



Financial Inclusion Newsletter

A QUARTERLY PUBLICATION OF
THE FINANCIAL INCLUSION SECRETARIAT

VOLUME 5, ISSUE 4, DECEMBER 2020

Beyond 2020

NIGERIA'S
FINANCIAL
INCLUSION
JOURNEY

Governance

10TH
NATIONAL FINANCIAL INCLUSION
STEERING COMMITTEE MEETING

Closing the Financial Inclusion Regional Gap

WORKSHOP ON LEVERAGING
NON-INTEREST FINANCE FOR
FINANCIAL INCLUSION

Contents



1.0

Cover Story

Beyond 2020: Nigeria's Financial Inclusion Journey

2.0

Governance

10th National Financial Inclusion Steering Committee Meeting

3.0

Closing the Financial Inclusion Regional Gap

Workshop on Leveraging Non-Interest Finance for Financial Inclusion

Islamic Finance Assets Projected to Reach \$3.69trn by 2024

4.0

Photorama

5.0

Closing the Financial Inclusion Gender Gap

Implementing the Framework for Advancing Women's Financial inclusion in Nigeria

Bill Gates highlights the importance of women's financial inclusion

6.0

Digital Financial Inclusion

Lagos FinTech Week 2020

7.0

Featured Article: Cross-Border Payments

Financial Inclusion, Cross Border Payments and the AfCFTA

8.0

Financial Inclusion Teaser

Knowledge Series:

Payment Service Banks (PSBs) Crossword Puzzle
Let's crack you up
Answers to Financial Inclusion Teasers

Knowledge Series: Payment Service Banks (PSBs)
Answers to Crossword puzzle

9.0

Nigerian Financial Inclusion News

Lawmakers move to re-invigorate the insurance sector, hold public hearing for act to repeal and consolidate insurance laws

Insurers, Banks seal pact on Bank assurance

10.0

Back page

FIS Contacts



1.0

Beyond 2020

NIGERIA'S FINANCIAL INCLUSION JOURNEY

Connecting every individual to basic financial products and services has underpinned Financial Inclusion efforts across the world over the last decade. Financial Inclusion as defined in the National Financial Inclusion Strategy is achieved when adult Nigerians have access to affordable financial products and services that meet their needs.

The National Financial Inclusion Strategy in Nigeria was launched in 2012 following a commitment to increase access to finance to 80% of the adult population in Nigeria made at the Global Policy Forum of the Alliance for Financial Inclusion; a global network of policymakers focused on improving Financial Inclusion

Over the years policies, schemes and interventions have been deployed to extend access to financial products and services to unbanked and underserved Nigerians. In 2012, the National Financial Literacy Framework was developed to provide a guide for the dissemination of financial education. In the following year, tiered Know-Your-Customer requirements were released to allow for simplified account opening documentation for customers within certain thresholds, microinsurance guidelines and guidelines for banking regulation and agent banking were released.

The year 2014 was a critical year in the journey, with the establishment of a financial inclusion secretariat to coordinate stakeholders in the implementation of the framework. Through the years, numerous other policies and initiatives have come from concerted efforts of financial inclusion stakeholders and have contributed to the improvement in financial inclusion numbers including:

Release of Takaful Guidelines | | Introduction of

the Bank Verification Number | | Guidelines on Mobile Money | | Regulatory framework for licensing super agents | | Guidelines on transactions switching | | Consumer Protection Framework | | Revised guideline on Bancassurance | | Capital Market Financial Literacy Strategy | | Revised guidelines for microinsurance operations | | Guideline for the licensing and regulation of payment service banks | | Micro pension guideline | | Gender Landscaping Study

The year 2020 is the terminal year stipulated in the National Financial Inclusion Strategy to reach 80% financial inclusion of all adults in the country. The year has been unusual, requiring innovative actions to sustain the drive for financial inclusion as the impact of the global COVID-19 pandemic continued throughout the year. The knock-on effect of the extended lockdown and skeletal business activities was particularly felt among vulnerable population such as women; youth, rural dwellers and small, medium and microenterprises.

So as the year comes to an end, and with the COVID pandemic still looming and threatening gains in improved access to finance for the unbanked, what is the way forward for financial inclusion in Nigeria? As we await the result of the 2020 Access to Financial Services Survey conducted by Enhancing Financial Innovation and access, a few things remain certain for the journey beyond 2020:

1. That efforts to reach unbanked populations will continue and stakeholders remain committed to the inclusive growth of the Nigerian economy especially as Nigerians become even more vulnerable due to the COVID-19 pandemic.

2. That the revised National Financial Inclusion Strategy (NFIS 2.0) will remain the relevant guiding document for financial inclusion in Nigeria which recognizes the imperative for prioritizing the foundational constraints, the importance of innovation and the need to create an enabling environment to promote financial inclusion



FORMAL LAUNCH OF THE NFIS IN 2012

3. That vulnerable segments including women, Youth, rural areas, Northern geopolitical zones and MSMEs shall remain the focus of interventions.

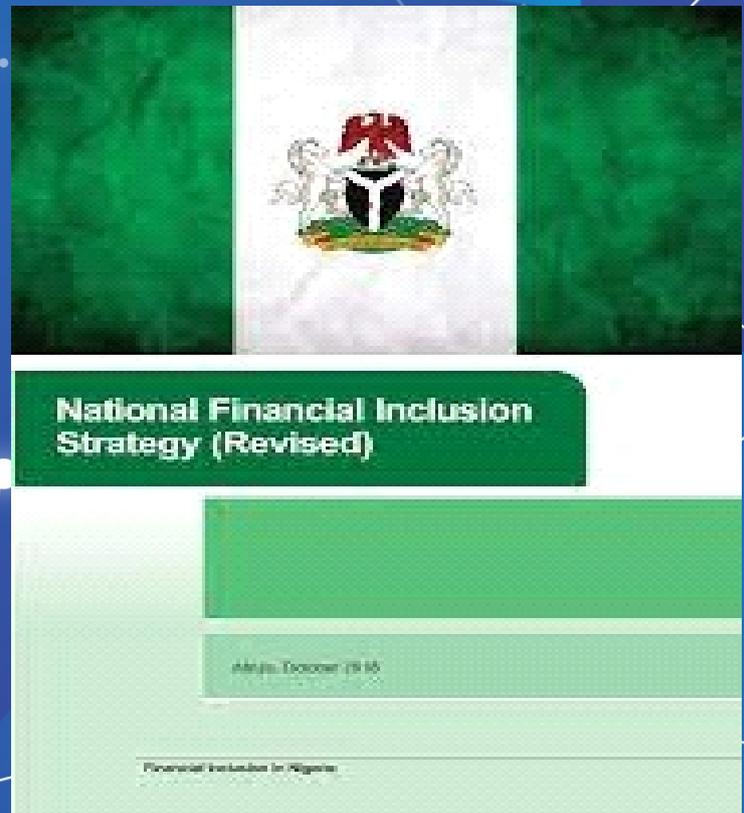
4. That enabling priorities for increasing financial inclusion in a post COVID-19 time include the expansion of Digital Financial Services, enabling the rapid expansion and growth of agent networks and the harmonization of identification requirements/KYC for account opening amongst others.

