

# THE NIGERIAN FINANCIAL SERVICES SECTOR:

Assessing the recent trends  
and opportunities



# Introduction

Nigeria's financial services market is poised for significant expansion in 2025, driven by robust economic growth, a youthful population, and a wave of digital innovation. After a decade of sluggish growth, the Nigerian economy has returned to a high growth trajectory, with a 4.6% growth rate in Q4 2024 and a forecasted growth rate of 3.6% in 2025, according to the World Bank.<sup>1</sup> These gains, coupled with foreign exchange unification and rising government revenue, have begun to stabilise the macroeconomic environment and to fuel demand for financial services. With an estimated population of over 233 million Nigerians, the country represents one of the world's largest underserved markets. Meanwhile, smartphone and internet penetration are surging, with over 108 billion mobile money transactions valued at \$1.68 trillion processed in 2024. Furthermore, Nigeria's smartphone user base is projected to exceed 140 million by the end of 2025. These trends are driving an unprecedented fintech boom. For example, Nigeria's fintech sector experienced remarkable growth of approximately 70% in 2024, now hosting over 430 startups. Concurrently, regulatory reforms, including an impending Open Banking framework, Payment Systems Vision 2025, and a new Investment and Securities Act, are transforming the financial landscape. The convergence of these factors presents significant opportunities across traditional banking, fintech (encompassing payments, lending, and remittances), insurance, and capital markets. This paper highlights the key opportunities in each segment, incorporating relevant 2025 data and trend insights.

## Regulatory and Legal Framework

Nigeria's regulators have introduced reforms to foster innovation and inclusion in the financial sector. In March 2025, the government enacted the modernised Investments and Securities Act 2025 (ISA 2025), replacing the outdated 2007 law.

The ISA 2025 introduces several key provisions, including:

- A. **Recognition of Digital Assets:** Digital assets are recognised as securities under the oversight of the Securities and Exchange Commission (SEC)
- B. **Capital Raising:** State and local governments are permitted to raise capital via bonds.
- C. **Composite Exchange Model:** A "composite exchange" model is introduced, allowing multiple asset types to be traded on a single platform.
- C. **Tightened Governance:** The ISA 2025 also tightens governance, including the expansion of the capital markets tribunal.

<sup>1</sup>Nigeria's economy grows strongly amid high inflation, World Bank says | Reuters <https://www.reuters.com/world/africa/nigerias-economy-grows-strongly-amid-high-inflation-world-bank-says-2025-05-12/>

<sup>2</sup>Startup Lagos <https://www.startuplagos.net/post-detail/nigerias-fintech-boom-a-magnet-for-global-investment-in-2025-and-beyond>

These reforms are expected to have a significant impact on Nigeria's capital markets, broadening their scope and attracting foreign and domestic investment.

Progress is also underway on other legislative fronts, with the Factoring, Assignments and Receivables Financing Bill, 2023, being a notable example. This bill aims to establish a formal legal framework for invoice financing and receivables, addressing a significant financing gap for Micro, Small, and Medium Enterprises (MSMEs). Although it passed second reading in the Senate in October 2024, the bill remains under committee review. Once enacted, the bill is expected to unlock new financing opportunities for MSMEs by codifying practices such as factoring, invoice discounting, and related services. This will not only formalise supply-chain finance but also unlock working capital, enabling MSMEs to access much-needed funds.

Given the substantial size of the global factoring market, estimated at €2.6 trillion, analysts believe that this legislation is crucial for Nigeria to tap into this potential and reduce its trade-finance gap. By providing a clear framework for invoice financing and receivables, the bill will help MSMEs access finance more easily, improve their cash flow, and compete more effectively in the global market.

On other fronts, the Central Bank of Nigeria (CBN), under Governor Cardoso's leadership, is prioritising technology and inclusion in its 2025 agenda. Key initiatives include:

- A. Open Banking Framework:** The CBN is introducing an Open Banking framework to facilitate secure sharing of customer data.
- B. Contactless Payments:** The CBN is promoting contactless payments using Near Field Communication (NFC) technology to enhance transaction efficiency.
- C. Regulatory Sandbox:** The regulatory sandbox for FinTechs is being expanded.
- D. Agency Banking Rules:** Agency banking rules will be updated to improve the performance of extensive agent networks that deliver rural banking services.

In a significant move, the CBN has mandated new minimum capital requirements for banks. Tier-2 (national) banks are required to reach ₦200 billion in paid-up capital by 2026, while Tier-1 (international) banks must hit ₦500 billion. This recapitalization effort is expected to drive approximately ₦1.5-4 trillion in equity raises through rights issues, mergers and acquisitions, or private placements.

