reveals significant differences in repayment behavior between the two customer types. The most striking observation from the chart is that a higher percentage of corporate loans (94%) are classified as performing, compared to 88% of consumer loans. This suggests that corporate borrowers are generally more reliable in meeting their loan obligations. Corporations often have dedicated financial teams that ensure debts are repaid on time, whereas individual consumers may experience fluctuations in income that affect their ability to make timely payments.

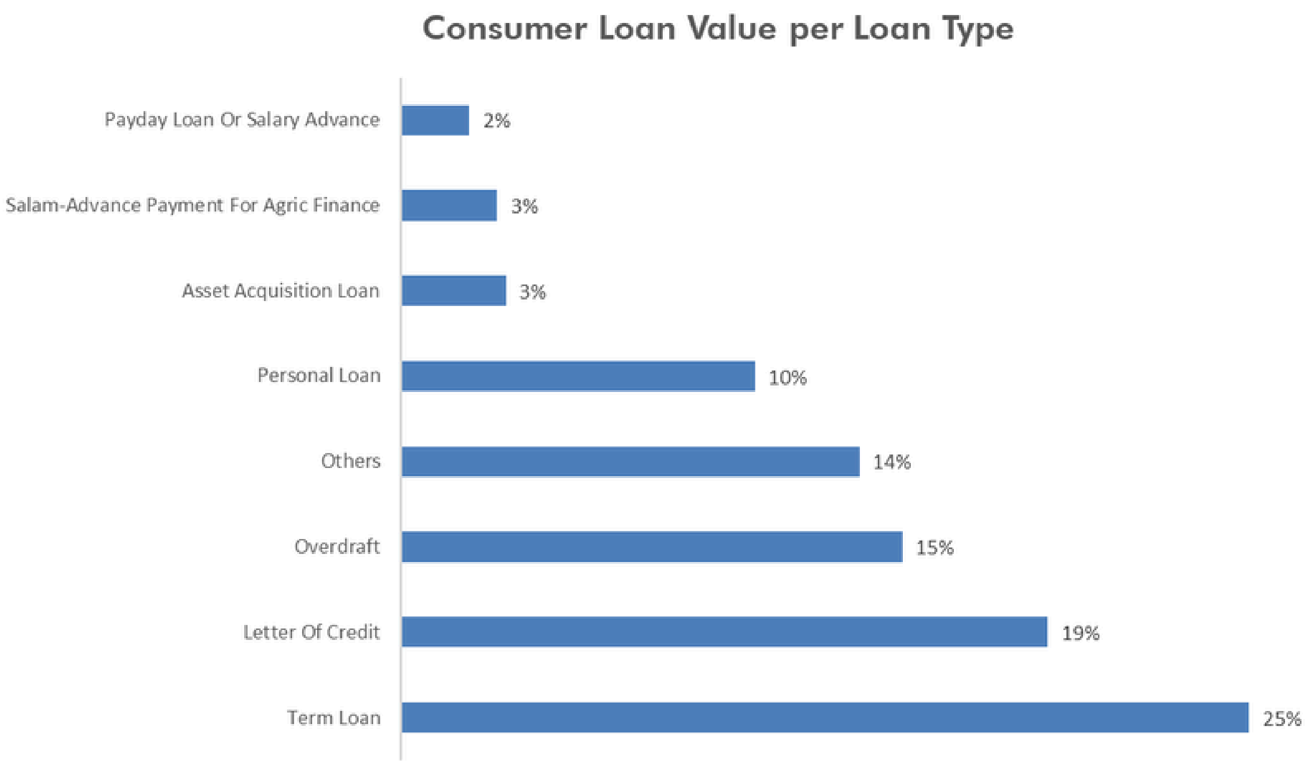
On the other hand, consumer loans show a higher proportion of lost loans, with 10% of consumer loans falling into this category, compared to only 4% of corporate loans. This indicates that individual borrowers are more likely to default completely on their loans. Financial institutions might attribute this trend to factors such as job loss, lack of financial literacy, or economic instability affecting personal incomes. This highlights the importance of effective credit assessment and risk mitigation strategies when lending to individual consumers, as well as the need for repayment assistance programs that can help struggling borrowers avoid full default. The absence of substandard and watchlist loans in the corporate segment suggests that businesses generally have better financial planning and creditworthiness, reducing their likelihood of falling behind on payments.

Loan Analysis

The chart provides a clear indication that consumer loans carry more financial risk compared to corporate loans. Banks and lending institutions should focus on improving risk management strategies for individual borrowers, possibly by offering financial advisory services, income-based repayment options, or better screening mechanisms before loan approval. At the same time, the strong performance of corporate loans underscores the importance of supporting businesses with structured loan products that align with their financial capabilities.

CONSUMER LOAN ANALYSIS

Consumer Loan Analysis



Term Loans account for the largest share, making up 25% of the total consumer loan value. Term loans are financing options with fixed repayment schedules, often used for large expenses such as home improvements, major purchases, or personal investments. The high percentage suggests that consumers prefer structured loans with clear repayment terms, possibly because they offer predictable financial planning and stability. Additionally, banks and financial institutions may prioritize term loans due to their longer repayment period, which ensures a steady income stream from interest payments.

Following term loans, Letter of Credit hold the second-largest share at 19% indicating strong utilization of trade finance instruments. Letters of credit are commonly used to guarantee payments in trade transactions, especially when goods or services are delivered over a distance or between unfamiliar parties. This significant share suggests that a notable portion of consumers may be business owners or individuals engaged in import/export activities. It also highlights the growing relevance of formalized trade and commercial transactions in Nigeria's consumer finance landscape.

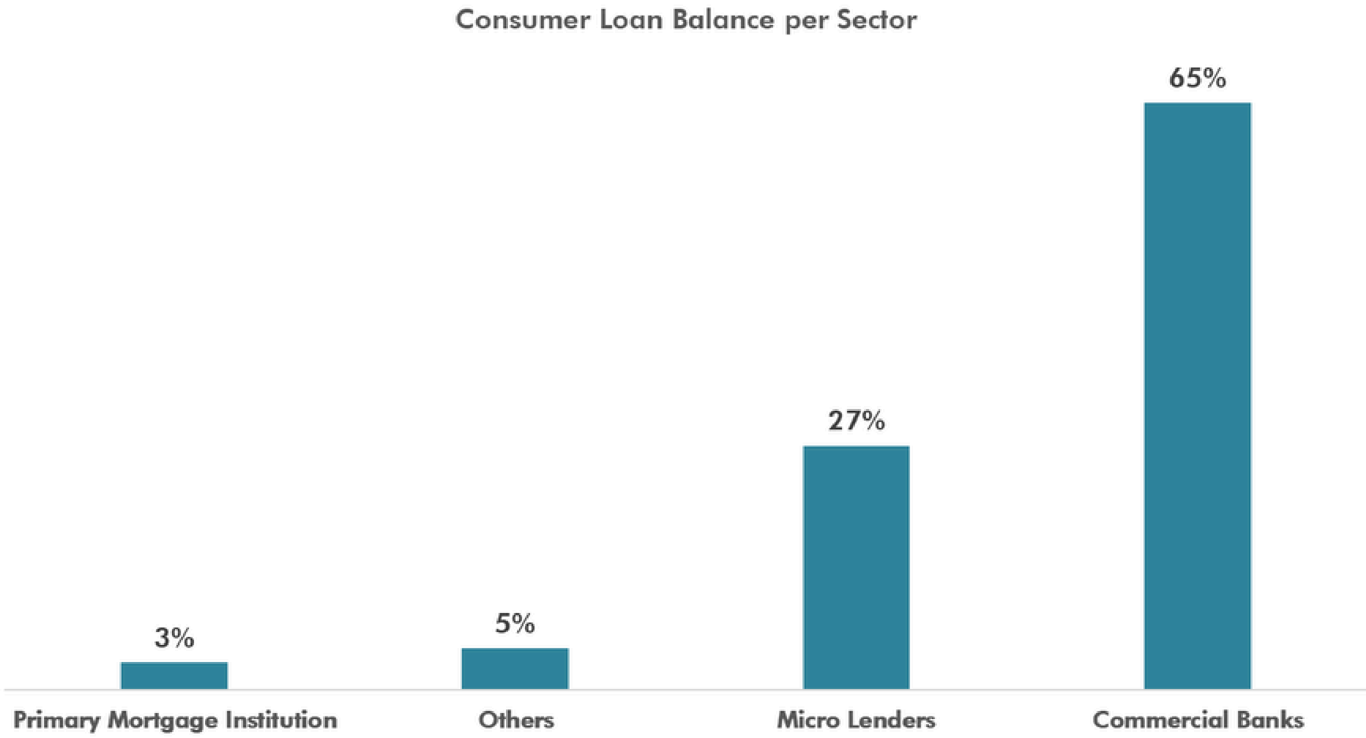
Consumer Loan Analysis

Overdrafts hold the third-largest share at 15%. Overdrafts allow consumers to withdraw more money than is available in their bank accounts, providing short-term liquidity. The high percentage suggests that many consumers rely on overdrafts for immediate financial needs, possibly due to cash flow constraints or unexpected expenses. The popularity of overdrafts could also indicate that consumers face frequent short-term financial gaps and use overdrafts as a quick solution rather than taking out structured loans. However, overdrafts often come with high interest rates, which could pose financial risks for consumers who rely on them excessively.