Lastly, it is imperative for all institutions to continue to strive for increased access to finance for the unbanked even beyond 2020. Countless opportunities exist and should be tapped into in order to promote inclusive growth in Nigeria; including credit enhancement schemes and agricultural interventions for farmers, a Framework for Advancing Women's Financial Inclusion in Nigeria to drive improved access to finance for women, payment services banks licensed to expand the reach of financial products and services, and a fintech strategy to be developed to allow for a concerted approach to adopting financial innovation for Financial Inclusion.

We are indeed hopeful for a better future beyond 2020 for financial inclusion in Nigeria.



MAIDEN EDITION OF THE FINANCIAL INCLUSION NEWSLETTER IN 2016



REVISION OF THE NFIS IN 2018



2.0 Governance

10th National Financial Inclusion Steering Committee Meeting

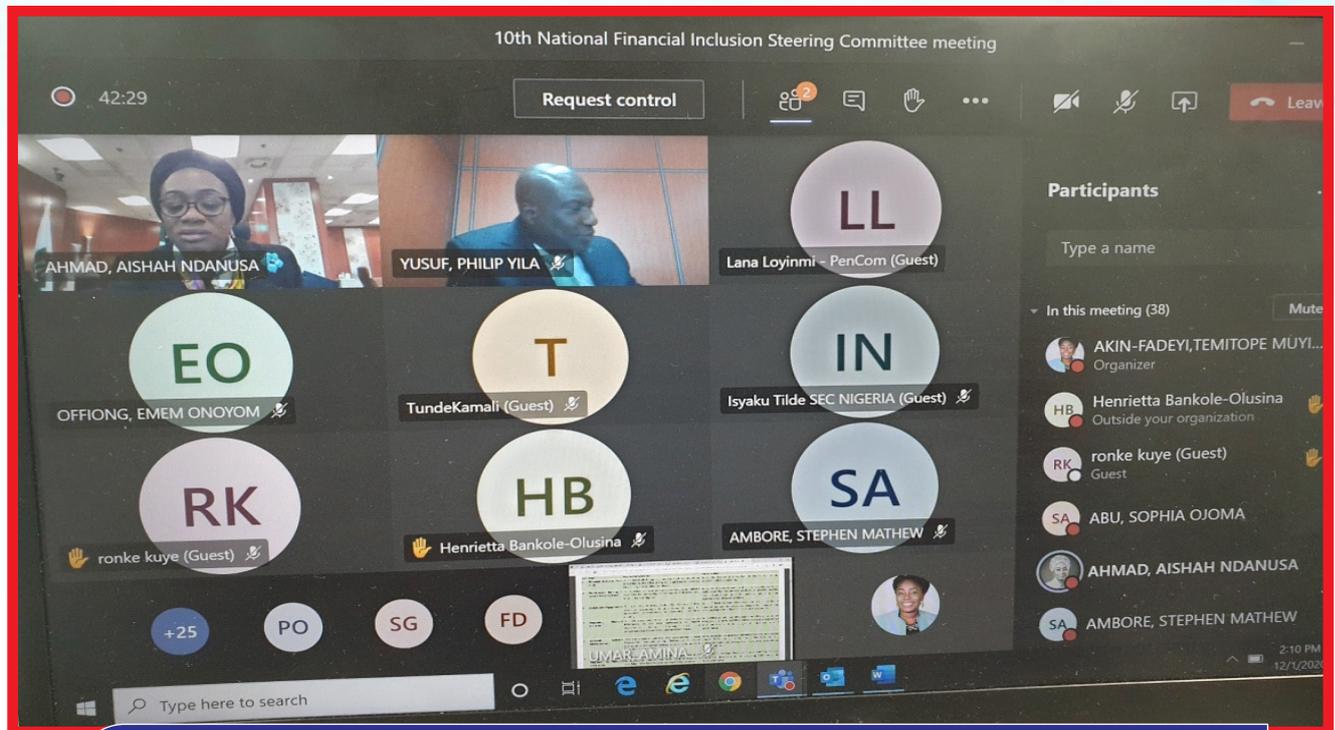
The 10th meeting of the National Financial Inclusion Steering Committee was held on Tuesday, 1st December 2020 to provide policy and strategic direction on the implementation of the 80% Financial Inclusion target set in the National Financial Inclusion Strategy.

Mrs. Aishah Ahmad (Ag. Chair) Deputy Governor, Financial System Stability (FSS) Central Bank of Nigeria (CBN) in her opening remarks relayed the apologies of the Chairperson, Mr. Godwin Emefiele- Governor Central Bank of Nigeria who was unable to join due to other commitments. She affirmed that 2020 had been a peculiar year, with several economies around the world impacted negatively by the Corona Virus Pandemic. She also noted that while negative output growth was witnessed across economies earlier in the year, she was optimistic that Financial Inclusion activities would act as a catalyst for recovery in the country.