Nigeria's regulatory landscape is witnessing significant developments, fostering innovation and growth in the financial sector. Notable initiatives include:

- **Securities and Exchange Commission (SEC):** The SEC launched the Accelerated Regulatory Incubation Program (ARIP) and the Regulatory Incubation Program (RI) in 2024, supporting the integration and regulation of crypto markets and fintech innovations. These programs align with the Investments and Securities Act 2025 (ISA 2025) framework.
- **National Insurance Commission (NAICOM):** NAICOM's 2024-2027 Strategic Plan focuses on expanding insurance penetration through digital channels, increasing access to insurance services.

- **Data Protection:** The issuance of the General Application and Implementation Directive (GAID) has updated Nigeria's data protection regimes, providing clarity on data protection requirements.

These regulatory developments are creating a favourable environment for financial innovations, particularly in digital finance and capital raising. By lowering entry barriers and strengthening transparency, Nigeria's evolving laws are making it an attractive setup for investors.



Nigeria's banking landscape is dominated by a few large, universal banks and numerous smaller players. The sector can be characterised as follows:

- A. **Large Banks:** Strong-tier banks, such as Zenith, Access, GTCO, UBA, and First Bank, serve corporate and high-net clients.
- B. **Smaller Banks:** Smaller banks and microfinance banks target Small and Medium Enterprises (SMEs) and retail clients.

The Central Bank of Nigeria's (CBN) policy rate of around 27.5% has led to high interest rates, boosting banks' net interest margins and profitability. S&P Global forecasts an average return-on-equity (ROE) of 20–25% in 2025, indicating a strong financial performance<sup>3</sup>. Banks are primarily funded by local deposits, resulting in ample liquidity. However, the sector also faces challenges, such as US dollar scarcity, which can impact liquidity and overall stability.

The traditional banking sector in Nigeria presents opportunities for growth and development, particularly in two key areas:

- A. **Capital Raising and Consolidation:** With the introduction of new capital thresholds, many banks will need to issue new equity or consider mergers to meet the requirements. This process is expected to strengthen their balance sheets and drive strategic expansion.

<sup>3</sup>Nigerian Banking Sector Outlook 2025: Resilient Performance Amid Macroeconomic Pressures <https://www.spglobal.com/assets/documents/ratings/research/101612115.pdf>



**B. Credit Growth:** As economic activity increases, credit growth is likely to rise. Although S&P Global notes that banks' credit loss ratios will remain elevated at 2.5–3.0%, overall lending is expected to expand in the consumer and SME segments, presenting opportunities for banks to grow their loan portfolios.

Digital banking is rapidly gaining traction in Nigeria, driven by the increasing adoption of mobile and internet banking. The Central Bank of Nigeria's (CBN) cashless policy and the country's youthful demographics are key factors underpinning this shift. To capitalise on this trend, banks can:

- A. Develop mobile-first products that cater to the growing demand for digital banking;
- B. Leverage artificial intelligence (AI) for credit scoring to improve lending decisions; and
- C. Partner with telecom companies on agency banking to expand their reach



As digital banking continues to grow, branch networks may shrink, but agency networks are expected to expand. The CBN plans to strengthen regulations for agency banking to ensure efficient and secure operations. With approximately 40% of Nigerians still unbanked as of 2023, there is significant room for growth in microfinance and rural banking. Branchless solutions and agent networks, including Payment Service Banks (PSBs) and mobile money agents, will play a vital role in promoting financial inclusion.

A notable new opportunity for traditional banks is diaspora banking, enabled by the CBN Non-Resident Bank Verification Number (NRBVN) scheme. This initiative allows Nigerians abroad to open domiciliary accounts remotely, with hundreds already applying and 27 banks integrating the platform. The NRBVN scheme can attract foreign exchange (FX) inflows and formal savings, providing a new source of funding for banks.

Furthermore, banks may explore opportunities to underwrite diaspora bonds or foreign-currency loans to the government or projects, given the policy focus on remittances.

Overall, traditional banks have significant growth potential through: Digital transformation, regulatory-driven capital expansion, and financing emerging sectors, such as agriculture and infrastructure, in line with government priorities.

\*NIBSS MD: 357 Nigerians from 7 countries have applied for NRBVN to ease diaspora remittances - Nairametrics <https://nairametrics.com/2025/05/14/nibss-md-357-nigerians-from-7-countries-have-applied-for-nrbvn-to-ease-diaspora-remittances/>

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## Fintech and Digital Finance

Nigeria's fintech ecosystem is experiencing rapid growth, with over 430 fintech companies operating in the country as of early 2025, representing a significant increase from 255 in early 2024<sup>5</sup>. The sector encompasses a range of innovative solutions, including payments, digital lending, remittances, Insurtech, wealth tech, and blockchain startups.