Personal Loans represent 10% of the total loan value, making them the fifth most significant loan type. Personal loans are versatile and can be used for various purposes, including debt consolidation, medical expenses, travel, or education. The relatively high proportion indicates that consumers seek flexible borrowing options to meet diverse financial needs. Since personal loans often have higher interest rates compared to secured loans, they may be an attractive option for individuals who do not have assets to use as collateral. However, financial institutions need to carefully assess creditworthiness when issuing personal loans, as they carry a higher default risk.

The dominance of term loans, overdrafts, and personal loans suggests that consumers prefer structured long-term loans for major expenses while also relying on overdrafts for short-term liquidity needs. The lower percentages of credit card loans, payday loans, and microfinance loans indicate that these forms of borrowing are less common, potentially due to high costs or limited access. Meanwhile, the low share of mortgage loans reflects the challenges associated with home financing. Understanding these trends can help financial institutions develop better loan products, adjust risk assessment strategies, and tailor lending policies to meet consumer needs effectively.

Consumer Loan Analysis



The most dominant sector in terms of loan balance is commercial banks, which hold 65% of the total consumer loan value. This is significantly higher than micro-lenders, who account for 27% of the loan balance. Primary mortgage institutions and financial/operating leasing companies have much smaller shares, contributing 2% and 1%, respectively.

This distribution highlights the lending characteristics of these financial institutions. Commercial banks primarily offer larger loan amounts, often with stricter eligibility requirements, which is why they hold the largest share of total loan value. They cater to borrowers with strong credit profiles and may issue high-value loans such as mortgages, auto loans, and personal loans with substantial sums.

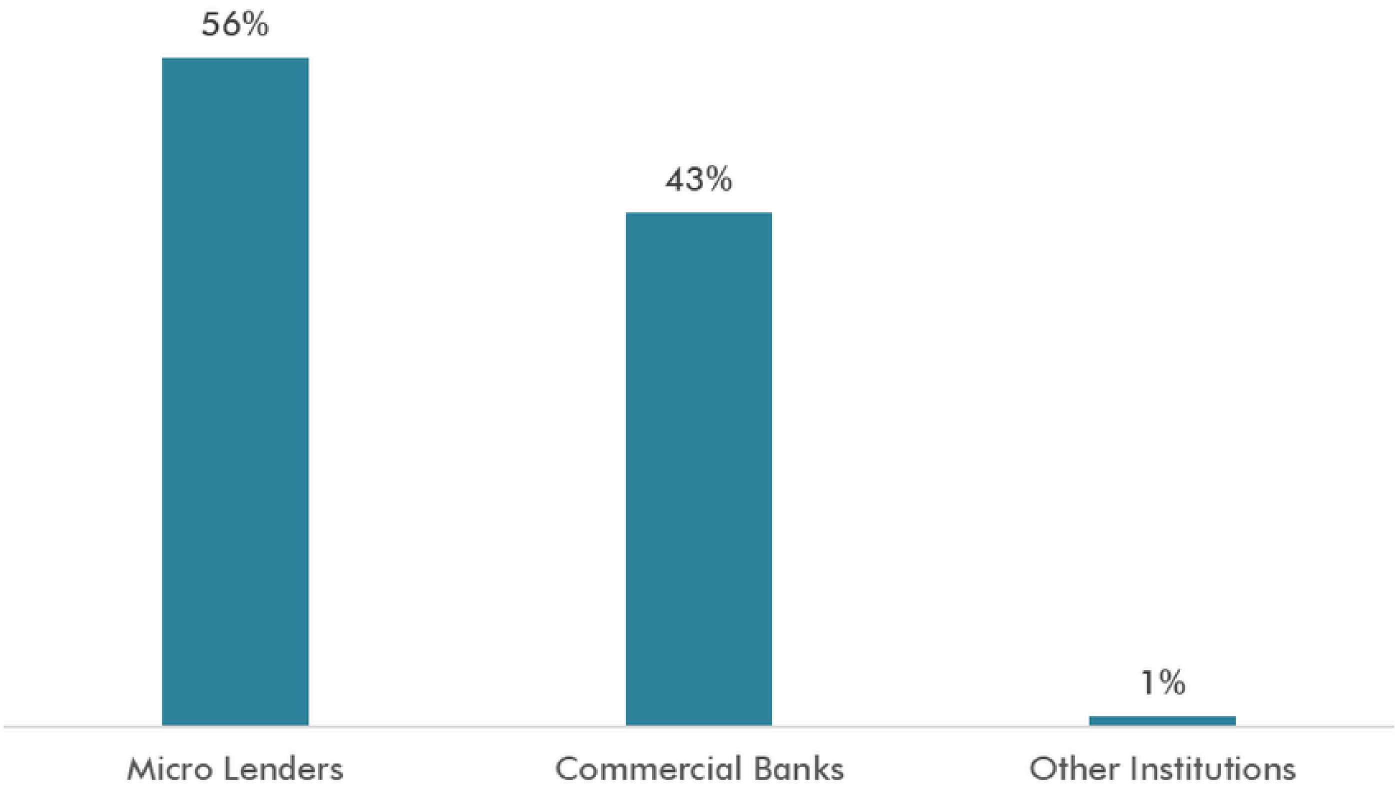
On the other hand, micro-lenders, despite processing a higher number of loans, hold a much lower share of total loan value. This suggests that micro-lenders focus on smaller, short-term loans targeted at individuals and small businesses that may not meet the strict credit requirements of commercial banks. While they serve a larger number of borrowers, the value of each loan is relatively small, leading to a lower cumulative loan balance.

Consumer Loan Analysis

Primary mortgage institutions and financial/operating leasing companies contribute only a minor fraction of the total loan balance. Mortgage institutions generally deal with secured loans for property purchases, but their small share here indicates that they may not be a primary source of credit for many consumers. Financial/operating leasing companies focus on asset financing and specialized credit solutions, which are not as widely utilized as traditional loans.

Consumer Loan Analysis

Facility Count per Sector

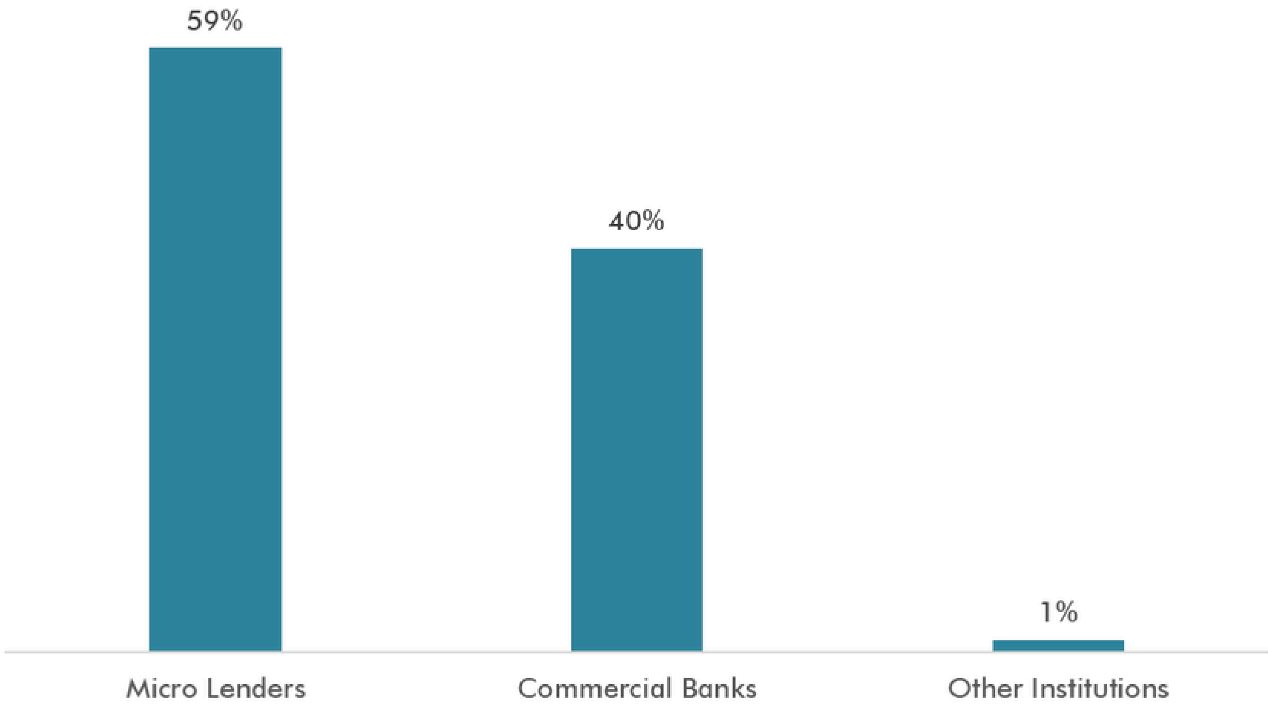


Micro-lenders account for the largest number of loan facilities, at 56%, while commercial banks come second with 43%. Other institutions which consists of Govt Agencies, Primary Mortgage Institution, Merchant Banks etc contribute 1%.

