ACKNOWLEDGEMENT

The National Financial Inclusion Steering Committee would like to acknowledge the contributions of all stakeholders who provided data, took part in workshops, interviews, reviewed and provided comments to this National FinTech Strategy. In particular, the Committee appreciates the support of the Alliance for Financial Inclusion, who made this possible through the instrumentality of their In-Country Implementation support program.
FOREWORD

The National Financial Inclusion Steering Committee, a committee of stakeholders from the public and private sector has been at the forefront of promoting inclusive growth and development through financial inclusion.

The committee recognizes the place of innovative models in achieving financial inclusion objectives, particularly; the committee believes FinTech has the potential to facilitate inclusive growth in the Nigerian economy. FinTech also has the potential to deepen the existing payment and financial system infrastructure to reach unserved areas and further stimulate growth.

In the light of this, the national financial inclusion stakeholders developed a strategy to leverage FinTechs for inclusive growth and development, while enabling the Nigerian FinTech ecosystem for global competitiveness. The strategy seeks to achieve these objectives through the implementation of some key initiatives to catalyze the FinTech ecosystem. It highlights demand and supply side imperatives for harnessing and retaining the talent pool in the FinTech space and the mainstreaming of FinTechs into the Financial Service sector. Furthermore, the document seeks to address issues that have militated against the growth of FinTechs in Nigeria and will serve as a collaborative tool to maximize the benefit of FinTechs while mitigating the risk.

The National FinTech Strategy is a major component of the Payment Systems Vision 2025 (PSV 2025). In addition, the strategy would enable the attainment of the objectives of the Nigerian Startup Bill, 2022, particularly in the Financial Services sector.

On behalf of all members of the Financial Inclusion Steering Committee in Nigeria, I am pleased to present the first National FinTech Strategy for Nigeria.

Thank you.

Godwin I. Emefiele, CON
Governor, Central Bank of Nigeria and Chairman, National Financial Inclusion Steering Committee
Contents

ACKNOWLEDGEMENT II
FOREWORD III
ACRONYMS X

1. EXECUTIVE SUMMARY 1
   1.1 PREAMBLE 1
   1.2 STRATEGY DEVELOPMENT PROCESS 1
      1.3 STRATEGY HIGHLIGHTS 1
   1.4 STRATEGIC OBJECTIVES 2
   1.5 GUIDING PRINCIPLES 2
   1.6 STRATEGIC INITIATIVES 3
   1.7 DEVELOPMENT OUTCOME 3
   1.8 ROADMAP 4
   1.9 MONITORING AND EVALUATION 5
   1.10 RISK MANAGEMENT 5

2. INTRODUCTION 7

3. PROJECT BACKGROUND 8
   3.1. DEFINITION 8
   3.2. THE RATIONALE FOR A FINTECH STRATEGY 9
   3.3. STRATEGIC OBJECTIVES 9

4. NIGERIA’S FINTECH ENVIRONMENT 10
   4.1. PESTEL ANALYSIS 10
      4.1.1. Political 10
      4.1.2. Economic 10
      4.1.3. Legal & Regulatory 11
      4.1.4. Environmental 12
      4.1.5. Technology 12
   4.2. FINANCIAL SYSTEM 13
   4.3. FINTECHS ECOSYSTEM 13
   4.4. STAKEHOLDER MAPPING 14

5. CURRENT STATE OF FINTECHS 15
   5.1. FINTECH EVOLUTION 15
   5.2. TRENDS 16
      5.2.1. Supply 16
5.2.2. Demand 18
5.2.3. Policy 19
5.2.4. Regulatory 20
5.3. CURRENT STATE SUMMARY 20
6. GLOBAL BENCHMARKS 22
6.1. TRENDS 22
6.1.1. Supply 22
6.1.2. Demand 23
6.1.3. Regulatory 24
6.2. COUNTRY BENCHMARKS 24
6.3. GLOBAL BEST PRACTICES IN NATIONAL FINTECH STRATEGY DEVELOPMENT 25
6.3.1. (High Income): United Kingdom 25
6.3.2. (Lower middle income): Egypt 26
6.4. INTERNATIONAL BENCHMARKING 26
7. FINTECH STRATEGY 28
7.1. VISION 28
7.2. MISSION 28
7.3. STRATEGIC OBJECTIVES 28
7.4. STRATEGIC PRIORITIES 28
7.4.1. Principle 1 31
7.4.2. Principle 2 32
7.4.3. Principle 3 33
7.5. STRATEGIC INITIATIVES 34
7.5.1. Adopt smart policy design and implementation practices 34
7.5.2. Design and implement balanced and proportionate policies and regulations 35
7.5.3. Promote alternative regulatory instruments 36
7.5.4. Digitize regulatory and supervisory processes 36
7.5.5. Enhance institutional coordination structures and practices. 37
7.5.6. License FinTech players that can scale 38
7.5.7. Build industry standards across FinTech sub-sectors 38
7.5.8. Build FinTech policy enablers 39
7.5.9. Build FinTech technical enablers 39
7.5.10. Fast track universal telecommunications access 40
7.5.11. Get FinTech firms regulation fit 41
7.5.12. Advocate universal access to energy 41
7.5.13. Establish a regional financial centre/hub 42
7.5.14. Build FinTech clusters 43
7.5.15. Develop scalable investment ready FinTech firms 43
7.5.16. Diversify funding landscape 44
7.5.17. Inform and build awareness 45
7.5.18. Build industry linkages 46
7.5.19. Build and maintain library of tools to support the ecosystem 46
7.5.20. Host hackathons and other competitive events 47
7.5.21. Track FinTech ecosystem performance 48
7.5.22. Stimulate domestic investment landscape 48
7.5.23. Incentivize Angel Investments 49
7.5.24. Create regulatory-backed innovation spaces 49
7.5.25. Promote multi-stakeholder collaboration 50
7.5.26. Showcase Nigerian FinTechs’ internationally 51
7.5.27. Build FinTech talent 51
7.5.28. Build “smart/contemporary regulators” 52
7.5.29. Enhance employability opportunities 53
**List of Figures**