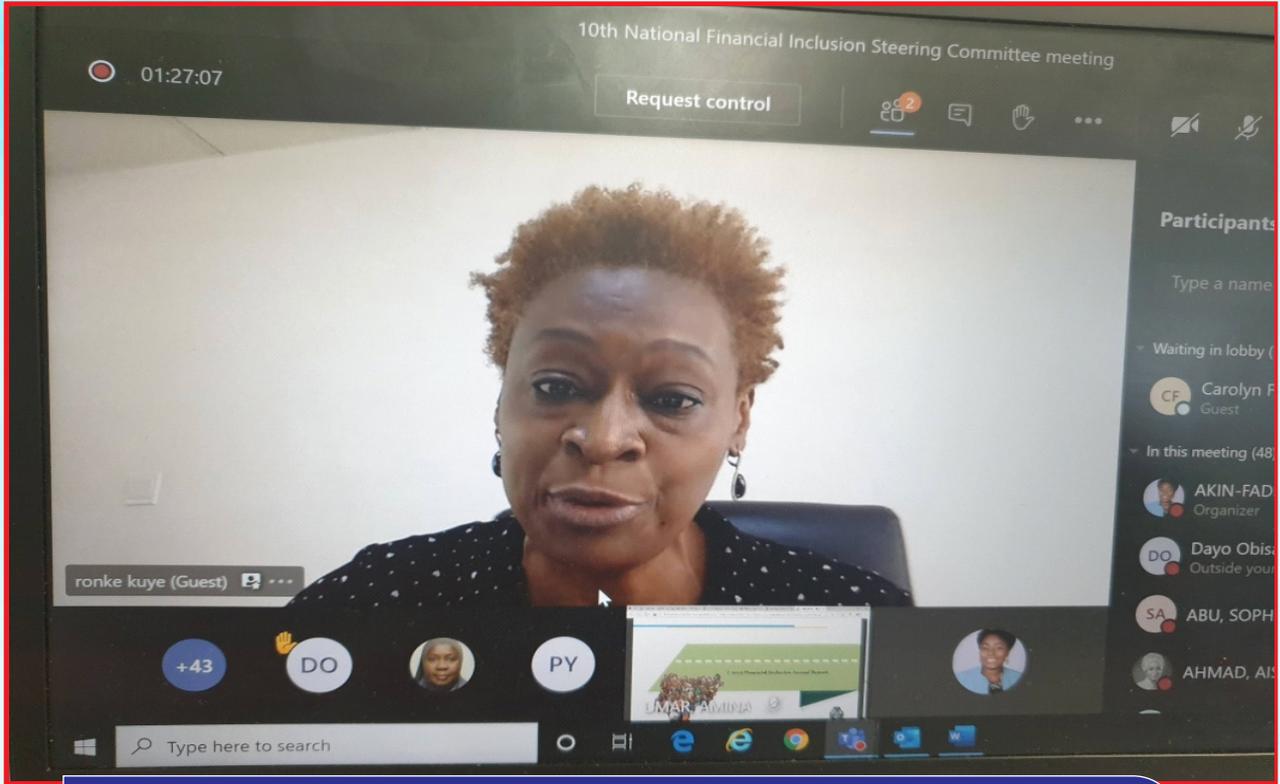
Lastly, she thanked participants for their continuous dedication to Financial Inclusion and requested that members should participate actively during the meeting as this was the highest platform of the Governance Committee structure to drive strategy implementation.

Mrs. Amina Umar, Head Financial Inclusion Secretariat, presented highlights of the Financial Inclusion Strategic engagements conducted in the 1st half of 2020 as follows:

The 22nd Financial Inclusion Working Group Meetings: Half year Technical Committee Engagements - that the committee had received report on Multi-Sector Responses to COVID-19 Pandemic which revolve around the Financial inclusion initiatives centred on rapidly expanding digital channels, leveraging agent networks, supporting resilience for the vulnerable, extending insurance covers for previous health exemptions and for essential workers on the frontline during the pandemic. She also reported on the Framework for Advancing Women's Financial Inclusion in Nigeria launched in September 2020 that a Communities of Practice



DG, FSS – Mrs. Aishah Ahmad, chairing the 10th meeting



Mrs. Ronke Kuye –CEO, SANEF presenting progress update on agent rollout

(COPs) have been established to drive the implementation of the 8 'Eight' (COPs) and the communities had also commenced developing their work plans

Mrs Ashely Immanuel reported on the EFINA Impact survey of COVID-19 on Financial inclusion, excerpts as follows: During the COVID-19 lockdown 56% of Nigerians reported lower income earned by the breadwinner (income), 80% of agents report that business was negatively impacted (access/distribution) and 61% of farmers say it is more difficult to sell crops or livestock compared to the same season last year (Supply chain breakdown).

During the interaction session Mr. Philip Yila Yusuf, Director Development Finance Department, emphasized the need for stakeholders to get ready for the possibility of a second wave of the COVID-19 pandemic and start to develop strategies to ensure inclusive finance to the poor and underserved, especially as they are the most vulnerable.

Dr Paul Oluikpe, FIS Associate Head also reminded the Committee that as 2020 was the terminal year for the National Financial Inclusion Strategy, the Financial Inclusion Secretariat would be conducting

a stock taking exercise which would involve data analysis on the progress made so far, the gap that remained to be closed and the recommended roadmap for advancing post-2020 Financial Inclusion in Nigeria.

At the end of the meeting some key resolutions including the following were met:

- The Secretariat should properly analyse the information on Non-Interest Banks to identify the gaps in reaching the excluded Northern populations and Propose strategies to close the gap using Non-Interest Finance channels.
- The National Association of Microfinance Banks should submit details on the challenges faced by Microfinance Banks in the use of NAMBUIT to the secretariat.
- That the 2019 Financial Inclusion Annual Report is approved for publication.
- That all the achievements of the Federal Government Interventions during the COVID-19 lockdown should be provided and showcased in the next Financial Inclusion Newsletter edition.



3.0

Closing the Financial Inclusion Regional Gap

Islamic Finance Assets Projected to Reach \$3.69trn by 2024

The State of the Global Islamic Economy 2020/2021 Report revealed that the COVID-19 pandemic reduced the growth of the Islamic finance sector but encouraged the development of more inclusive and socially driven finance, whether via crowdfunding, public-private partnerships, or support for SMEs.