This trend suggests that micro-lenders issue a greater number of loan facilities compared to commercial banks, but the value of each loan is significantly smaller. Micro-lenders typically serve individuals and small businesses that require short-term financing. These loans are usually easier to obtain, with less stringent credit requirements, making them accessible to a broader population, including low-income borrowers or those without strong credit histories. An average Nigerian obtain a loan less than $40 from microlenders and about $300 from commercial banks.

Consumer Loan Analysis

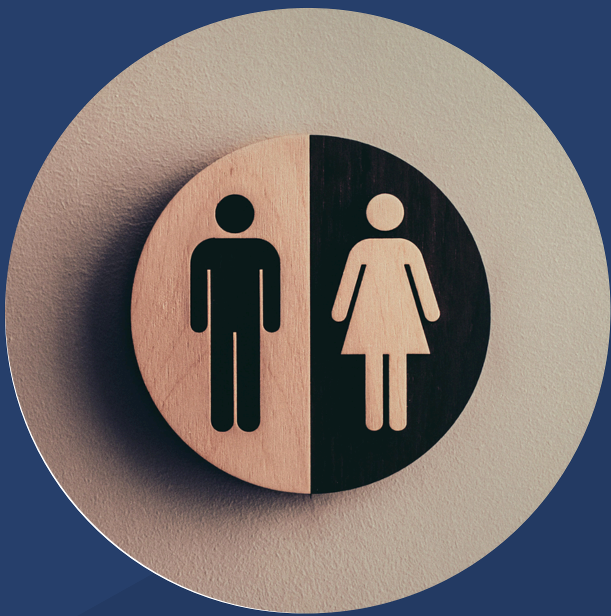
Subject Count per Sector



With reference to the facility count of the sectors, microlenders dominate in terms of number of consumers served as they are focused on individuals rather than large corporations. Their business model is built around providing small loans to low-income individuals or entrepreneurs who may not have access to traditional banking systems.

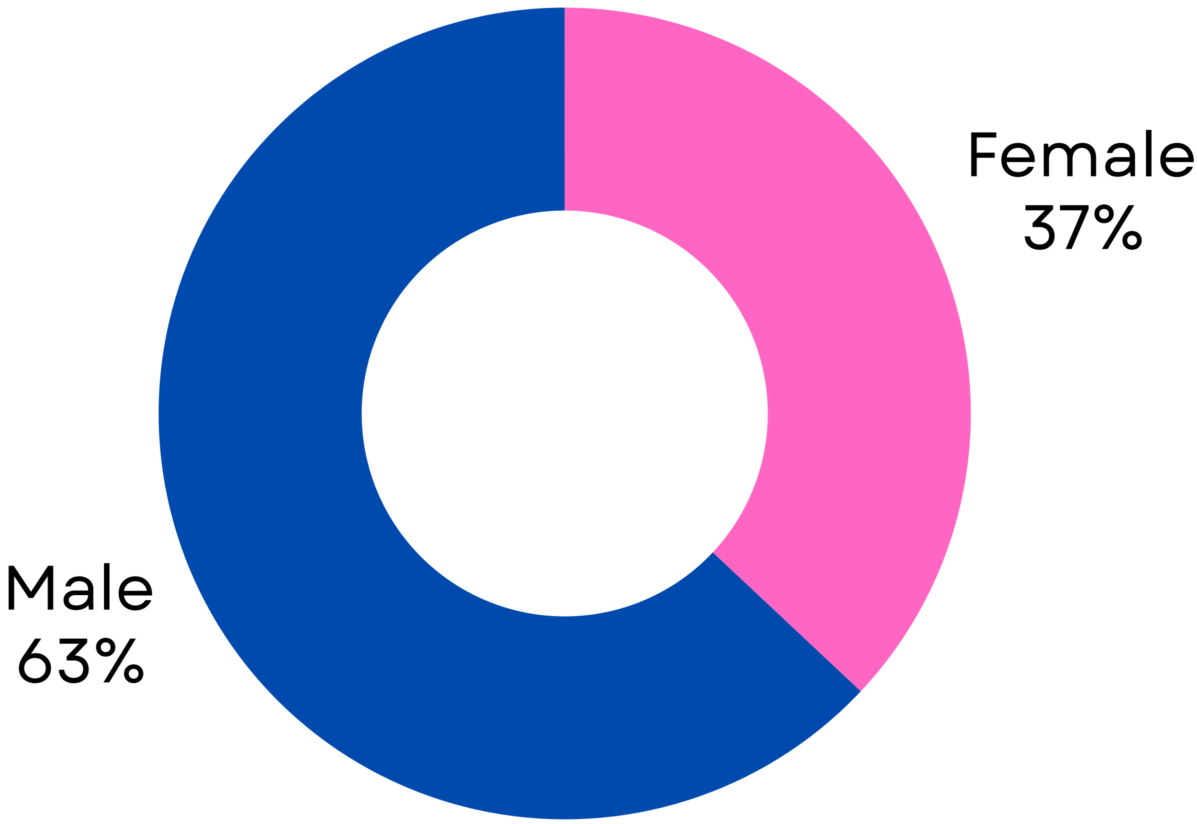
Micro-lenders account for 59% of all consumer subjects, making them the dominant player in terms of the number of individual customers. Commercial banks follow with 40%, while other institutions have 1% representation.Their business model focuses on high loan volume with smaller amounts per borrower, leading to a broader customer base. Commercial Banks often have stricter credit requirements, which could limit access for individuals with lower credit scores or irregular income streams. The fact that financial/operating leasing companies and primary mortgage institutions have very few or no consumers in this dataset suggests that these institutions primarily engage in specialized lending activities that do not appeal to the broader consumer market.

Gender Analysis



Gender Analysis

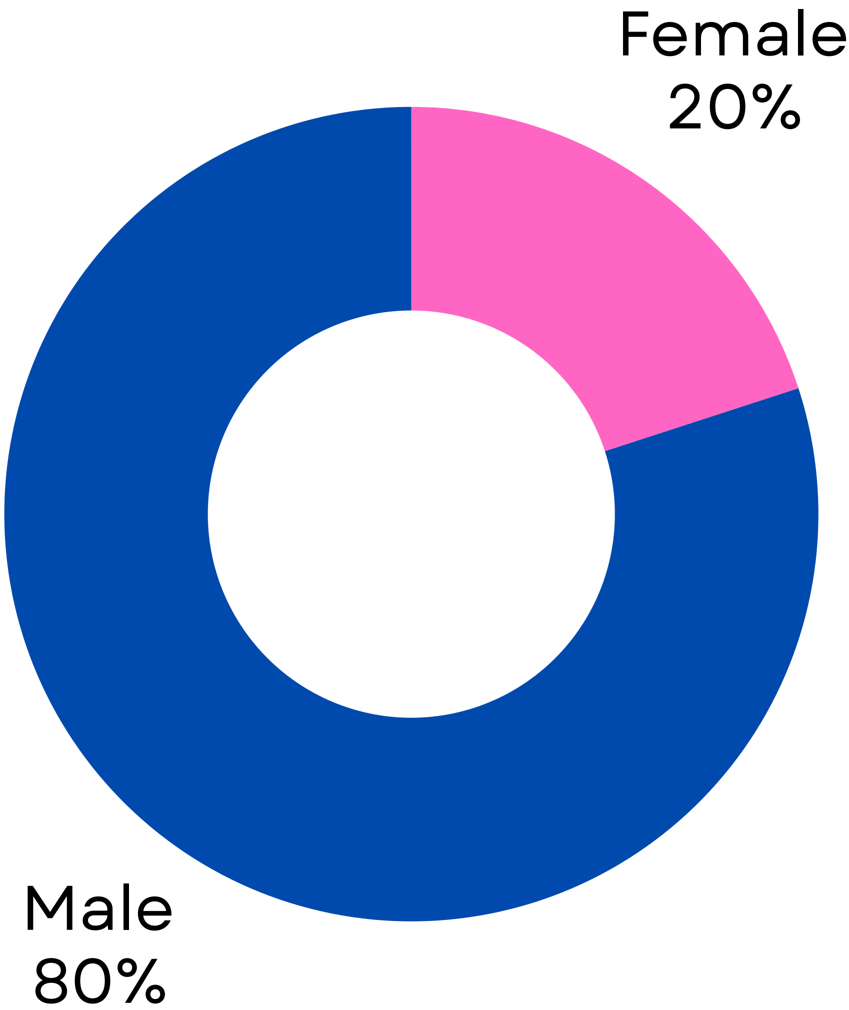
SUBJECT COUNT BY GENDER



Males represent 63% of consumer borrowers while females make up 37%. This suggests that men may receive more loans than women due to factors like more active economic participation, business ownership rates, and cultural norms that influence lenders' perceptions. Research supports this, showing that access to financial services and cultural expectations around business and economic roles can influence borrowing trends. In many regions, women face greater barriers to accessing loans, these barriers can include lack of collateral, lower income levels, and systemic biases within financial institutions.