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National FinTech strategy components</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Strategic initiatives</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Summary of FinTech outcomes and indicators</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Nigeria's Doing Business Rankings 2020</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>FinTech ecosystem functions and actors</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>Stakeholder matrix</td>
<td>15</td>
</tr>
<tr>
<td>7</td>
<td>Nigeria's FinTech clusters</td>
<td>18</td>
</tr>
<tr>
<td>8</td>
<td>Access to finance strands (2008 - 2020)</td>
<td>18</td>
</tr>
<tr>
<td>9</td>
<td>FinTech ecosystem SWOT</td>
<td>21</td>
</tr>
<tr>
<td>10</td>
<td>FinTech enablers and inhibitors</td>
<td>21</td>
</tr>
<tr>
<td>11</td>
<td>Global FinTech segments and clusters</td>
<td>22</td>
</tr>
<tr>
<td>12</td>
<td>Supply benchmarks</td>
<td>23</td>
</tr>
<tr>
<td>13</td>
<td>Demand benchmarks</td>
<td>23</td>
</tr>
<tr>
<td>14</td>
<td>Regulatory benchmarks</td>
<td>24</td>
</tr>
<tr>
<td>15</td>
<td>Global FinTech enablers and inhibitors</td>
<td>27</td>
</tr>
<tr>
<td>16</td>
<td>Regional FinTech enablers and inhibitors</td>
<td>27</td>
</tr>
<tr>
<td>17</td>
<td>Strategic objectives analysis</td>
<td>28</td>
</tr>
<tr>
<td>18</td>
<td>FinTech strategy summary</td>
<td>54</td>
</tr>
<tr>
<td>19</td>
<td>Strategy implementation roadmap</td>
<td>55</td>
</tr>
<tr>
<td>20</td>
<td>Risk matrix</td>
<td>63</td>
</tr>
<tr>
<td>21</td>
<td>Policy Indicators</td>
<td>67</td>
</tr>
<tr>
<td>22</td>
<td>Ecosystem Indicators</td>
<td>68</td>
</tr>
<tr>
<td>23</td>
<td>Talent Indicators</td>
<td>69</td>
</tr>
</tbody>
</table>
Figure 24: FinTech strategy pillars

List of Tables

Table 1: Mapping of the strategic objectives and priority areas
Table 2: Ecosystem actors
Table 3: Stakeholder roles in strategy Implementation
Table 4: Theory of change
Table 5: Aligning SEC implementation roadmap
# ACRONYMS

<table>
<thead>
<tr>
<th>ACRONYM</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>4IR</td>
<td>Fourth Industrial Revolution</td>
</tr>
<tr>
<td>A2F</td>
<td>Access to Finance</td>
</tr>
<tr>
<td>AfCTA</td>
<td>African Continental Free Trade Agreement</td>
</tr>
<tr>
<td>AFI</td>
<td>Alliance for Financial Inclusion</td>
</tr>
<tr>
<td>AI</td>
<td>Artificial Intelligence</td>
</tr>
<tr>
<td>AML/CTF</td>
<td>Anti-money Laundering/Counter-terrorism Financing</td>
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<tr>
<td>API</td>
<td>Application Programming Interface</td>
</tr>
<tr>
<td>B2C</td>
<td>Business-to-Consumer</td>
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<tr>
<td>BACS</td>
<td>Bankers' Automated Clearing System</td>
</tr>
<tr>
<td>BoP</td>
<td>Bottom of the Pyramid</td>
</tr>
<tr>
<td>BVN</td>
<td>Bank Verification Number</td>
</tr>
<tr>
<td>CBDC</td>
<td>Central Bank Digital Currency</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
</tr>
<tr>
<td>CCAF</td>
<td>Cambridge Centre for Alternative Finance</td>
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<tr>
<td>CHIPS</td>
<td>Clearing House Interbank Payments System</td>
</tr>
<tr>
<td>DFS</td>
<td>Digital Financial Services</td>
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<tr>
<td>DLT</td>
<td>Distributed Ledger Technology</td>
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<tr>
<td>EFInA</td>
<td>Enhancing Financial Innovation and Access</td>
</tr>
<tr>
<td>eKYC</td>
<td>Electronic Know-your-customer</td>
</tr>
<tr>
<td>FSP</td>
<td>Financial Services Provider</td>
</tr>
<tr>
<td>FSS</td>
<td>Financial Systems Strategy</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GFIN</td>
<td>Global Financial Innovation Network</td>
</tr>
<tr>
<td>GVA</td>
<td>Gross Value Added</td>
</tr>
<tr>
<td>I-SIP</td>
<td>Inclusion, stability, integrity and protection</td>
</tr>
<tr>
<td>ICI</td>
<td>In-country implementation</td>
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<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<tr>
<td>IDE</td>
<td>Innovation driven enterprises</td>
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# ACRONYMS

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<tr>
<th>ACRONYM</th>
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<tr>
<td>KYC</td>
<td>Know-your-Customer</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring &amp; Evaluation</td>
</tr>
<tr>
<td>ML</td>
<td>Machine Learning</td>
</tr>
<tr>
<td>MMO</td>
<td>Mobile Money Operator</td>
</tr>
<tr>
<td>MNO</td>
<td>Mobile Network Operator</td>
</tr>
<tr>
<td>NAICOM</td>
<td>National Insurance Commission</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
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<tr>
<td>NFIS</td>
<td>National Financial Inclusion Strategy</td>
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<tr>
<td>NFS</td>
<td>National Fintech Strategy</td>
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<tr>
<td>NIBSS</td>
<td>Nigeria Interbank Settlement System</td>
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<td>NITDA</td>
<td>National Information Technology Development Agency</td>
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<tr>
<td>P2P</td>
<td>Person-to-Person</td>
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<tr>
<td>PE</td>
<td>Private Equity</td>
</tr>
<tr>
<td>PENCOM</td>
<td>Pension Commission of Nigeria</td>
</tr>
<tr>
<td>PESTEL</td>
<td>Political, economic, social, technology, environment and legal</td>
</tr>
<tr>
<td>PSB</td>
<td>Payment Services Bank</td>
</tr>
<tr>
<td>PSP</td>
<td>Payment Service Provider</td>
</tr>
<tr>
<td>PSV</td>
<td>Payments Systems Vision</td>
</tr>
<tr>
<td>RAMP</td>
<td>RIA African Mobile Pricing</td>
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<tr>
<td>RIA</td>
<td>Research ICT Africa</td>
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<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
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<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
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<tr>
<td>SME</td>
<td>Small and medium enterprises</td>
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<tr>
<td>SMILE</td>
<td>Small and medium innovation leaning enterprises</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
</tr>
<tr>
<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
</tr>
<tr>
<td>USSD</td>
<td>Unstructured Supplementary Service Data</td>
</tr>
<tr>
<td>VC</td>
<td>Venture Capital</td>
</tr>
<tr>
<td>YC</td>
<td>Y Combinator</td>
</tr>
</tbody>
</table>
1.0
Executive Summary
1.1 PREAMBLE

The influences of the fourth industrial revolution (4IR) and digital economy in Nigeria's financial technology (FinTech) ecosystem are growing because of the entrepreneurial drive of young Nigerians and access to foreign venture capital. Despite the organic growth of FinTechs, the impact of financial inclusion has been minimal. Hence, the National Financial Inclusion Technical Committee and Alliance for Financial Inclusion (AFI) convened a Roundtable to examine the extent to which an enabling regulatory environment and policies could support FinTechs and innovative businesses in accelerating financial inclusion in Nigeria. One outcome of the Roundtable was the need for a National FinTech Strategy. The strategy seeks to unlock innovation through FinTechs to drive inclusive growth and development, while facilitating global competitiveness.

1.2 STRATEGY DEVELOPMENT PROCESS

In developing this National FinTech Strategy, insights were gotten from desk research alongside the active participation of financial system regulators, operators and other ecosystem actors. Furthermore, through interviews and consultative workshops stakeholders jointly agreed on the definition of FinTech, the vision and mission, the guiding principles and strategic initiatives. Actors engaged in the process are categorized as follows:

- **Public sector institutions**: financial services regulators and related government agencies in the digital economy.
- **Private sector institutions**: comprising of representatives of incumbent actor groups like e-Banking Heads in Deposit Money Banks and other apex associations in the Digital Financial services space.
- **Ecosystem facilitators**: like switching companies and other infrastructure providers.