The report showed that the estimated value of Islamic finance assets increased by 13.9% to \$2.88 trillion in 2019 from \$2.52 trillion in 2018. The top three countries by the value of Islamic finance assets include: Iran, Saudi Arabia, and Malaysia. These countries retained their positions from the previous year. However, due to the impact of the COVID-19 crisis, the value of Islamic finance assets is expected to show no significant growth in 2020 but is expected to rebound and grow at a Compound Annual Growth Rate (CAGR) of 5% from 2020 onwards to reach \$3.69 trillion by 2024.

In 2020, several Islamic Finance activities that took place are listed below:

- In February 2020, a total of NGN1b (US\$2.74m) in two-year interest-free loans was disbursed to over 5,000 traders in Sokoto State under the trader loan scheme. 30% of the loans were earmarked for women. Also, Giginya Microfinance Bank was launched in Sokoto in 2020.
- In May 2020, the CBN revised the deadlines for Microfinance banks to comply with the minimum capital requirements. The new deadlines were assigned to microfinance banks in different tiers and ranged from April 2021 to April 2022.
- The DMO announced its plan to raise N150billion (US\$383.02m) through *Sukuk* before July 2021 to fund the construction of 44 road project.
- In June 2020, the CBN revealed plans to update a regulatory framework to integrate a non-interest window in all its intervention programs to support SMEs affected by the covid19 pandemic.
- The Islamic Development Bank (IsDB) raised \$1.5bn with a first Sukuk of sustainability designed to support member countries experiencing the COVID 19 Pandemic.
- The IsDB's Islamic Corporation for the insurance of investment and Export Credit (ICIEC), among other organizations, provided insurance for Nigeria's US\$1.2billion in-kind loan from Brazil for the Green Initiative.
- Islamic Financial Services Board (IFSB) admitted the Nigerian Securities and Exchange Commission (SEC) into its Membership during its 36th Meeting of the Council and 18th General Assembly on the 4th of June.
- President Muhammadu Buhari requested the approval of the house of representatives for a borrowed sum of US\$5.5billion from external sources to implement the country's 2020 budget. The sum included US\$1.13m borrowed from the ISDB, which supported Nigeria with US\$600m due to the impact of Covid-19 pandemic.
- Nigeria Minister of Works and Housing, Mr. Babatunde Raji Fashola, received a sovereign Sukuk Symbolic Cheque of N162.557bn for the construction of 44 roads across the country.
- Jaiz Bank Plc hosted its 8th AGM and paid its first-ever dividend to shareholders which stood at N884m.



- CBN Launched New Non-Interest Finance Schemes for Its Intervention Programmes
- Fintech Lending Company Kiakia launched an Android-based app to allow *Halal* Financing.
- In August 2020, TajBank expanded its Operation in Nigeria, by launching its Sokoto Branch.
- In September 2020, the CBN decided that in line with market developments, interests on local currency savings deposits are negotiable but subjected to a minimum of 10% per annum of the monetary policy rate.
- The US\$95 million Agro- Pastoral Development Project financed by the IsDB in partnership with the Life and Livelihoods fund was launched in Kano to support the State's agricultural productivity and competitiveness.
- Jigawa State government secured a US\$37.37m facility from the IsDB to support Microfinance banks in enabling farmers to access loans at an affordable rate.
- TeamApt a fintech start-up in Nigeria is developing technology to enable non-interest financing of SMEs in 2020/2021 upon receipt of regulatory approval.
- The National Hajj Commission (NAHCON) In partnership with Jaiz Bank launched the Hajj savings scheme in the city of Kano for Muslims in Nigeria to perform their annual Hajj pilgrimage to Saudi Arabia with ease.
- On November 12, 2020, President Muhammadu Buhari signed the Banks and Other Financial Institutions Act (BOFIA) 2020 into law to strengthen confidence in the banking sector and enhance the soundness and resilience of Nigeria's financial system.
- United Capital launched its first-ever "Sukuk Fund" designed to deepen the non-interest finance market in Nigeria.

Culled from

<https://www.proshareng.com/news/Islamic-Finance/Islamic-Finance-Assets-Projected-to-Reac/55068>

Workshop on Leveraging Non-Interest Finance for Financial Inclusion

The workshop was held on the 30th November 2020 with the objective of creating a better understanding around non-interest finance products and services and other requisite knowledge in furtherance of the financial inclusion agenda.

In his welcome address, the representative of the Director, Development Finance Department, Mr. Ihua Elenwor, appreciated the participants for making time to attend the meeting. He stated that financial inclusion has continued to assume increasing recognition across the globe among policy makers and he further stated that CBN has issued guidelines for the operations of non-interest financial institution (NIFI) and also guidelines for its development finance interventions such as Anchor Borrowers Programme (ABP), Agri-Business/Small and Medium Enterprise

Investment Scheme (AGSMEIS), among others.

Over 300 representatives of financial institutions, regulatory agencies, public sector ministries, department and agencies, consumer groups, academia, international organizations and other relevant stakeholders participated in the virtual meeting.

Several papers on Non-Interest Finance Windows under CBN Intervention Funds, Closing the Financial Inclusion Gaps: Role of Non-Interest Finance, Non-Interest Banking, Sukuk Bond in the Capital Market, leveraging non-interest Finance for Financial Inclusion, the pension Perspective and Takaful Insurance were presented by subject experts from CBN, Jaiz Takaful Insurance, Lotus Insurance, ARM Pensions Manager's and TajBank.