Gender Analysis

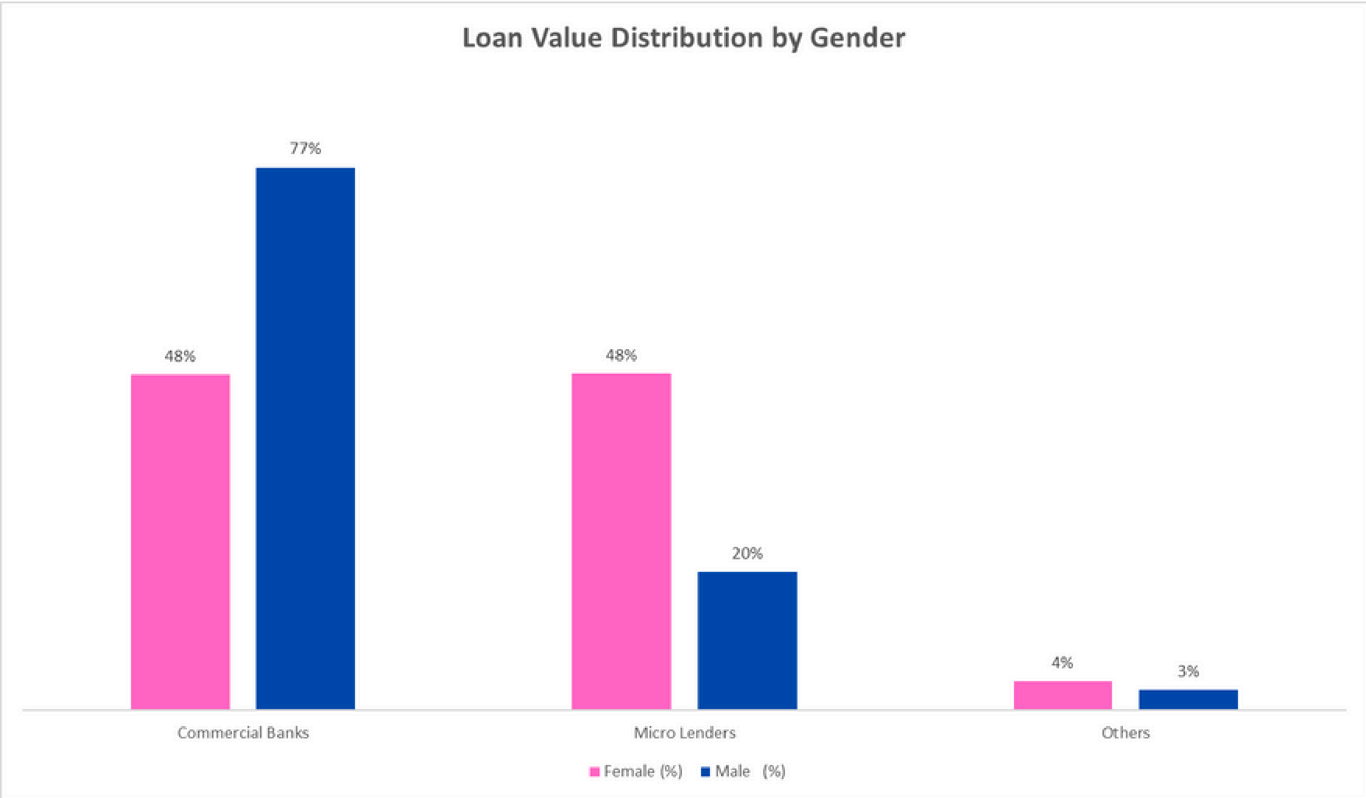
LOAN VALUE BY GENDER



Men receive a larger portion of the total loan value (80%) compared to women (20%). This disparity may result from gendered income gaps and lender perceptions that men, as primary earners, represent lower credit risk. Historical biases and societal expectations often position men as more creditworthy, especially for larger loans, due to assumptions about job stability and income potential. According to research, women are often viewed as riskier borrowers despite equal or higher repayment rates compared to men, leading to a cycle of lower loan amounts and, consequently, limited financial growth opportunities. This perception may stem from societal biases, stereotypes, or misconceptions about women's financial stability or their ability to manage money.

Gender Analysis

LOAN VALUE BY GENDER



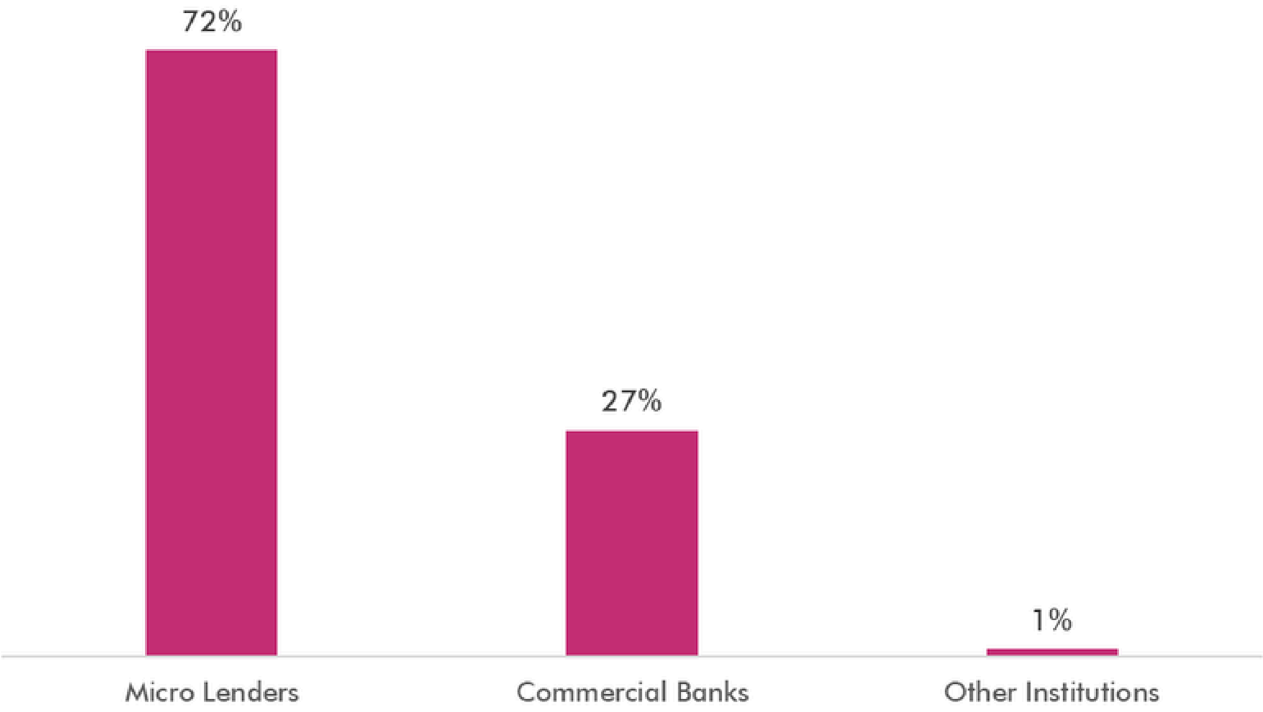
Men account for 80% of total loan value aligns with general trends in many lending environments. This may be due to structural biases or socio-economic factors that favor men in higher-value loans, especially in formal lending channels. However, microlenders present a different picture, often with more female borrowers. Microfinance institutions, which focus on providing small loans to low-income individuals, particularly in developing economies, tend to cater more to women. These lenders often aim to empower women entrepreneurs who may otherwise lack access to traditional financing, highlighting that women tend to dominate in micro-loans and smaller financial products. For each loan a female takes, their male counterparts borrows times two of it.