1.3 STRATEGY HIGHLIGHTS

The subsequent sections define the components of the National FinTechs Strategy illustrated in Figure 1. The directional beacons are:

- **Definition**: Nigeria defines FinTech as “technologically enabled financial innovations that extend the reach, usage and governance of financial services.”
• **Vision:** To be the leading inclusive digital and FinTech ecosystem operating out of Africa.

• **Mission:** To develop a proportionate and balanced environment that supports innovation and collaboration, promotes inclusive growth, harnesses and retains talent, attracts investments and develops digital infrastructure.

1.4 STRATEGIC OBJECTIVES

Two strategic objectives gird the vision and mission - ecosystem development and governance. Ecosystem development refers to systematically situating FinTechs in a financial services ecosystem that advances technological innovation and builds talented innovators/entrepreneurs and regulators. Governance focuses on the rules of play amongst stakeholders.

The strategic objectives that will result in the attainment of the vision and mission for FinTechs in Nigeria are:

1. Develop a well-functioning FinTech ecosystem that advances technological innovation, attracts investments, develops globally competitive FinTechs, creates private sector jobs and supports all ecosystem members with tools that will facilitate their growth and development.

2. Design and implement policies that will promote investments in the FinTech ecosystem, engender fit-for-purpose products and protect consumers, investors and the financial system from risks associated with the use of FinTechs.

1.5 GUIDING PRINCIPLES

The guiding principles to achieving the vision and mission are:

The expected outcome of the implementation of the recommendations of this strategy include the growth of the FinTechs ecosystem, that is investment ready and regulations fit, facilitated by an enabling policy environment,
1.7 DEVELOPMENT OUTCOME

As a public policy, the National FinTech Strategy (NFS) will drive Nigeria’s inclusive digital growth through GDP contributions, job creation and productivity by building a healthy financial services ecosystem and financial centre with diverse and active stakeholders and fostering collaboration and cooperation.
I. Social: improvements in the social environment like digital/financial literacy, improvements in financial access across the different NFIS segments and improved financial health across the banked segments.

II. Economic: in addition to contributions of the sector to GDP, the strategy will enable the creation and sustenance of direct and indirect private sector jobs to Nigerian youth that will be employed by the FinTechs and other sectors.

III. Digital/Infrastructure: in addition to the expansion of digital infrastructure and telecommunications access, building the digital maturity and rails encompasses expanding FinTechs across financial sub-sectors and the use of diverse fourth industrial revolution technologies (4IR).

IV. Policy/Environment: creating an enabling policy environment will require indicators and measurements of the policy environment and outcomes like the gross sector value, and activity in the sector segmented by start-ups, scale ups and exits. The existence of policy enablers like shared national identity and other tools and frameworks will support the environment.

V. Investment: the growth of the FinTechs sector requires capital from diverse sources – domestic and international to provide funding to FinTechs at their various stages of growth. Hence, the investment outcomes we anticipate include the growth and evolution of FinTechs and classification by universal labels – unicorn, gazelles, zebras and camels.

VI. Practice: mainstreaming FinTech as a practice that will support the enablement of the social and policy outcomes requires capacity building and behavioural changes among operators and regulators.

1.8 ROADMAP

Following implementation planning, we envisage a 3-phased implementation approach that commences immediately upon approval of the plan and extends beyond the financial inclusion target date of 2024. This approach is aggressive because of the limited timeline to demonstrate the role of FinTechs in driving inclusive finance and growth.

The first stage of the implementation, which spans 9-months, will establish the building blocks both in the ecosystem and governance domains. The next 24 months will encompass the continued development of structures and enablers and will layer on the investment and capital raising structures for domestic and international investments. By the end of this phase, we anticipate improved DFS perceptions and adoption levels, clearer regulator-market relationships and regulatory instruments that support innovative products and services.

By 2024, Nigeria should have established FinTech innovations and be able to promote Nigerian FinTechs internationally.

Measurement, collaboration and coordination are essential in attaining the strategy objective.
1.10 RISK MANAGEMENT

The risks below, if not mitigated, can affect the attainment of the objectives of this strategy and produce unintended outcomes.

- **Implementation**: the ownership and coordination of this National FinTechs Strategy and especially its implementation is a critical risk, especially regarding the participation of ecosystem actors and the allocation of resources.

While the strategy addresses FinTech development across the financial ecosystem, the different resources required to ensure the vision is achieved requires collaboration.
• **Digital rails:** enabling the FinTech multiplier effects beyond urban locations and banked Nigerians requires digital infrastructure rollout.

• **Infrastructure:** inadequate provision and access to energy could impede digital technology solutions rollout.

• **Technological:** by virtue of the strategy’s dependence on digital technology implementation and adoption, cybersecurity, technology failures (reliability, availability) would impact the strategic outcomes.

• **Strategic alliance frameworks:** this FinTech strategy hinges on building an inclusive ecosystem and collaborative work engagements and relationships between regulators and operators.

• **Regulatory clarity:** the direction of financial sector regulators towards an innovation friendly environment matched with minimal domestic environment funding will limit funding opportunities available to innovators and reduce products, enterprises, etc.

• **User adoption:** low trust of financial service providers resulting from negative direct and indirect experiences and low advocacy.
The purpose of the National FinTech Strategy (NFS) for Nigeria is to set an agenda for inclusive FinTech that will enhance and deepen the access to and use of financial services by 2024.

The development of the strategy involved the review of ecosystem data and the engagement of stakeholders who took part in workshops, and brainstorming sessions. The initial brainstorming session where the definition for FinTech as well as the mission and vision of FinTech in Nigeria was agreed on had participants from:

- **Public Sector Institutions:** policymakers, Regulators, Federal agencies etc.
- **Private Sector Institutions:** financial service providers, Aggregators, Financial technology companies etc.
- **Development Partners:** national and International Development Agencies

The committee on presentation took all decisions in the strategy development process by the consulting team. These decisions were made following several iterative workshops. Regular briefing sessions were convened where progress was reviewed along the set timelines for the project and necessary approvals were obtained.

While Nigeria has a thriving FinTech ecosystem, the ecosystem needs to be further enabled for sustainable growth and global competitiveness. The strategy seeks to address governance related concerns and enabling FinTech fits better into the larger Financial Services sector.

The strategy adopted a mixed approach in developing the implementation roadmap. The approach consists of principle-based and prescriptive recommendations, which provides a framework to address foundational issues while focused on growth and sustainability of the ecosystem.

The strategy did not provide a roadmap that seeks to develop the FinTech ecosystem in isolation but implement recommendations that makes the ecosystem an enabler of the Payment Systems Vision 2025 (PSV 2025), and the Nigerian Start-up Bill, 2022.

The rest of the document presents details of the strategy, which includes the strategy development approach, strategy recommendation and the Monitoring and Evaluation (M&E) framework of the strategy.
3. Project Background

The 2020 Enhancing Financial Innovation and Access (EFInA) access to financial (A2F) survey reported that there are 38.1 million of 106 million excluded adult Nigerians.