Mrs. Temitope Akin-Fadeyi, Head Strategy Coordination Office (FIS, CBN) summarized the workshop paper presentations and discussions into 6 actionable steps

The workshop was brought to a close by the Head Financial Inclusion Secretariat (CBN), Mrs. Amina Umar, who appreciated the participants and charged the NIF operators to take on the challenge of expanding their outreach to

the excluded population via suitable products and services. And finally, encouraged consumers to explore the under tapped potentials in the NIF market to improve their financial habits and access as well as usage of financial services. She affirmed that the Financial Inclusion Secretariat was on hand to provide the needed platform for engagement among stakeholders in this regard

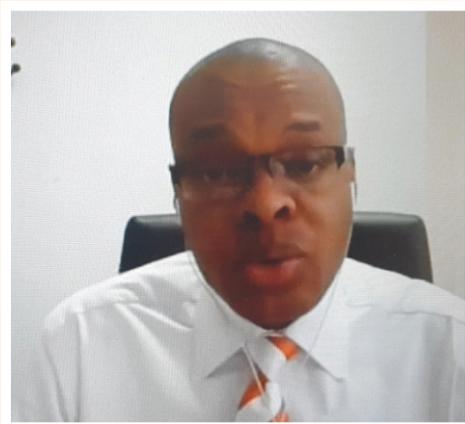




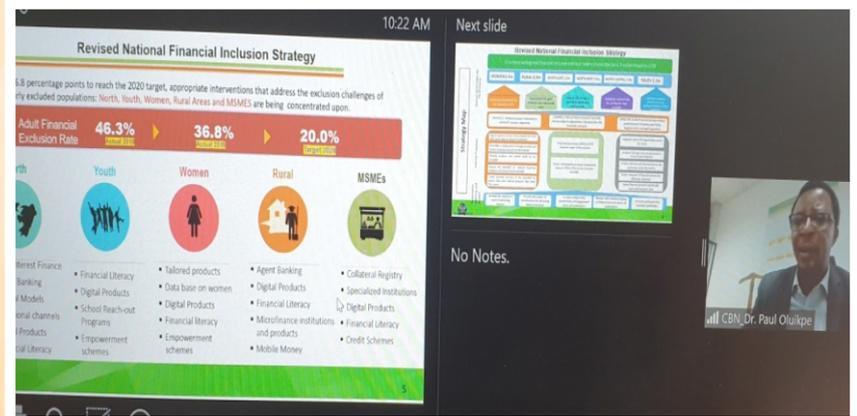
4.0 Photorama

Leveraging Non-Interest Finance for Financial Inclusion Workshop

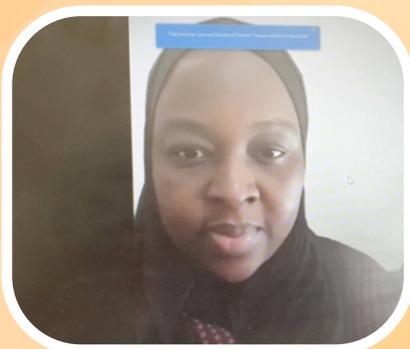
ESTEEMED SPEAKERS AT THE WORKSHOP



Mr. Elenwor Ihua,
delivering the welcome address on behalf of the Director, Development Finance Department (CBN)



Dr. Paul Oluikpe Associate Head, FIS delivering a paper at the Workshop



Director of Investment Management
ARM Pension Managers
Ms. Abimbola Sulaiman



Mr. Ya'u Isah,
representing the Director, Financial Policy and Regulations Department (CBN)



Head, Investment & Research, Lotus Capital
Mr. Ndako Mijindadi



Managing Director, TAJ Bank
Mr. Norfadelizan Abdul Rahman



Chief Executive Officer,
Jaiz Takaful Insurance Mr. Shehu Ibrahim



5.0

Closing the Financial Inclusion Gender Gap

Implementing the Framework for Advancing Women's Financial inclusion in Nigeria

Following the launch of the Framework in September 2020, Communities of Practice (COPs) were established to drive the implementation of the Strategic Imperatives in the Framework. Accordingly, 4 (Four) COPs held their inaugural meetings in November 2020 to deliberate on:

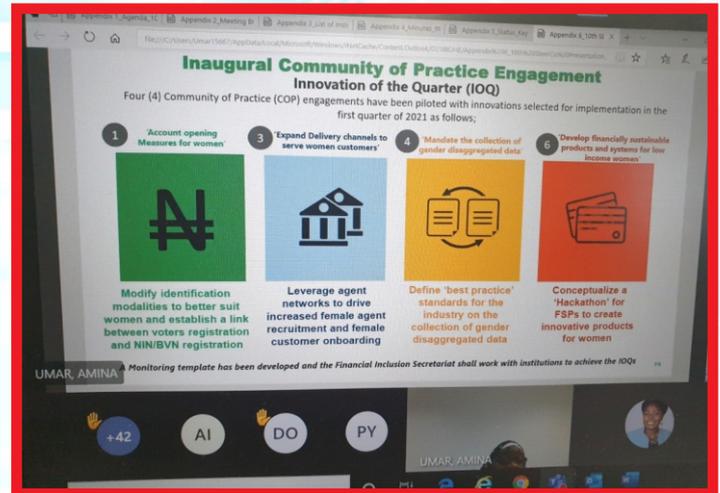
- Implementing a set of measures to support account opening on a large scale
- Expand delivery channels to reach women customers closer to home.
- Mandate the collection of Gender disaggregated data.
- Develop products and delivery systems to cater to low-income women's needs.

Each Community consists of members from regulatory institutions, financial services operators, apex organizations, research institutions, fintechs and relevant government agencies.

The Communities have all developed work plans which will be implemented leveraging on recommendations in the framework.

The major highlights of the Community meeting are as follows

- I. Terms of Reference:** The Financial Inclusion Secretariat presented the Terms of Reference to each group with information on activities to be conducted by members, meeting frequency and election of community chiefs.
- ii. Ice Breaker Sessions:** The group deliberated on specific burning issues relating to the area of focus. E.g., how the recruitment of female agents could lead



Presentation of Progress update on the implementation of the Framework

to on boarding more female into the formal financial system, the need for gender disaggregated data with examples of countries that have successfully leveraged data to inform policies to improve women's financial inclusion etc.

- I. Development of Workplan and selection of Intervention of the Quarter:** Each group was expected to outline specific activities for implementation based on the recommendations in the framework. The groups developed the plans and proceeded to select one intervention of the Quarter (IOQ) to focus on for the first quarter of 2021, following which they would select a new IOQ each quarter to implement.

The remaining COPs will be inaugurated in the first quarter of 2021 and workplans will also be developed to drive improved women's financial inclusion in Nigeria.