### *Key Developments:*

- A. Digital Payments:** New technologies such as QR codes, USSD wallets, and contactless cards are being rapidly adopted, with Nigerians transacting hundreds of trillions of naira electronically by mid-2024.
- B. Regulatory Support:** The Central Bank of Nigeria's (CBN) licenses for Payment Service Banks and the planned adoption of Open Banking in August 2025 are driving fintech penetration.
- B. Complementary Services:** E-money issuers and mobile money operators are now complementing traditional banks, expanding financial inclusion and deepening the fintech ecosystem.

Digital lending and credit infrastructure are significant growth areas in Nigeria's fintech landscape, catering to SMEs and consumers underserved by traditional banks. Notably:

- A. Buy-Now-Pay-Later (BNPL):** This service allows consumers to make purchases and pay for them in instalments, providing an alternative to traditional credit options.
- B. Credit Scoring Services:** Leveraging alternative data, these services enable lenders to assess creditworthiness and provide loans to individuals and businesses with limited credit history, although regulatory guidance is still evolving.

Remittance FinTechs are also thriving, with Nigeria's remittance inflows projected to reach \$26 billion by 2025, partly driven by the "Japa" wave of emigration. Many startups now offer faster and more affordable international transfers. However, despite this growth, the digital remittance

<sup>5</sup> Nigeria's Banking and Financial Services Sector in 2030 – The New Diplomat <https://newdiplomatng.com/nigeria-banking-financial/>

market remains relatively small, with a projected transaction value of \$46.7 million in 2025, indicating substantial room for expansion.

Nigeria's fintech sector has experienced a notable surge in funding and exits, with several fintechs securing substantial investment rounds, totalling billions in aggregate. This influx of capital has enabled some Nigerian FinTechs to expand their operations across Africa, demonstrating investor confidence in the sector.

### Key Trends:

- A. Regulatory Developments:** Ongoing developments, such as the data protection law, will shape the fintech landscape and inform service delivery.
- B. Cybersecurity and Compliance:** FinTechs must prioritise cybersecurity and compliance to mitigate risks and ensure trust in digital financial services.

### Growth Drivers

- A. Youthful Consumers:** Nigeria's large youthful population presents a significant opportunity for digital financial services.
- B. Low Banking Penetration:** The country's low banking penetration rate creates a vast market for FinTechs to expand financial inclusion.
- C. Improving Digital Infrastructure:** The expansion of 4G and 5G networks, along with fibre rollout, will further support the growth of digital financial services and blockchain-based solutions.



### Innovation Opportunities:

- **Open Data Initiatives:** The National Open API Framework and other open data initiatives will spur innovation in fintech, enabling the development of new products and services.

NUMBER FOUR

## Insurance Sector



Nigeria's insurance sector is notably underdeveloped, with penetration still below 1% of GDP\*. However, the growing economy and expanding middle class are driving demand for insurance products. Several trends signal opportunities for growth:

**Insurtech and Digital Distribution:** New technology-driven insurers and mobile-based products are expanding reach, creating microinsurance and on-demand policies accessible via smartphones. Insurtech startups like MyCoverGenius and Aella Credit's insurance arm are pioneering this trend.

According to OBG reports, "the rise of technology-based insurers" is expected to "enhance product variety and improve deliverability", thereby dramatically improving insurance penetration. By tapping into millions of first-time insurance buyers, digital distribution can significantly expand the customer base.

**Regulatory Reform and Capital:** The 2025 Insurance Reform Bill, expected to pass soon, will overhaul Nigeria's insurance law, mandating a shift to risk-based capital and higher minimum capital requirements. This will lead to stronger, more stable insurers and open opportunities for new players with robust tech platforms.

**Compulsory Cover Enforcement:** The enforcement of mandatory insurance lines is improving, boosting premiums and driving growth in the sector. Aggressive government campaigns mean that more businesses must buy insurance, boosting premiums. Insurance premiums surpassed ₦1 trillion in 2024<sup>7</sup> and are expected to rise further as enforcement and inflation-driven premium adjustments continue.

These trends are expected to drive growth and innovation in the insurance sector, with opportunities for:

\*Nigerian Banking Sector Outlook 2025: Resilient Performance Amid Macroeconomic Pressures <https://www.spglobal.com/assets/documents/ratings/research/101612115.pdf>

<sup>7</sup>Ibid



**A. Digital Insurance Products:** Simple motor insurance or health coverage sold via mobile wallets, agent networks, or partnerships with fintech apps can tap millions of first-time insurance buyers.

**B. Consolidation and Recapitalisation:** The Insurance Reform Bill is expected to lead to consolidation and recapitalisation, opening opportunities for new players or insurers to merge and invest in growth.