The report further revealed that 81% of this excluded population own a mobile phone.

In recognising high tele-density levels amongst the unbanked, the Central Bank of Nigeria (CBN) has issued over eight different policies aimed at facilitating the use of Digital Financial Services (DFS) for financial inclusion. However, the EFInA report showed that despite past efforts, mobile money awareness and adoption levels remain low at 22% and 4% respectively.

In January 2019, the Central Bank revised the National Financial Inclusion Strategy (NFIS), seeking to leverage innovation as an enabler of financial inclusion. Similarly the launch of the Alliance for Financial Inclusion (AFI) Sochi Accord, aimed at leveraging FinTechs to drive financial inclusion, further aligns with the central NFIS theme of leveraging DFS and innovative approaches to achieving Nigeria’s financial inclusion goals.

The National Financial Inclusion Technical Committee convened the FinTechs for Financial Inclusion Roundtable with all financial services regulators and representatives of other stakeholder organisations like AFI and EFInA. At this Roundtable, delegates examined the extent to which an enabling regulatory environment and policies could support FinTechs and innovative businesses in accelerating financial inclusion in Nigeria.

The Roundtable produced seventeen resolutions, the top four priorities being to:
1. Leverage technology to create digital identity management system for the unbanked.
2. Develop and implement appropriate regulation for FinTech practices in Nigeria.
3. Understudy the highly excluded geopolitical zones (North West and North East) with a view of developing business opportunities for FinTechs to tap into.
4. Adopt a test and learn approach to regulating FinTechs through the implementation of a Regtech Sandbox.

It is in this light that AFI, the facilitator of the Roundtable, proposed to support the development of a National FinTech Strategy for Nigeria through an In-Country Implementation (ICI) support program.

3.1. DEFINITION

FinTech is defined as technologically enabled financial innovations that extend the reach, usage and governance of financial services.

Financial innovations are the outputs such as business models, products and services, use cases and processes enabled by technologies across diverse financial services like payments, savings, credit, insurance and pensions. In Nigeria’s context, FinTechs should aim to extend reach or access through distribution and other means; increase usage of (DFS); and develop governance mechanisms, including but not limited to using internal controls and
3.2. THE RATIONALE FOR A FINTECH STRATEGY

The National FinTech Strategy is a public policy document that frames in the national context, the core problem, the goal of the strategy and vision for the FinTech ecosystem, it sets the scope for policies, regulations and reforms that are in alignment with other financial (and non-financial) policy objectives concerning integrity, stability, inclusion, protection and competition.

By identifying specific drivers and inhibitors for FinTechs and the ecosystem, the strategy coordinates stakeholders across public-private domains to focus resources on addressing primary challenges for the FinTech ecosystem and establishing the building blocks for digital financial transformation.

In setting forth the phasing of policies, reforms, and investments across different time horizons, the strategy:

- Clarifies the strategic initiatives and investment opportunities across the FinTech ecosystem.
- Provides data for the private sector, to speed up FinTech ecosystem development.
- Builds the foundation for planning actions, monitoring progress, and evaluating the impact of policies, reforms, and investments.

3.3. STRATEGIC OBJECTIVES

The strategic objectives of the National FinTech Strategy are to:

- Provide guidelines for enabling appropriate and proportionate regulations and policies that allow responsible innovation.
- Facilitate relevant DFS that expand meaningful access, enable responsible usage, and assures the quality of financial services.
- Establish clear proportional and balanced regulatory, supervision and oversight requirements for FinTechs to thrive while minimising potential risks to the financial system and consumers.
- Co-operate with other regulators and market actors to address barriers and build an inclusive financial sector for women, rural communities, youths, underserved and unserved market segments.
4. Nigeria's FinTech Environment

The use of financial technologies (FinTechs) in the Nigeria's financial ecosystem is synonymous with the evolution of new generation banks in the late 1980s and early 1990s and multi-branch banking services. Transformational technology developments extended the provision of diverse branchless banking services. Nonetheless, frictions like financial inclusion expose the market gaps.

We introduce Nigeria’s FinTech environment using the political, economic, social, technology, environment and legal (PESTEL) framework.

4.1. PESTEL ANALYSIS

4.1.1. Political

There is broad political support for developing the technology sector in Nigeria, meaning that there is potential for significant governmental support for FinTech projects. For example, Nigeria’s National Development Plan (NDP) 2021 to 2025, focuses on unlocking the potentials across economic sectors for sustainable, holistic and inclusive national development.

The four strategic thrusts of the plan are:
1. Establishing a strong foundation for a concentric diversified economy;
2. Investment in critical physical, financial, science and innovation infrastructure;
3. Building a solid framework and enhance capacities to strengthen security and ensure good governance; and
4. Enabling a vibrant, educated and healthy populace. The plan recognises the importance of the ICT sector as a key enabler in building Nigeria’s emerging digital economy, enhancing productivity while reducing costs and time to produce goods and services.

However, Public funding for proposed initiatives is scarce, however the geographic coverage of existing programs is limited and non-inclusive. More so, there are no incentives for angel investment, which limits high-net-worth individuals' inclination to invest in riskier options such as technology entrepreneurship. These factors place significant constraints on companies seeking to develop FinTechs products as they increasingly depend on external funding.

4.1.2. Economic

The Nigerian economy presents a mixed picture of opportunity for FinTechs. While Nigeria is the largest economy and the most populous country in Africa, its per capita GDP is relatively low at USD 2,229.9 (as of 2019).

Reliable, continuous power supply is also an ongoing concern, and the overall ICT Infrastructure has needs stability upgrades and wider distribution. This has meant that the country has continued to grapple with fundamental infrastructure problems that overshadow most of the initiatives undertaken to foster tech entrepreneurship.

This infrastructure deficit has also meant that digital businesses must have complementary offline services to exploit the Nigerian market potential. Nigeria has an informal market environment with a base of over 35 million micro-enterprises. This base is driven by a vibrant entrepreneurial culture, which despite infrastructure challenges, have developed innovation ecosystems mainly in Lagos and
Abuja. Many FinTech businesses are focused on Lagos because of the size of the market; Lagos is the commercial capital of Nigeria with over 20 million inhabitants and a higher GDP/capita of USD 6,238 [1]. However, this has slowed FinTech development in the hinterland.

Given the scarcity of smart money in the Nigerian ecosystem, entrepreneurs with international education and work experience seek access to international programs that provide funding and mentorship and networking opportunities. US accelerator programs such as those offered by Y Combinator (YC) and 500 Start-ups are the most cited examples to follow this route. Graduates of these programs feel that they increased the value of their start-ups while increasing their chances of securing later-stage investment from international sources. The tech start-up ecosystem has produced four exits over USD 100 million: namely Andela, Konga, Jumia, and more recently Paystack. The Jumia Group became the continent’s first “unicorn” with a 1 billion USD+ valuation in 2016.

While there have been recent developments designed to improve the ease of doing business in the country, the Nigerian tax system remains hard to navigate for entrepreneurs and not designed to include incentives or reliefs for small enterprises. The country ranks 131 in the World Bank’s ease of doing business ratings; Figure 4 illustrates the country’s performance across different dimensions.