The remaining COPs will be inaugurated in the first quarter of 2021 and workplans will also be developed to drive improved women's financial inclusion in Nigeria



He highlighted that empowering women had a ripple effect on the nutrition and education of family members, noting also that financial inclusion was a huge focus globally as only 35% of people in low-income countries had access to a formal bank account, with women having even lower figures. He compared that with 58% to 73% of the population with access to bank accounts in upper to lower-middle income countries.

Bill Gates stated that the Pandemic revealed the critical need for digital solutions to reach the unbanked populations, noting that the Bill and Melinda Gates Foundation will continue to work with Central Banks and governments in developing countries to drive financial inclusion

8 (eight) Strategic Imperatives for driving Women's Financial Inclusion

Bill Gates highlights the importance of women's financial inclusion

In a recent article published on the CNBC, the co-founder of Microsoft, Bill Gates reaffirmed the need for women's Financial Inclusion. He made the assertion at the Fintech Festival which held in Singapore in December 2020 where he noted that women, who were typically responsible for handling the finances of their households should be given more attention by governments and businesses with the intention to alleviate poverty.

Source: <https://www.cnbc.com/2020/12/09/bill-gates-women-are-vital-to-achieving-global-financial-inclusion.html>



6.0

Digital Financial Inclusion

Lagos FinTech Week 2020

The second edition of the Lagos Fintech Week (LFW) held virtually from November 10-13, 2020 with the team “**Agenda for Cashless Lagos**”. The distinct Fintech event week delivers exciting discussions, stimulating demos and insightful debates around fintech. The weeklong programme had over 900 participants, was delivered in three main events, which includes; Femtech in Fintech Forum (FIFF), Agenda for Cashless Lagos and Fintech Talent Summit.

The event attracted varied keynote speakers from diverse background which include:

- “ British Deputy High Commissioner, Ben Llewellyn-Jones
- “ Lagos State Commissioner for Finance, Mr. Rabi Olowo
- “ SA on SGDs & Investment to Lagos State Governor, Mrs. Solape Hammond
- “ President, Institute of Software Practitioners of Nigeria (ISPON) Chinenye Mba-Uzoukwu
- “ MD/CEO, SystemSpecs, Mr. John Obaro
- “ MD/CEO eTranzact, Mr. Niyi Toluwalope, and others.

Highlights of paper presentations during the event includes;

LAGOS
FINTECH
WEEK

Fintech Talent Summit: Fintech talents development strategy in a depressed educational environment, Community-as-a-Service (CaaS): Connecting with the right talent for current and future opportunities, Fintech right talent, Strategy for Fintech talents retention and how inclusiveness and diversity affect fintech talent management.

Femtech in Fintech Forum: Setting National Agenda for Fintech Gender Inclusion, Fintech accelerating gender inclusion, Boosting peer support for Femtech in Fintech.

Agenda for Cashless Lagos: Roadmap to Cashless Lagos, Exploring cashless fare collection option for BRT and Lagos unscheduled para-transit bus services in the context of on-going public transport reform in the state, leveraging behavioral pattern to design digital payment solution for informal businesses in Lagos, Setting



Photo credit: African eMaginations

Convener, Sola Onafowope
CEO, eMaginations Communications

agenda for a new era of “cashless pay-to-play” lottery and gaming in Lagos State among others. At the end of the sessions, some recommendations made were captured below:



1. Education is a vital foundation to unlocking opportunities for women in technology.
2. Building a support framework and putting in place structured and thoughtful diversity programmes to engage female talent are essential for encouraging women in technology and fintech.
3. That the regulators and private stakeholders in the fintech sector should establish Fintech Talent Accelerator Scheme (FTAS) to serve as a talent development strategy to expand the fintech talent pool in Nigeria
4. **Cashless Lagos Scheme:** Lagos State Governor Babajide Sanwo-Olu should inaugurate the Cashless Lagos scheme as part of his administration's Greater Lagos initiative and that this can be achieved in partnership with stakeholders.
5. **Integrated ecosystem:** It is only through the integration of the entire ecosystem in Lagos that Cashless Lagos Scheme can be beneficial to all and blending these layers to create a unique Lagos Fintech stack where all key players and services are fully integrated to drive an integrated ecosystem which include large-scale infrastructure platforms, publicly available technology innovations, private companies, public sectors and global innovations should not be compromised.

Lagos Fintech Week is organized by eMaginations Communications on behalf of Fintech1000+, the largest Fintech group in Africa comprising Regulators, Bank CEOs, Government, Investors, Insurers, Fintech firms and the media.



Culled from the Communique, Lagos Fintech Week 2020 November 10-13, 2020



7.0 Cross-Border Payments

Financial Inclusion, Cross Border Payments and the AfCFTA

By Agbelusi, Mayowa Opeyemi

Intra- African Trade

There is a very little formalized trade going on between African countries. Intra-African trade, defined as the average of intra-African exports and imports, was around 2% during the period 2015–2017, while comparative figures for America, Asia, Europe and Oceania were, respectively, 47%, 61%, 67% and 7% (UNTACD, 2019). Instead, Intra- African trade is dominated by informal cross-border trade which accounts for over 60% of regional trade (OECD, 2020).

This trade is usually conducted by small businesses and individual traders in processed or non-processed goods which may be legal on one side of the border and illicit on the other side on account of not having been subjected to statutory border formalities such as customs clearance (AfDB, 2012).

Due to low levels of financial inclusion, this trade is dependent on the informal financial system, leading to sub-Saharan Africa's share of global trade flows being undervalued. Formalizing intra-African trade is a key agenda for the continent in 2021 through implementing the African Continental Free Trade Agreement (AfCFTA), and access to financial services, especially cross-border payments, can help to enhance intra-African trade.

AfCFTA and Cross-border payments

The AfCFTA was signed by 54 members of the African Union and seeks to create a single African market by removing 90% of tariffs and providing free movement of goods, services, and capital. Unfortunately, the high cost of moving capital across African borders is a barrier to this goal. It is more expensive to send money to Sub-Saharan Africa (SSA) than any region in the world. Statistics from the World Bank show that it costs 8.9% in fees to send money to SSA, higher than the global average of 6.8%. In 2019, senders paid an average transaction fee of 25.1% to send money from South Africa to China while transfers from Cameroon to Nigeria cost 15.5%. Prioritizing access to financial access points through mobile money initiatives for the participants in the informal economy, especially those in rural areas is key to reducing the cost of cross-border payments.