Gender Analysis

SUBJECT COUNT BY GENDER

It is known that microlenders are more focused on consumers. The following graph show the distribution of each gender across the sectors.

Female Subject Count per Sector

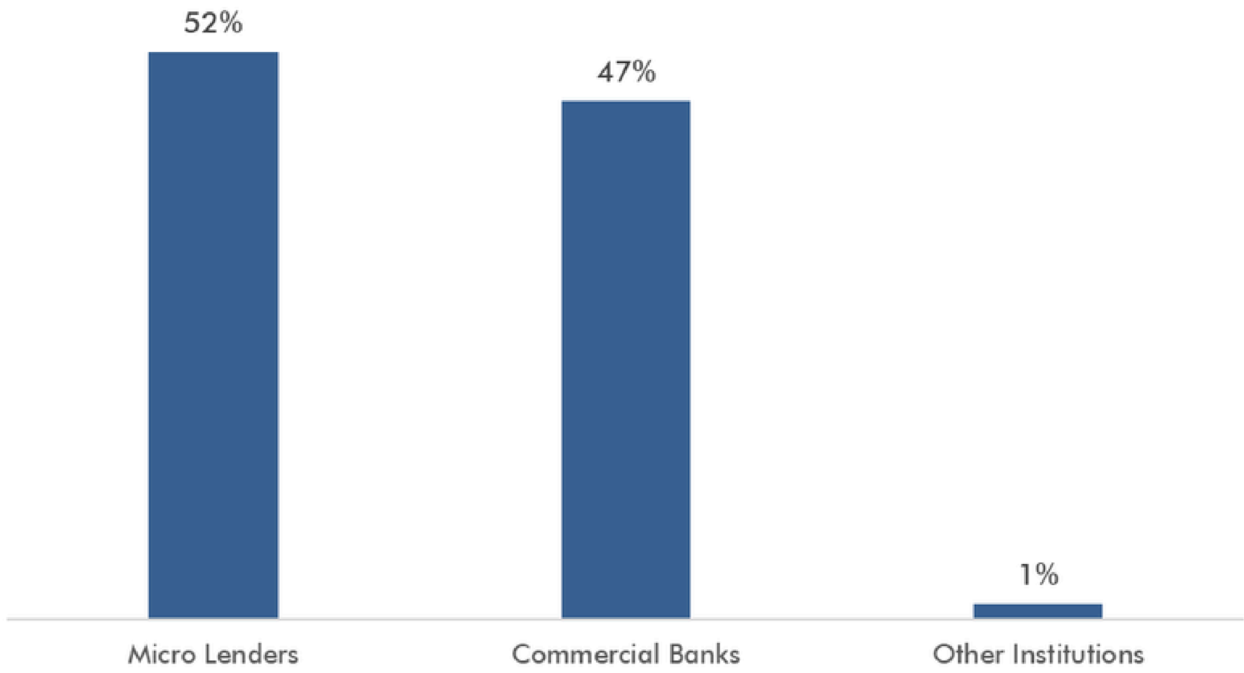


The significant difference in the female subject count between microlenders (72%) and commercial banks (27%) can be explained by socio-economic factors, accessibility issues, and institutional focus. Females often have limited access to traditional financial services, and microlenders aim to bridge this gap. Many microfinance institutions (MFIs) focus on empowering women by providing loans for small businesses, household needs, or agricultural activities. These loans help women achieve economic independence and support their families whereas some commercial banks have stricter requirements, such as formal employment, business registration, or credit history, which many women, especially those in the informal sector, may lack.

Gender Analysis

SUBJECT COUNT BY GENDER

Male Subject Count per Sector

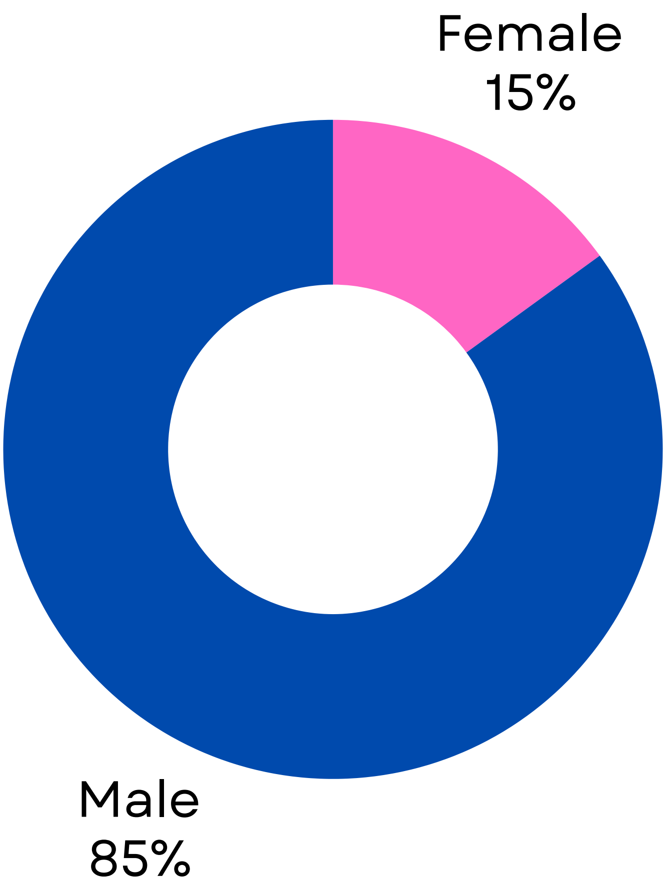


The almost equal male representation at microlenders(52%) and commercial banks(47%) reflects men's ability to navigate both systems: Microlenders serve men in the informal sector with flexible, accessible loans for small businesses and personal needs. Commercial banks serve men in the formal and corporate sectors, where stricter requirements are met.

Gender Analysis

Males tend to have the highest overdue loan amounts. This can be attributed to the larger loan values they receive, which increases their overall debt burden. Additionally, despite higher incomes, men may engage in riskier financial behaviors or investments, leading to greater instances of default or delinquency. The financial pressure to fulfill traditional provider roles might also push men to take on more debt, increasing the likelihood of overdue payments. These factors contribute to the higher overdue amounts observed among males.