### 4.1.3. Legal & Regulatory

Nigeria’s legal framework in some instances does not address the development needs of the country’s modernization. Problems around access to justice, timelines, outdated statutory frameworks and enforcement of rights are a major concern. However, regulations dealing with e-finance and e-commerce are generally up to date.

In this regard, Nigeria has a pro-innovation stance on the provision of payment services and FinTechs services and products targeted at its unbanked and underserved population – which is among the highest in the world.

Measures to control foreign currency trade have impeded tech entrepreneurs accessing online services and reaching out to international markets. For example, in 2016, the CBN changed its policy to money transfer operators, allowing only those that have operations in Nigeria to conduct services. This has limited the options for receiving online foreign currency payments and has excluded some global payments operators such as PayPal from conducting online transactions as well.
Across board, while there have been ongoing policy strategies to improve the market, the lack of coordination between stakeholders hampered the implementation efforts given that the policy space in the country is quite fragmented. The unclear regulatory environment has impeded FinTech adoption in Nigeria, as FinTechs are generally confused about which law or regulation is applicable to which FinTech solutions, and by which regulatory authority.

4.1.4. Environmental

Nigeria continues to grapple with a myriad of economic, social and infrastructure challenges on the back of a growing rural-urban migration. This is coupled with lack of pipe borne water, growing housing deficit, deteriorating environmental conditions that are heightening security challenges and creating increased social tension, and inaccessible health and education centres. All of this signalling an annual estimated sustainable finance investment need of up to US$92 billion [2].

These environmental issues limit the pace of growth of FinTech companies.

Religion, culture, gender and economic status illustrate Nigeria’s diversity. Nigeria recorded 0.881 points in the 2019 Gender Development Index (GDI), an increase from 0.874 in the previous year, evidencing widening gender inequality in health, knowledge and living standards. On the other hand, the IMF reports that Nigeria closed 63.5% of its gender gap, offering comparable economic opportunities to both men and women and reporting a score of 0.738 on the Economic Participation and opportunity sub-index thereby making the country most improved globally [3].

In the FinTechs ecosystem, over 50% of the FinTechs under review have only male founders, while only 16% have all female founders [4].

This gender gap is attributable to a lack of inclusion in the talent pool, workforce and will inevitably by extension affect products.

Hofstede insights revealed Nigeria’s culture as quite normative and at the same time collectivist. This is indicative of a society that prefers to maintain time-honoured traditions and norms while viewing societal change with suspicion and at the same time fosters strong relationships where everyone takes responsibility for fellow members of their group.

A mapping exercise by the Sustainable Digital Finance Alliance has found that sustainable digital finance innovations can deliver 13 of the 17 SDGs. While it requires further analysis to understand the most promising domestic applications, Nigeria clearly has potential in areas including mobile payments, where Nigeria is already Africa’s largest mobile market, with 162 million subscribers and a penetration rate of 84%. Digital innovations could unlock a myriad opportunities, including increasing energy access to the Bottom of the Pyramid (BoP).

4.1.5. Technology

Since the mid-1990s, Nigeria’s digital landscape has significantly expanded, enabled by the rapid adoption and ubiquity of the Internet. This shift has invariably impacted how businesses and customers engage in the execution of transactions. The scale of digital transformation in Nigeria was catalysed with the liberalization and commercialization of the Telecommunications sector in 2001,
under the regulation of the Nigerian Communications Commission (NCC). The country’s telecommunications sector has since championed the provision of telecommunications services, and other ICT capabilities for enabling the economic transformation for all other sectors of the Nigerian economy. Currently, the active mobile network in the country is about 195 million lines, with Internet Penetration in Nigeria estimated at 40.88% (as of December 2021, NCC).

In recent times, the emergence and adoption of innovative technologies such as application programming interfaces (APIs), artificial intelligence (AI), distributed ledger technology, unstructured supplementary service data (USSD) and biometrics are driving the development of the FinTech industry. These market entrants are leveraging technology capabilities of automation, digitisation and simplification to increase efficiencies, reduce transaction costs, build client relationships and facilitate regulatory compliance in addressing unmet needs in the traditional banking sector, seizing market share and democratising financial services within the country’s digital financial industry.

Nevertheless, the adoption of these new technologies has the potential to increase cyber-risk and expose large volumes of sensitive data to potential breaches if not well managed. If these emerging cybersecurity threats are left unchecked, information technology risks could ultimately lead to financial instability [5].

4.2. FINANCIAL SYSTEM

Nigeria’s financial system comprises all financial intermediaries that operate in the financial sector. The system provides an enabling environment for economic growth and development, productive activity, financial intermediation, capital formation and management of the payments system. The belief is that economic agents of surplus and deficit spending units that facilitate savings and investment and expand financial intermediaries and markets anchor the financial system [6].

In all, the financial system comprises financial markets, financial institutions and financial instruments.

- **Financial markets** are trading marketplaces like capital markets, for long-term financing; money markets, for small-term investments; foreign exchange markets for multi-currency exchanges; and credit markets to provide loans to individuals and firms.
- **Financial institutions** are banking or depository institutions like banks and development finance institutions, non-banking and non-depository institutions like insurance, pension and mutual fund companies.
- **Financial instruments** represent the products traded in financial markets to meet the needs of the credit seeker in exchange for differing securities requirements. Such assets include treasury bills, commercial papers, term/call/notice money and certificate of deposits.

4.3. FINTECH ECOSYSTEM

Unlike the traditional financial services ecosystem, the FinTech ecosystem comprises the major actors with the common goal of advancing the financial services industry through technological innovation. These include government (policy makers and regulators), financial institutions, investors, entrepreneurs, innovators and FinTechs (start-ups and scale-ups). The critical components of a FinTechs ecosystem are illustrated in Figure 5 [7].
4.4. STAKEHOLDER MAPPING

Stakeholder mapping is essential for ensuring the success of any ecosystem initiative, it helps in identifying stakeholders and understanding their potential stakes enables an inclusive ecosystem strategy because it highlights who is present and why. In this case, it is therefore important to understand the extent to which FinTechs serve and affect the different actors in the financial services ecosystem.

Advances in technology propels FinTechs, affecting financial institutions, regulators, customers and retailers in a wide range of industries. These technologies include the availability and affordability of infrastructure (e.g., Internet, mobile technology, sensors), the maturing technological applications (e.g., digital platforms, big data analytics), and business operations (e.g., sharing economy), among others [8].

Nigeria’s FinTech landscape comprises of stakeholders across the private and public sectors, including operators, private enterprises, providers of capital, regulators, infrastructure providers, and other enablers [9].

Figure 6 illustrates the power/interest matrix of Nigeria’s FinTech ecosystem. The four quadrants of the matrix are:

- **High power, Low interest:** wield significant influence but maintain a low level of scrutiny of the FinTech ecosystem. They include the executive and legislative arms of government.

- **High power, High interest:** critical ecosystem stakeholders and decision makers. These include financial regulators and payments services and infrastructure (telco) enablers.