Creating One African Market

Photo credit: African Union

**Financial inclusion through mobile money**

Financial inclusion is about reducing the cost of entry into the financial system. The high cost of using formal financial services makes people use cash and other informal methods. An example of this is an “in-kind transaction”, where the sender, due to the high cost of sending money sends goods to an exchanger who receives and sends the local currency equivalent to the intended recipient. The Central Bank of Nigeria (CBN) put the value of such transactions at \$2.19 billion in 2019 (Steers business, 2020). The effects of so much economic activity happening outside the formal system increases the risks of money laundering and terrorist financing, it also denies the benefits derived from access to financial services, such as the empowerment of women, increased productive investment and consumption, raised productivity and incomes, and increased expenditures on preventive health (World Bank, 2014).

Mobile money wallets have emerged as a cheap and fast alternative to traditional bank accounts. Nigeria has only 4.3 commercial bank branches per 100,000 adults and 16.93 ATMs per 100,000 adults (World Bank, 2018), excluding a large rural population from formal financial services and the benefits of cross-border e-commerce. The availability of cheap mobile devices and a high mobile-phone penetration rate has helped mobile money platforms such as M-Pesa from Kenya and Paga from Nigeria provide financial services to the unbanked. In 2019, 50 million sub-Saharan Africans created a mobile-money account via a mobile phone, representing a 12% increase compared to 2018 and bringing the total number of users up to 469 million across the region (Africa Report, 2020).

The role of the CBN in improving cross-border payments

As the Central Bank of Africa's largest economy, the CBN has an important role to play in democratizing cross-border payments. The creation of Payment Service Banks (PSB) which

allows mobile network operators to provide basic financial services is commendable. The existing SIM registration database and KYC automatically support the onboarding of all mobile phone owners, solving the identity management problem.

The Bank may wish to consider revising its regulatory requirements around money transfer licensing, capital requirements in order to further reduce the barriers to entry of new entrants (CENFRI, 2019). Easing these requirements will enhance the entry of more fintech companies into the cross-border payments space leading to competition and reduced fees for customers. Leveraging new models of communication such as social media will also go a long way in increasing awareness on the related initiatives for a more inclusive atmosphere for policy formulation and implementation.

Agbelusi, Mayowa Opeyemi is an Assistant Manager with the Central Bank of Nigeria, Ibadan Branch.



8.0 Financial Inclusion Teasers

Knowledge Series: Payment Service Banks (PSBs)

1. What is a Payment Service Bank?
2. How many PSBs have been licensed by the Central Bank of Nigeria?
3. How can a PSB help to advance Financial Inclusion in Nigeria?
4. Who can operate a Payment Service Bank?
5. What are the permissible activities of a Payment Service Bank?

Hint: Try answering these questions on your own to test your knowledge of the subject matter before reviewing the answers.

Crossword Puzzle

Find and circle vocabulary words relating to budgeting. These words can be diagonal, horizontal or vertical



Hint: There are 32 words in this puzzle, see how many of them you can find



- d. Postal services providers and courier companies;
 - e. Mobile Money Operators (MMOs that desire to convert to Payment Service Banks shall comply with the requirement of this Guideline);
 - f. Switching Companies;
 - g. Financial technology companies (Fintech);
 - h. Financial Holding Companies; and
 - i. Any other entity on the merit of its application subject to the approval of the CBN .
5. Payment Service Banks shall carry out the following activities.
- a. Accept deposits from individuals and small businesses, which shall be covered by the deposit insurance scheme;
 - b. Carry out payments and remittances (including inbound cross-border personal remittances) services through various channels within Nigeria;
 - c. Sale of foreign currencies realized from inbound cross-border personal remittances to authorized foreign exchange dealers;
 - d. Issue debit and pre-paid cards on its name;
 - e. Operate electronic wallet;
 - f. Render financial advisory services;
 - g. Invest in FGN and CBN securities; and
 - h. Carry out such other activities as may be prescribed by the CBN from time to time.

For the Guidelines on the operation of Payment Service Banks, visit;

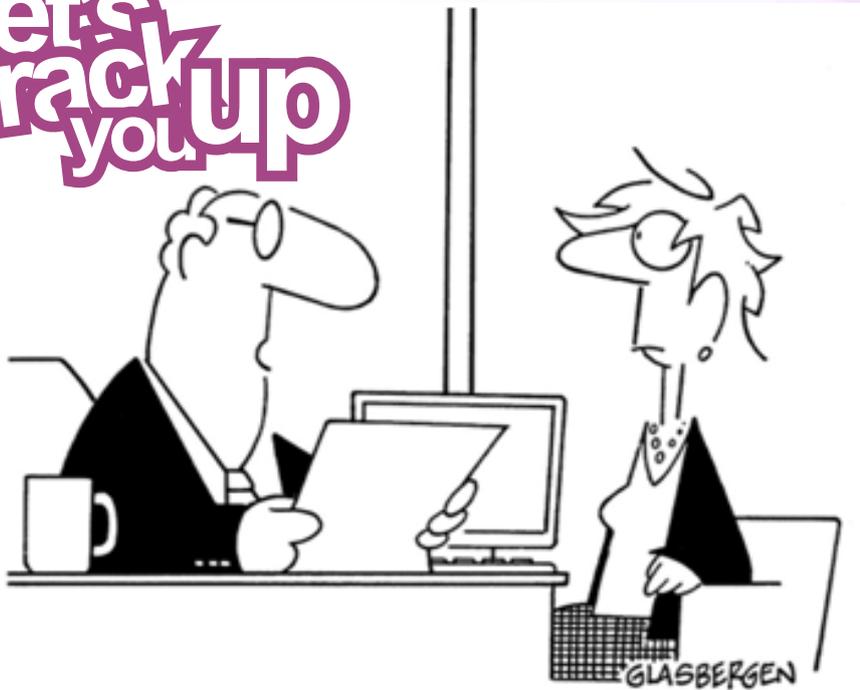
<https://www.cbn.gov.ng/Out/2020/CCD/APPROVED%20REVIEWED%20GUIDELINES%20FOR%20LICENSING%20AND%20REGULATION%20OF%20PAYMENT%20SERVICE%20BANKS%20IN%20NIGERIA-27AUG2020.pdf>