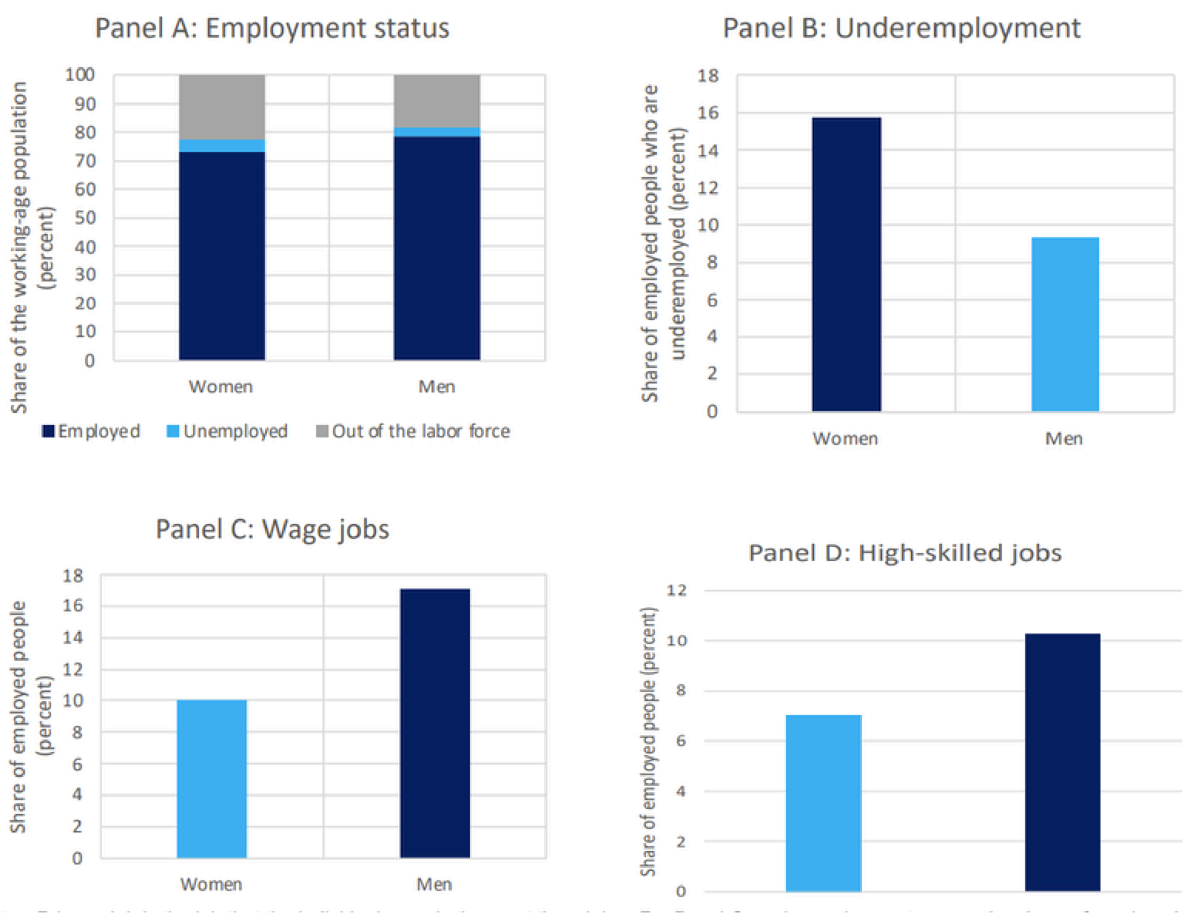
OVERDUE AMOUNT BY GENDER



Gender Analysis

Research by the World Economic Forum and the World Bank highlights how microlending has significant benefits for female borrowers, especially in regions where traditional banking is less accessible. The World Economic Forum notes that microlending often supports women who might otherwise be excluded from formal financial services due to the requirement for collateral, which women are less likely to have compared to men. This model allows women to access credit for small businesses, facilitating economic empowerment and promoting gender equality in finance.

The World Bank has identified systemic gender biases in lending, where women face higher interest rates and more stringent requirements. These biases often mean women receive smaller loans, limiting their ability to expand businesses compared to male counterparts. Studies show that women generally exhibit strong repayment rates, suggesting they are reliable borrowers, which should encourage more inclusive lending practices.

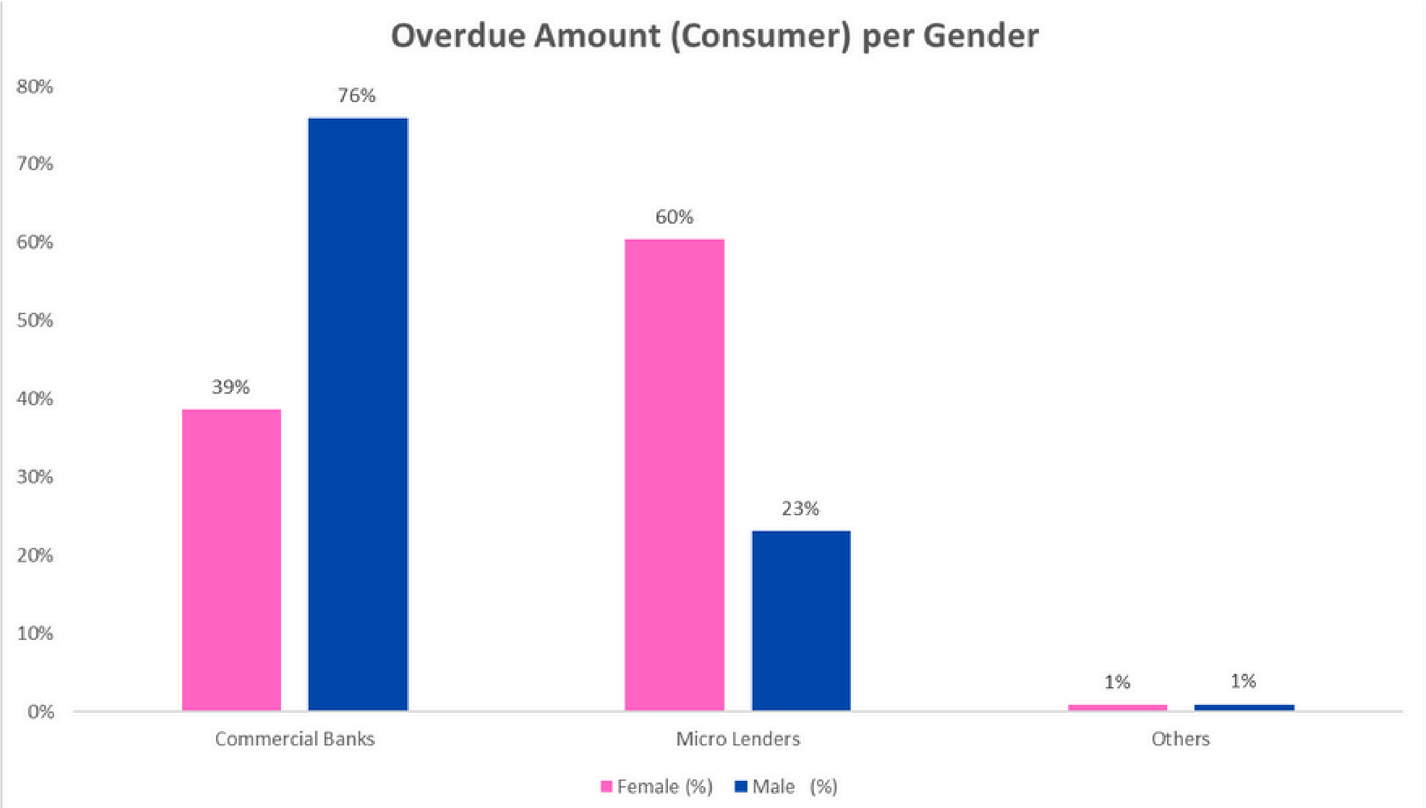


Source: WORLD BANK GROUP: NIGERIA DEVELOPMENT UPDATE | OCTOBER 2024

Gender Analysis

Some jobs prevent women from engaging in those activities which best match their skills and which would fully harness their productive potential and enable them to apply for bigger loans. Removing such labor market barriers to women today can also promote further investment in human capital, shaping the outcomes of future generations. Women are less likely to be employed than men in Nigeria, and those that are employed work in jobs that are less likely to lift them out of poverty. In particular, employed Nigerian women are more likely to be underemployed than employed Nigerian men, in the sense that they work less than 40 hours per week, but are willing and able to work more. A sizeable share of women's jobs is in retail and wholesale trade and other services.

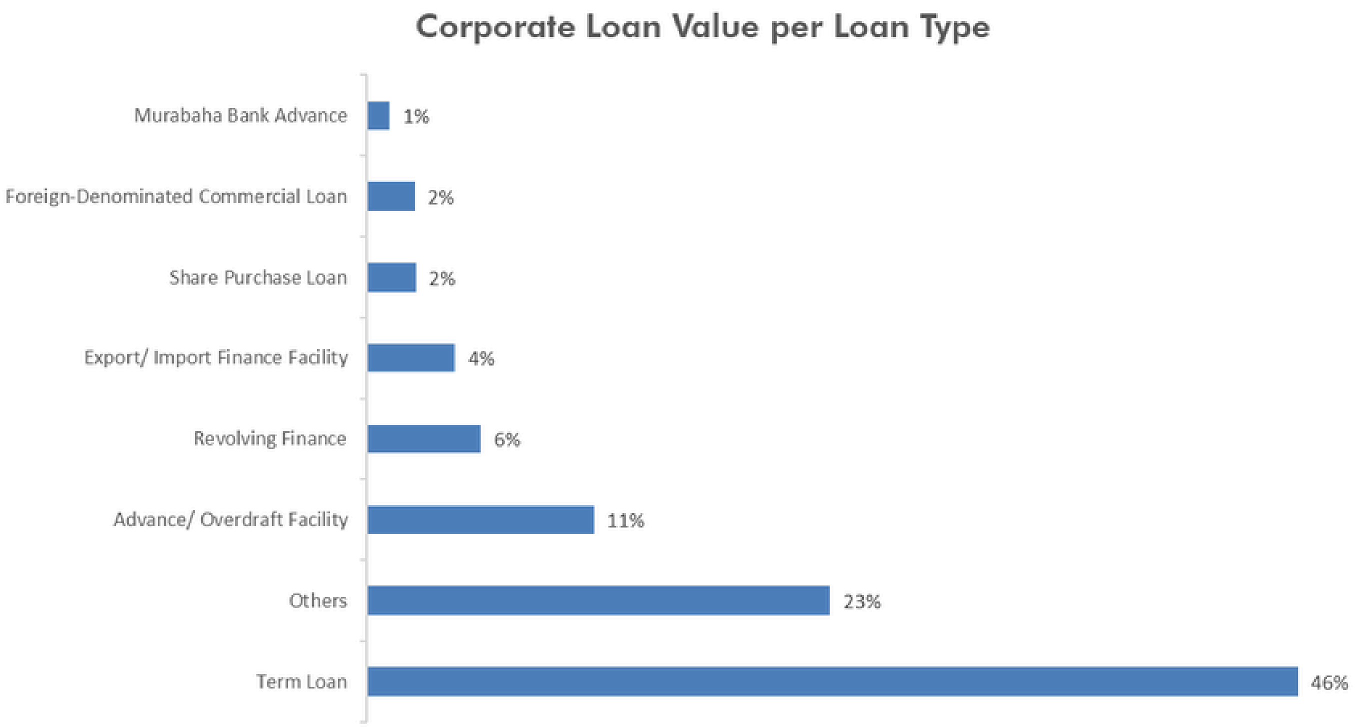
Gender Analysis



Across commercial banks, males have more overdue amount which is expected due to their loan value. As mentioned earlier, micro lenders show more female-dominated borrowing, it is only plausible that they have high overdue amount in that sector.