- **Low power, High interest:** actors with varying degrees of interest in the FinTech ecosystem. Some may be advanced in knowledge but have limited power to instigate change amongst other ecosystem members. These are typically market actors like incumbent financial institutions and the new wave of disruptors.

- **Low power, Low interest:** necessary stakeholders with minimal influence. Educators and learning institutions, industry groups and associations fit in this category.
5. Current State of FinTechs

5.1. FINTECH EVOLUTION

It is important to note that FinTechs, in a form recognizable to us today, have been a part of financial services since the 19th century, with introducing the telegraph in 1838 and the launch of the transatlantic cable in 1866. However, from the launch of the first automated teller machine (ATM) in 1967 to the global financial crisis in 2008, banks led financial technology (FinTech) innovations [10].

Between 1968 to 1973, interbank systems such as the Bankers’ Automated Clearing System (BACS), the Clearing House Interbank Payments System (CHIPS) and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) offered for electronic fund transfer services. Banks launched their card schemes in the 1950s and 1960s. By the 1980s, banks used mainframe computers, with ancient forms of online banking emerging in the US and Europe in the early part of the decade. By the first decade of the 21st-century banks controlled the pace of technology innovation, with technology companies acting as technical partners.

However, the financial crisis resulted in growing public mistrust of formal financial institutions and a search for alternatives, coinciding with emerging technologies that powered these new entrants. An emerging class of non-traditional financial service providers - some new players alongside companies that acted as vendors to licensed financial service institutions may characterise our current phase in FinTechs, since 2008.

A focus on payments marked the start of
this phase. The cost of entry for payments companies are lower than other financial service segments, and from the data harnessed by these payment companies, FinTechs use advanced analytics to develop new saving and investment models and leverage technology to make them attractive. In the developing world, there was recognition by stakeholders that these global innovations could assist with meeting regulatory objectives of increased inclusion and economic development. We have seen the growth of mobile and branchless financial service provision as one solution to bringing financial services closer to excluded groups has also been observed.

Nigeria has also witnessed evolving markets with technological advances and new payment systems, spearheaded in part by government strategic objectives and a wider global context. FinTech companies attract about 25% of start-up investment capital [11]. Over the last 15 years, spearheaded in part by policy initiatives like the Cashless Policy and the Bank Verification Numbering (BVN) system, the rapid expansion of the country’s telecommunications capabilities, and the demographic advantages of our large youth population, Nigeria has created a thriving FinTech ecosystem.

However, despite the rapid expansion of the sector, it’s sector accounted for only ~1.25% of retail banking revenues in 2019. The growth of new digital platforms pose additional risks for regulators in terms of market stability, risk management and consumer protection. It is therefore important to prioritize stakeholder coordination that addresses structural challenges to capture a greater share of Nigeria’s $50bn DFS opportunity, and mitigate emerging risks as the sector evolves, with the potential net benefit of increased inclusion.

5.2. TRENDS

5.2.1. Supply

Commercial banks dominate DFS in Nigeria[12], limiting its accessibility to a wider variety of users. The typical customer base of commercial banks is salaried employees of corporations, civil servants, and business owners. While there are no statutory barriers to others accessing banking services, financial exclusion persists because of telecommunication gaps, as well as a host of other factors ranging from branch locations to a lack of adequate banking products.

Most non-bank FinTech firms are yet to reach the unbanked and position themselves as complementary to commercial banks rather than substitutes. FinTech firms are also playing a key role in providing critical infrastructure to assisting traditional financial institutions’ digital transformation initiatives, from providing platforms for interoperability to providing enterprise banking solutions. Following global trends, we are also seeing B2B models, although the B2C market will continue to expand in the developing world. The growth of telecommunications has perhaps been the biggest driving factor for the rapid development of FinTechs. Wholesale submarine bandwidth capacity has increased by 2,705% since 2010. Internet data tariffs have decreased because of Nigeria’s connection to undersea international links and increased competition in the market. In Nigeria, the most popular form of internet access is via mobile broadband, with 54% having 3G coverage [13]. Notwithstanding these lapses, the current National Broadband Plan
(2020 - 2025) [14], through the licensing of infrastructure companies (infracos) and deployment of 5G technologies, targets urban and rural speeds of 25Mbps and 10Mbps respectively. Besides these national efforts, Lagos State is building its unified internet fibre infrastructure laying kilometres of fibre optic cable across the state.

National fixed-line infrastructure connecting the last mile is poor, meaning that most business traffic is reliant on mobile phones. However, quality of services and incomplete coverage mean at least half of mobile subscribers own over one SIM card. Nigeria’s lack of a national backbone network for high-speed data transmission is at the heart of the prevalent poor quality of voice and data. Thus, agent networks remain a key infrastructure in financial services delivery.

There has been an increasing focus of Big Tech players on the financial service industries, seeking to leverage name recognition, access to capital and their large customer bases as a foundation for making bold moves into the sector. In addition, we

<table>
<thead>
<tr>
<th>Segment</th>
<th>Size</th>
<th>Key Sub-segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Payments, Mobile Money &amp; Digital Banking</td>
<td>38%</td>
<td>• Digital Payments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mobile Payments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Payments processing &amp; switching</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Digital banks &amp; accounts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Global transfers &amp; remittances</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Terminal &amp; infrastructure providers</td>
</tr>
<tr>
<td>Lending</td>
<td>23%</td>
<td>• Retail lending</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SME lending</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Credit data analytics &amp; loan assessments</td>
</tr>
<tr>
<td>• Savings, Investments &amp; Crowdfunding</td>
<td>15%</td>
<td>• Digital wealth &amp; asset management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Automatic savings platforms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Alternate investments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• International investment platforms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Crowdfunding</td>
</tr>
</tbody>
</table>
5.2.2. Demand

have seen technology giants like Facebook and Google moving into emerging markets. These companies perhaps pose the greatest challenge to both traditional and emerging FinTech financial institutions.

Nigeria is currently home to about 210-250 FinTech companies, with over ~60% constituting payments and lending clusters (see Figure 7) [15]

The 2020 Enhancing Financial Innovation and Access (EFInA) access to finance (A2F) survey reports 38.1 million of 106 million adult Nigerians lack financial access (financially excluded), with 81% of this excluded population owning a mobile phone. In recognising high tele-density levels amongst the unbanked, CBN policies aimed at enhancing inclusive DFS are yet to scale as the awareness and use of one of
the main DFS’, mobile money, remains low at 22% and 4%.

Figure 8 illustrates Nigeria's financial inclusion progress since measurements began in 2008. With growing population numbers, while the direction of the excluded populations is significant, the increasing absolute numbers is indicative of the ever-increasing challenge.

Advancing a cashless society has increased using digital platforms, most notably in the payments sector. By Q1 2020, the Nigeria Interbank Settlement System (NIBSS) reported 366 million e-payment transactions, an increase of 57% since Q1 2019. Also, transaction value of N31.2 trillion, up 28%. The growth of FinTechs has facilitated easy access to online payment means by e-commerce merchants, enabling the growth of the e-commerce sector.