**C. Bancassurance and Product Innovation:** The Bill includes provisions to encourage bancassurance and product innovation, driving growth and innovation in the sector.

Despite challenges such as low consumer awareness and fragmented geography, Nigeria's insurance sector is poised for expansion, driven by a potent combination of growing wealth, mobile access, and regulatory momentum.

Investors and insurers who capitalise on these opportunities by: – Leveraging mobile channels to reach more customers; Introducing flexible micro plans that cater to the needs of underserved populations; Partnering with fintech and payment platforms to increase insurance adoption will tap into vast, underserved demand and unlock significant growth potential in the sector.



Nigeria's capital markets are maturing as a vital source of funding and investment, with the Nigerian Exchange (NGX) and bond markets experiencing record activity. Key highlights include:

**A. Surging Trading Volume:** Equity market trading volume reached ₦2.7 trillion in January to April 2025, a 43.3% increase over the same period in 2024.

**B. Renewed Foreign Interest:** Foreign portfolio investment now accounts for over one-third of transactions in the Nigerian market, up from about one-seventh a year earlier, reflecting renewed interest as reforms progress and valuations improve.

**C. Diversified Sector Coverage:** Major IPOs, such as MTN Nigeria and BUA Foods, and recent listings in power and real estate have broadened the market's sector coverage.

**D. Strong Market Performance:** Year-end 2024 saw equities at approximately 37.7% and debt at approximately 68.3% in performance, indicating a robust market.

**E. Vibrant Bond Market:** The bond market is thriving, with banks raising over ₦2.4 trillion via the capital markets by mid-2025 to meet new capital requirements, underscoring the market's depth and ability to channel long-term finance.

Recent legislative changes have bolstered capital market opportunities in Nigeria. The Investments and Securities Act (ISA) 2025, enacted in March 2025, introduces several key reforms:

- **Composite Exchanges:** The ISA 2025 introduces "composite exchanges," enabling a more integrated and efficient market structure.
- **Expanded Issuer Base:** The Act permits a wider set of issuers, including state governments, to raise funds, broadening the issuer base and creating new opportunities for capital raising.
- **Digital Asset Regulation:** The ISA 2025 brings digital/crypto assets into regulatory view, enabling future security tokens and crypto exchange regulation.

Furthermore, technical reforms, such as improved clearing and settlement systems, aim to enhance efficiency. The reforms pave the way for innovative products such as green bonds, infrastructure funds, and diaspora bonds, which can attract new investors and drive growth. The Securities and Exchange Commission (SEC) is working on enabling diaspora securities issuance and Nigerian funds abroad, which could channel overseas capital into domestic projects.

As the Nigerian economy expands, investors are increasingly recognizing the value in the capital market. Several factors are driving this trend:

**A. Growing Demand from Pension Funds:** Pension funds, already required to invest a portion of their assets domestically, are expected to boost demand for equities and local bonds.

**B. Increasing Retail Participation:** Retail participation is growing through mobile trading apps and investor education, making it easier for individuals to invest in the capital market.

**C. Government Support:** The government's ambitious goal of building a "₦1 trillion economy" and the President's capital market roadshows demonstrate ongoing support for the capital market.

The combination of robust equity performance, rising foreign portfolio flows, and regulatory modernisation makes Nigeria's capital markets an attractive venue for both issuers (companies, banks, governments) and investors (domestic and foreign).

# Conclusion

Nigeria's financial services sector in 2025 is poised for growth, driven by robust underlying demand, accelerated digitisation, and supportive reforms. Key opportunities include:

- **Traditional Banks:** Upgrading capital and expanding credit to meet growing demand.
- **Fintech Firms:** Leveraging mobile technologies to serve unbanked consumers and diasporans.
- **Insurers:** Scaling up from very low penetration to tap into the vast underinsured population.
- **Capital Markets:** Financing growth through equity, bonds, and innovative instruments.

**Drivers of Growth:** Nigeria's large young population, rising middle class, and improved technology infrastructure are aligning with regulatory pushes, such as open banking and market laws, to expand access and innovation.

**Challenges and Opportunities:** While challenges like high inflation, currency volatility, and infrastructure gaps remain, many are being addressed through policy reforms. For financial analysts and investors, Nigeria's combination of:

- **Untapped Markets:** Vast underinsured populations and other untapped markets present opportunities for growth.
- **Policy Reforms:** Reforms like the ISA 2025 and CBN digital agenda are creating a favourable environment for investment.
- **Solid Market Performance:** Record volumes in stocks and bonds indicate a landscape ripe for investment and growth, provided risks are managed.

Overall, Nigeria's financial services sector offers a compelling opportunity for investment and growth, driven by a unique combination of demographic, economic, and regulatory factors.

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