CORPORATE LOAN ANALYSIS

Corporate Loan Analysis



Term loans are the most significant loan type for corporate financing, accounting for 46% of the total corporate loan value. These loans are likely preferred by corporations for medium and long-term projects, such as infrastructure development, business expansion, or asset acquisition, due to their structured repayment terms and versatility. This dominance reflects a reliance on predictable and stable funding options for strategic growth.

Following term loans, the "Others" category represents 23% of the total corporate loan value. This category includes a mix of specialized or unconventional loan products tailored to specific business needs. The high proportion of loans classified under "Others" suggests that businesses require diverse and flexible financing options beyond the standard loan products offered by financial institutions. It also implies that financial institutions are offering customized credit solutions to meet the evolving needs of corporate borrowers.

Advance and overdraft facilities represent 11% of the total loan value, showing a reliance on short-term credit to manage operational cash flow or address immediate funding needs. These facilities are essential for businesses requiring quick access to liquidity to address unforeseen expenses or seasonal fluctuations.

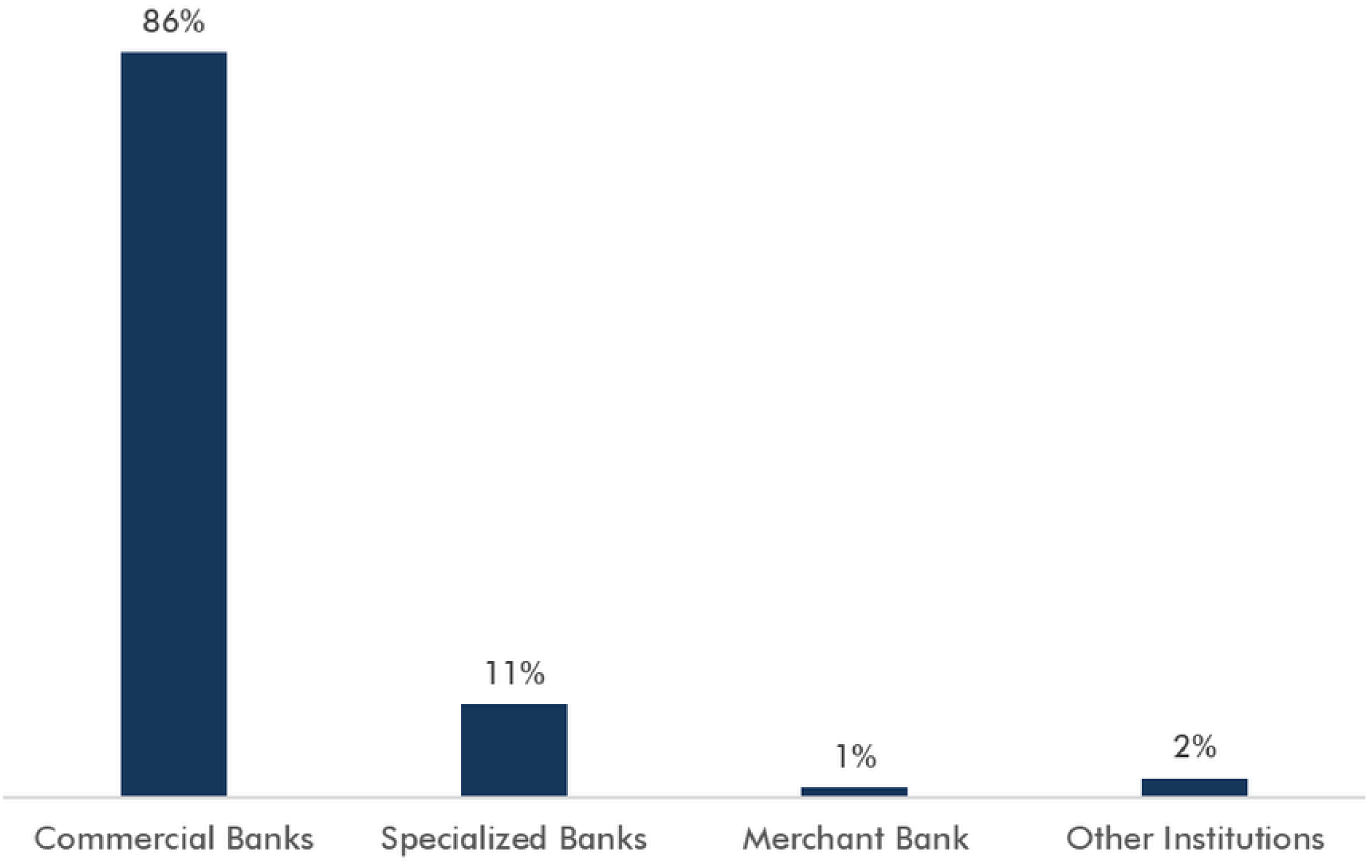
Corporate Loan Analysis

Revolving finance accounts for 6% of the total corporate loan value. This loan type offers flexible borrowing limits, allowing corporations to access funds as needed, repay, and reuse the credit line. It is commonly used for working capital management, indicating its importance for businesses with cyclical or variable cash flow.

Export and import finance facilities represent 4% of corporate loans, emphasizing their role in facilitating international trade. This type of loan helps businesses manage trade transactions, ensuring smooth import or export operations and addressing the needs of Nigeria's trade-dependent sectors.

Corporate Loan Analysis

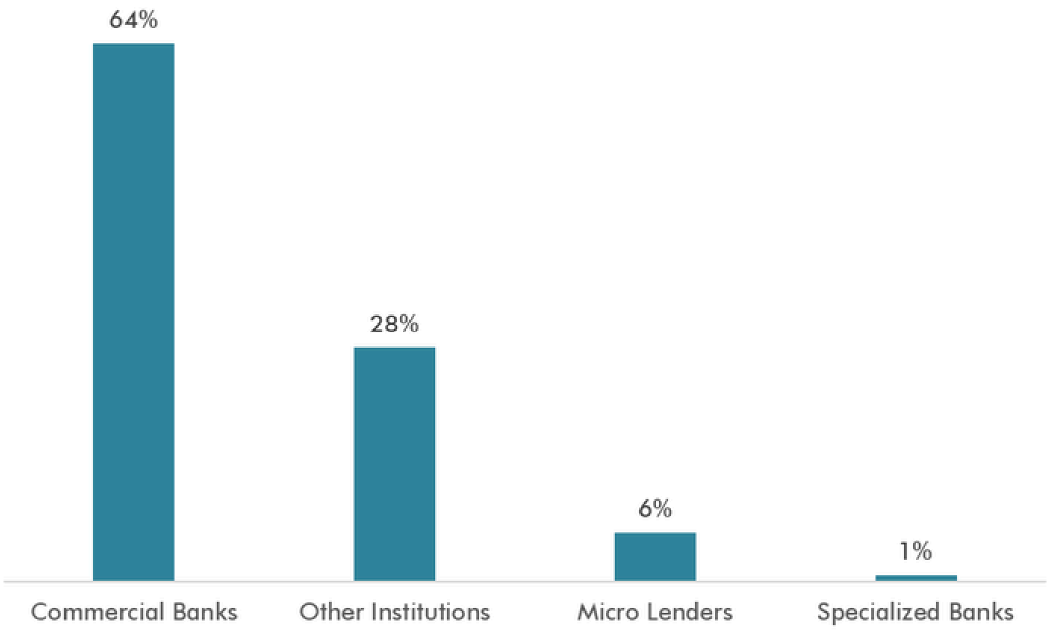
Loan Value per Sector



This reveals that corporate loan transactions are highly concentrated among commercial banks holding 86% of corporate loans. Most commercial banks offer specialized services to attract corporate clients, supporting their dominance in the corporate lending sector. Specialized banks typically focus on specific sectors, such as agriculture, manufacturing, health, real estate or export. They often receive government backing and target loans with favorable terms to stimulate growth in key industries. Micro lenders primarily provide small loans to individuals and small businesses, often in underserved or rural areas. Their loans are typically smaller in size, reflecting the sector's role in promoting financial inclusion rather than large-scale corporate financing.

Corporate Loan Analysis

Facility Count per Sector



The data reveals a significant concentration of corporate lending within commercial banks, which dominate the sector with 64% of the total facility count. This is followed by "Other Institutions" at 28%, micro lenders at 6%, and specialized banks at just 1%.