Answers to Crossword puzzle

Adjustment | Assets | Balance | Benefits | Budget | Capital | Cash Flow | Commission | Cost of Living | Deductions | Disposable | Emergency | Equity | Expense | Fixed | Garnishment | Income | Liabilities | Liquidity | Money | Mortgage | Needs | Net Worth | Plan | Power | Purchasing | Salary | Statement | Value | Variable | Wages | Wants



Let's
crack up
you up



**“If you keep working until you’re 85,
you can afford an early retirement.”**

Sign up for your pension today, do not wait until you are 85!

Source: www.Glasbergen.com

Answers to Financial Inclusion Teasers

Knowledge Series: Payment Service Banks (PSBs)

1. A Payment Service Bank is an institution, licensed by the Central Bank of Nigeria to leverage on mobile and digital channels to enhance financial inclusion and stimulate economic activities at the grassroots through the provision of financial services.
2. Three Payment Service Banks have been licensed to date namely; Hope PSB, MoneyMaster PSB and 9PSB.
3. The key objective of setting up PSBs is to enhance financial inclusion by increasing access to deposit products and payment/remittance services to small businesses, low-income households and other financially excluded entities through high- volume low-value transactions in a secured technology-driven environment.
4. Eligible promoters of Payment Service Banks include.
 - a. Banking Agents;
 - b. Telecommunications companies (Telcos), through subsidiaries;
 - c. Retail chains (supermarkets, downstream petroleum marketing companies);



9.0 Nigerian Financial Inclusion News

Lawmakers move to re-invigorate the insurance sector, hold public hearing for act to repeal and consolidate insurance laws.

In December 2020, lawmakers in the house of representatives held a public hearing for a bill for an act to repeal and consolidate Insurance laws and other ancillary matters. The hearing was hosted by the House committee on Insurance and actuarial services in an effort to improve the insurance sector through legislation.

At the hearing, the chairman of the committee, Hon. Darlington Nwokocha noted that the insurance act (2003), the motor vehicle (third party insurance) act (1945) and other related legislation required a review as they were no longer in-tune with current realities. He stated for instance that some of the laws still had the currencies quoted in Pound Sterling and not Naira.

Also speaking at the hearing, Hon. Femi Gbajabiamila stated that a robust regulatory framework for insurance is critical to ensure that the insurance sector contributes to the national economy. He noted that the current COVID-19 pandemic had government willing out several interventions to support the economy and several sectors, including the insurance sector had a huge role to play.

Insurance is one of the five (5) key strands of financial inclusion in Nigeria, and while other strands like savings, payments, pensions and credit have made strides, with numbers of financially excluded populations with access to these products/services increasing over the years, access to insurance in Nigeria has remained low.

According to the biannual Access to Financial Services Survey, insurance penetration has remained at an average of 2% of the total adult population over the past couple of years. There remains a general lack of understanding and awareness of Insurance products, specifically amongst low-income Nigerians.

The new bill seeks to amongst other things, ensure that industry operators meet certain suitability requirements that could mean improved trust in insurance services by low-income populations and better consumer protection.

Some highlights of the proposed actions in the bill include.

- I. The provision for effective methods of insurance dispute resolution.
- II. Realignment of insurance laws to current modern realities
- III. Recalibration of certain fines for infringement of insurance agreements
- IV. A recapitalization process of the insurance industry to meet international best practices
- V. An upward review of medical insurance

According to the lawmakers, the potential gains of the reform of the industry through this bill could earn Nigeria Foreign Direct Investment (FDI) and generate employment for over 1 million Nigerians. Another projection by the lawmakers is that the reform could ensure that the insurance sector contributes over N2 trillion to the Nigerian economy.

Ultimately, the hope is that the reform boosts confidence of the unbanked and underbanked population in the country to accessing insurance as a lifestyle choice to hedge against inherent risks in their lives and businesses

Source: <https://www.thisdaylive.com/index.php/2020/12/29/improving-nigerias-insurance-penetration-through-legislative-framework/>



Insurers, Banks seal pact on Bancassurance

Coronation Insurance Plc. and Access Bank Limited have signed a pact to support bancassurance growth and raise the quality of service. This was made known in a report published by the Guardian online on 15th December 2020.

Chairman, Coronation Insurance Plc, formerly Wapic, Mutiu Sunmonu, said the collaboration represents a key milestone in the insurance industry as new standards of quality service delivery are expected to emerge. Speaking at the webinar, the Group Managing Director/Chief Executive Officer, Access Bank, Herbert Wigwe, said the bancassurance deal was significant because it will enhance Nigeria's underwriting and claim payment experience.

Source:<https://guardian.ng/news/insurer-banks-seal-pact-on-bancassurance/>



FIS CONTACTS

The Financial Inclusion Secretariat is the coordinating body for the implementation of the National Financial Inclusion Strategy in Nigeria. The Secretariat is a liaison for all stakeholders in the Financial Inclusion space and is responsible for engaging, coordinating and evaluating initiatives geared towards the achievement of the Strategy targets. This newsletter is a quarterly publication by the Financial Inclusion Secretariat and features industry news on financial inclusion as well as periodic updates on the progress of the implementation of the Strategy

For further enquires and submission of articles for publication, please contact:

Head, Financial Inclusion Secretariat Central Bank of Nigeria
Plot 33, Abubakar Tafawa Balewa Way Central Business District, Cadastral
Zone, Abuja, Federal Capital Territory

Telephone:
0946237625

Email:
FIS@cbn.gov.ng

EDITORIAL TEAM:

Paul Oluikpe
Temitope Akin-Fadeyi
Sophia Abu
Maryam Hadejia
Hilary Ewubor