Demographic factors are key to understanding FinTech’s demand. Financial literacy and a youthful population, coupled with increased smartphone penetration, has led to the rapid adoption of FinTech services in Nigeria. The growth in customer base is promising with 68% of FinTechs having over 10,000 customers, with 80% comprising retail customers. These factors were further catalysed by the COVID pandemic and subsequent shutdown, which increased the popularity of no-contact and digital solutions.

Mobile phone ownership among Nigerians is just over 20% for smartphones, 44.84% for feature phones, and 32.16% basic phones, with more significant gender imbalance in smartphone ownership. Nigeria ranks 6th on Research ICT Africa (RIA)’s African Mobile Pricing (RAMP) Index, and 10th on the 1GB pre-paid mobile data index. However, these rankings need to be weighed against the accompanying increased penetration and quality of service on which the country fares less favourably.

In urban areas, consumers are conducting business via digital means, increasing interest in personal financial management, taking advantage of digital lending, savings and micro-investing. FinTechs are merging products and services; buying microfinance bank licenses to expand their service offerings. Platforms evidence suggest there remains unmet demand for customer finance in Nigeria and consumers are likewise interested in the digital token space.

5.2.3. Policy

Nigeria does not have a national policy for the development of the FinTechs ecosystem. Notwithstanding, Pillar 5 (Digital Services Development and Promotion) of the National Digital Economy Policy & Strategy (2020 - 2030) recognises the role and impact of innovation Driven Enterprises (IDE) and an emerging sector of Small and Medium Innovation Leaning Enterprises (SMILE).

The origins of FinTech regulation in Nigeria dates back to the Mobile Money Operator (MMO) licensing scheme, allowing non-bank financial institutions in the ecosystem. Through this action, CBN sought to enhance innovation and competition, provide a stable and sound financial ecosystem and protect consumers. The payments systems strategic plan, Payments Systems Vision (PSV 2020), drafted in 2007 and revised in 2013 (PSV Release 2.0) to benchmark the Nigerian Payments System in line with global best practice is the prevalent policy.
The PSV 2020 initiative is an integral component of the national financial systems vision, Financial Systems Strategy (FSS) 2020. The vision of the strategy is to create an electronic payments infrastructure that is nationally utilised — by all sectors of the economy and all regions of the country — and internationally recognised as being world class. The strategy specifically identifies initiatives to enhance national usage and end-user adoption and infrastructure recommendations to improve resilience and increase international recognition.

The Securities and Exchange Commission (SEC) acknowledges the dynamic evolution of financial innovation and the cardinal principles guiding FinTech evolution are providing safe financial instruments and promoting problem-oriented solutions. The Commission acknowledges an agile and iterative FinTech evolution process. Crypto currencies that trade as assets are one such use cases. Through the Operations Directorate, the Operations Commission monitors and regulates asset classes and any other financial instrument with security-like characteristics.

The SEC has also introduced a FinTech roadmap addressing changes required for the future of FinTech in the capital markets ecosystem. The roadmap proposes initiatives that promote:

i. Deepening market penetration;
ii. Consumer protection, security and data privacy;
iii. FinTech friendly regulations/policies and compliance.

5.2.4. Regulatory

The defining regulatory trend extends the regulatory perimeter to non-traditional providers of financial services, with regulators dealing with emerging disruptive technology. Despite the protest of FinTechs and financial institutions, regulators have adopted international best practices in rulemaking.

Market surveys suggest that policy and regulations inhibit growth, or at the very least poses, a challenge compared with other markets. We recognise efforts to create a supportive environment such as new license categories, tiered requirements, incubation programs and sandboxes; however, there is room to improve policy and regulations. We are also witnessing a shift from institution- to activity-based regulation, to recognise the greater number of market participants.

On the 25th of October 2021, the Central Bank launched its Central Bank Digital Currency (CBDC), termed “eNaira”. eNaira policy goals include financial inclusion, payments systems efficiency improvements covering remittances and social intervention, and revenue and tax collections. With the eNaira, the CBN expects to further expand the payments space - actors, innovative DFS and possibilities.

The SEC released a statement on its treatment of digital assets and their classification. It also released its Regulatory Incubation Guidelines which provide basic requirements that allow potential operators (FinTech Firms) to operate under some prescribed basic but limited provisions for a specified period. The Regulatory Incubation program is yet to commence.

5.3. CURRENT STATE SUMMARY

Nigeria’s FinTech ecosystem has grown
organically through payments innovation and financial services regulations, despite the infrastructural constraints.

Notwithstanding these advancements, the sectors inability to close the financial inclusion gaps highlights limited regulatory innovation capabilities in a fragile consumer protection environment. However, Covid-19 catalysed digital transformation and the levels of unmet demand highlight the opportunities for FinTechs across the financial services ecosystem.

Figure 9 highlights the strengths, weaknesses, opportunities and threats (SWOT) within Nigeria’s FinTech’s ecosystem that are enabled by or limited by the factors in Figure 10.
6. Global Benchmarks

Because of interconnected financial systems, this section presents the global FinTechs trends and benchmarks for comparison. Four key segments and nine clusters explain the global FinTechs market (see Figure 11). 6.1. Trends

<table>
<thead>
<tr>
<th>Digital Banking</th>
<th>Corporate &amp; SME Payments</th>
<th>InsurTech</th>
<th>Digital Wealth Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital retail payments</td>
<td>SME Payments</td>
<td>Life and Personal Insurance</td>
<td>Digital investment management</td>
</tr>
<tr>
<td>Payment’ infrastructure</td>
<td>Corporate payments</td>
<td>Claims and Benefits handling</td>
<td>Retail trading platforms</td>
</tr>
<tr>
<td>Lending</td>
<td></td>
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</tbody>
</table>

Figure 11: Global FinTechs segments and clusters

6.1 TRENDS

6.1.1. Supply

The digital banking segment dominates the $100B global FinTechs investment market, controlling about ~50% since the payments clusters have the lowest cost of market entry and remain the most attractive to new entrants. There is a growing emergence of big tech companies (also known as TechFins) focusing on providing one stop solutions to customers by developing ecosystems, in partnership with banks. Across Western markets, the threat of TechFins and challenging B2C economics in developed markets are contributing to a gradual shift to B2B models, while the B2C model remains attractive for emerging market players. FinTechs buying banking licenses is an early indicator that the business model is shifting in developed markets [16].

Out of the total global investment of $105 billion for FinTechs companies in 2020, the US made $76 billion.

With increasing pre-seed and seed deals in Africa, the average deal size remains lower than other regions; seed rounds in Africa average around $1 million, while in Latin America and India they average around $3 million. Although the FinTechs market is growing in Africa, investments remain concentrated in a few key markets - including Nigeria, Kenya and South Africa.