The fact that commercial banks hold the majority of corporate loan facilities aligns with their role as the primary financial intermediaries in the economy. They have well-established lending structures, regulatory oversight, and risk assessment mechanisms that enable them to provide large-scale corporate financing. Additionally, commercial banks typically have the capital base to support long-term, high-value corporate loans. Their ability to attract corporate clients is also enhanced by the variety of financial products they offer, including working capital financing, project loans, trade finance, and syndicated loans.

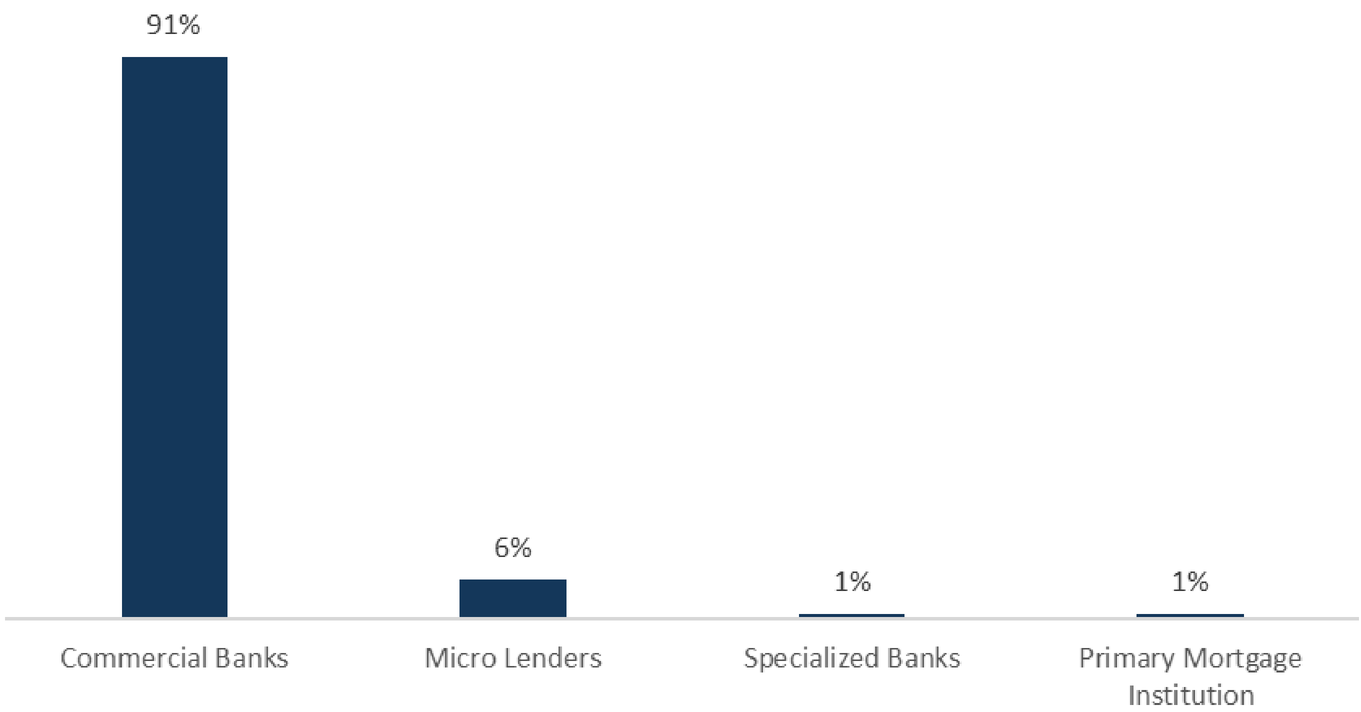
Corporate borrowers prefer commercial banks due to their stability, lower interest rates (compared to non-bank financial institutions), and structured repayment plans. Furthermore, large businesses often have existing relationships with these banks, making access to credit smoother. The dominance of commercial banks in corporate lending also indicates a preference among businesses for traditional banking institutions over alternative financing options.

Corporate Loan Analysis

The "Other Institutions" category, which accounts for 27% of corporate facility counts, likely includes development finance institutions (DFIs), non-bank financial institutions (NBFIs), and government-backed lending initiatives. These organizations cater to businesses that may not meet the strict requirements of commercial banks but still require credit to operate and expand.

Many of these institutions focus on specialized lending, such as financing for SMEs, agriculture, or infrastructure projects. Their presence in the market is crucial for businesses that may not have access to traditional bank loans due to factors like lack of collateral, high credit risk, or being in emerging industries. However, their share is still significantly lower than that of commercial banks, which suggests that while they play an important role, they do not yet compete at the same scale.

Subject Count per Sector



This provides an insightful look into how corporate entities are distributed across different financial sectors. The overwhelming dominance of commercial banks at 91% compared to micro lenders at 6%, and specialized banks and mortgage institutions each at a mere 1%, speaks volumes about how businesses choose financial partners and the factors that drive these choices.

Corporate Loan Analysis

Corporate entities, ranging from small and medium enterprises (SMEs) to multinational corporations, rely on banks not just for loans but for a wide array of financial services. Commercial banks have positioned themselves as one-stop financial hubs, offering everything from corporate loans, investment banking, treasury management, forex transactions, to trade finance and payroll management. These institutions are designed to cater to the complex and evolving needs of businesses, making them indispensable. A key factor in their dominance is trust and stability. Large corporations prefer working with banks that have a proven track record of financial strength, regulatory compliance, and economic resilience. This is particularly important in countries like Nigeria, where economic volatility can impact financial institutions differently. A commercial bank is perceived as a safer repository for corporate funds, while smaller or specialized lenders may not inspire the same level of confidence.

Beyond stability, convenience and accessibility play a major role. Commercial banks have an extensive branch network, robust digital banking platforms, and dedicated corporate relationship managers to handle business accounts. A multinational company, for instance, requires seamless international transactions, structured loan facilities, and access to capital markets, all of which are services best provided by a commercial bank. Consider an oil and gas company operating in Nigeria. Such a business requires foreign exchange transactions for imports, trade financing for crude oil sales, and structured loans for infrastructure projects. These needs are far too complex for a micro lender or mortgage institution to handle, making commercial banks the natural choice.

Micro lenders, in contrast, operate with a very different business model. Their focus is on high-risk borrowers, small businesses, and individuals who may not qualify for traditional bank loans. While they offer faster approvals and more flexible lending criteria, they charge significantly higher interest rates, often two to three times higher than commercial banks. This makes them less attractive for large businesses that can access cheaper loans from well-established banks. Micro lenders are particularly appealing to small businesses that struggle with cash flow issues or lack proper documentation for a bank loan.

Conclusion

The analysis of Nigeria's credit market reveals a clear distinction between consumer and corporate lending. While consumer loans dominate in number, their overall contribution to total loan value remains small. Corporate loans, on the other hand, account for the majority of loan value, reflecting businesses' need for larger financing solutions. Macroeconomic factors such as rising inflation, higher interest rates, and currency depreciation continue to shape borrowing trends. As consumer reliance on credit grows, financial institutions must ensure responsible lending practices and risk-adjusted credit assessments to maintain market stability.

A deeper look at loan performance reveals that while corporate loans make up the majority of overdue balances due to their sheer size, consumer loans show a higher frequency of overdue cases relative to their total loan count. This suggests that more individuals are falling behind on their payments, pointing to a growing risk of loan defaults in the consumer segment. The presence of high-risk loans, particularly in microfinance and personal lending, highlights the importance of enhanced risk assessment models and proactive debt recovery strategies by financial institutions.

As Nigeria's economy continues to evolve, the credit market must remain adaptive, resilient, and inclusive. While consumer loans provide essential financial support to households, the high frequency of overdue cases raises concerns about debt sustainability. Meanwhile, corporate lending remains the foundation of economic growth, but rising borrowing costs and sector-specific risks must be managed carefully. To ensure long-term stability in the credit market, all stakeholders, including banks, micro-lenders, fintech companies, and policymakers must work together to create a balanced and risk-adjusted lending environment. By implementing robust risk assessment techniques, expanding financial literacy initiatives, and introducing borrower-friendly loan products, the financial sector can support economic growth while minimizing the likelihood of systemic credit defaults.

Ultimately, a well-structured and responsible credit ecosystem will not only drive financial sector stability but also empower individuals and businesses to achieve sustainable economic progress in Nigeria.

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CRC Credit Bureau Limited
In association with Dun & Bradstreet

Contact us:
Address: 26, McCarthy Street, Onikan, Lagos Island, Lagos

Call: +2348072090622
Email: support@crccreditbureau.com
Website: https://www.crccreditbureau.com/

Prepared by:
Olivia Akabogu
Ganiyat Saheed