African markets are becoming more mature and seeing the first few $100 million+ deals and M&A activity (mergers, consolidation and acquisitions), in the payments space – including growth-stage start-ups, like MFS Africa (Beyonic), Flutterwave and World Remit (Paystack).
### Parameter/Indices

<table>
<thead>
<tr>
<th>Parameter/Indices</th>
<th>UK</th>
<th>China</th>
<th>Singapore</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Ranking (Findexable 2020/65)</td>
<td>2</td>
<td>21</td>
<td>3</td>
<td>52</td>
</tr>
<tr>
<td>Market Size (Revenue/USD)</td>
<td>15B</td>
<td>2B</td>
<td>11B</td>
<td>500M</td>
</tr>
<tr>
<td>% of Global Market</td>
<td>12%</td>
<td>1.5%</td>
<td>8.5%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Market Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Growth (CAGR)</td>
<td>8%</td>
<td>18%</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td>Funding/Investment (2020/USD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Venture capital and private equity</td>
<td>4B</td>
<td>1.6B</td>
<td>650M</td>
<td>450M</td>
</tr>
<tr>
<td>Market Access</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of ATMs per 100,000 adults</td>
<td>110.3</td>
<td>58.8</td>
<td>95.6</td>
<td>16.9</td>
</tr>
<tr>
<td>Technology Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broadband Coverage</td>
<td>95%</td>
<td>80%</td>
<td>99%</td>
<td>45%</td>
</tr>
<tr>
<td>Mobile penetration</td>
<td>99%</td>
<td>111%</td>
<td>148%</td>
<td>80%</td>
</tr>
<tr>
<td>Advanced Tech</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>API (Open Banking)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Platforms</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talent availability</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Inadequate</td>
</tr>
<tr>
<td>Accelerators and Incubators (quantity)</td>
<td>400+</td>
<td>172+</td>
<td>535+</td>
<td>580+</td>
</tr>
</tbody>
</table>

Figure 12: Supply benchmarks

### 6.1.2. Demand

Sub-Saharan Africa (SSA) remains a global leader in mobile money with significant gains in financial inclusion. The FinTech market however is yet to realise its full potential, for creating solutions that are tailored for women, poor, and otherwise underserved customers across emerging markets, as the core customer base for most FinTechs remains focused on corporates, merchants, and more mainstream users [17].

Amidst the COVID-19 pandemic, declining funding flows and start-up growth was expected, but the opposite was true in emerging markets, where cash-based economies adjusted to more digital transactions, increasing the demand for DFS. Notwithstanding, the volume of funding deals and the number of FinTech users reached continue to grow around the world, this growth is uneven and dominated by growth-stage payments companies that serve mainstream customers.

<table>
<thead>
<tr>
<th>Parameter/Indices</th>
<th>UK</th>
<th>China</th>
<th>Singapore</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fintech Adoption</td>
<td>71%</td>
<td>87%</td>
<td>67%</td>
<td>63%</td>
</tr>
<tr>
<td>Digital Transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile/cashless payments</td>
<td>77%</td>
<td>59%</td>
<td>61%</td>
<td>45%</td>
</tr>
<tr>
<td>Electronic transactions growth rate</td>
<td>12%</td>
<td>54%</td>
<td>5%</td>
<td>40%</td>
</tr>
<tr>
<td>Financial Inclusion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unbanked Population</td>
<td>4%</td>
<td>20%</td>
<td>2%</td>
<td>50%</td>
</tr>
<tr>
<td>GDP per capita:Financial Inclusion ratio</td>
<td>464.2</td>
<td>236.6</td>
<td>610.4</td>
<td>44.6</td>
</tr>
<tr>
<td>Mobile penetration:Financial inclusion ratio</td>
<td>1.03</td>
<td>1.4</td>
<td>1.5</td>
<td>0.02</td>
</tr>
<tr>
<td>Gender gap</td>
<td>8%</td>
<td>20%</td>
<td>10%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Figure 13: Demand benchmarks
6.1.3. Regulatory

Most new FinTech firms are non-banks, outside the conventional regulatory frameworks, blurring the lines between software, settlement and financial intermediation. The regulatory responses in many countries have been more reactive to the FinTech evolution, and much work remains to be done regarding adapting their legislation, as needed, in the key areas of market development and risks - including competition, anti-money Laundering/Combating the financing of terrorism (AML/CFT), cybersecurity, consumer protection and data privacy issues [18].

As FinTechs grow in importance, regulation needs to better cover these risks, without stifling innovation. This could entail a shift from looking at the type of financial institution providing financial services, to the underlying risks associated with the financial activity [19].

<table>
<thead>
<tr>
<th>Parameter/Indices</th>
<th>UK</th>
<th>China</th>
<th>Singapore</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fintech Licensing Regimes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P2P</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crowdfunding</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Cryptoassets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virtual Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AML/CFT</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Data Protection and Privacy Legislation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Consumer Protection</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>IP Regulation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Rights Index Score (‘/129)</td>
<td>18</td>
<td>49</td>
<td>3</td>
<td>123</td>
</tr>
<tr>
<td>Regulatory Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dedicated Fintech Unit</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fintech Innovation Hubs</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Sandbox</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Collaboration and Coordination</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Weak</td>
</tr>
</tbody>
</table>

Figure 14: Regulatory benchmarks

6.2. COUNTRY BENCHMARKS

The continuous evolution of FinTechs and their disruption of the financial services industry is raising regulatory concerns beyond traditional prudential supervision – which focuses on the safety, integrity, soundness and stability of the financial system – to financial innovation. Both ends of the policy spectrum are reinforcing for enabling greater financial inclusion and sustainable development of the financial industry. Defining the appropriate regulatory position causes trade-offs and the balancing of the opportunities and risks within the unique country context. This policy process will require a shift from the static regulatory focus on specific financial entities towards adaptive regulation of financial activities in a technology-neutral manner.

Three categories of regulatory responses by national authorities are taking shape:

a) Regulating FinTech activities with the existing frameworks: Regulators leaning towards the cautionary end of financial safety and stability within the emerging
regulatory policy spectrum champion this approach. This practice does not prevent the incorporation of regulatory guidelines for specific FinTech products or activities, such as electronic payments, peer-to-peer financing, and crowdfunding. A key advantage of this regulatory position is to avoid regulatory gaps and ambiguities created by introducing new regulatory frameworks, which could be harmful to financial services users and traditional financial players.

b) Banning FinTech products and activities: This regulatory response is a direct consequence of regulating FinTech activities with the existing frameworks. Most FinTech products and activities do not fit traditional regulatory regimes, and may thus violate the law. However, cantering this type of regulatory ban are three FinTech products and activities – crypto assets (most common), direct distribution of binary options and contracts for differences, and screen, web or data scraping. A key risk for this regulatory position is the adverse impact on market investments, as national authorities discourage consumers from using such products. Examples of this approach include New York, USA, Ecuador, Bolivia, China, and South Korea.

c) Financial authorities as promoters of FinTechs: This regulatory response is more open to FinTechs, promoting FinTech activity as a national policy. This option leans on the innovation end of the regulatory policy spectrum in promoting inclusion and market competition, which includes traditional financial institutions, non-financial players, and start-ups. Critical regulatory actions national authorities have taken include setting up a dedicated FinTech unit, creating FinTech innovation hubs and incubators, and creating FinTech regulatory licenses and sandboxes. Exemplifiers of this approach include United Kingdom (UK), Spain, and Australia.

6.3. GLOBAL BEST PRACTICES IN NATIONAL FINTECHS STRATEGY DEVELOPMENT

6.3.1. (High Income): United Kingdom

The United Kingdom (UK) a leading FinTech hub. The UK’s FinTech Sector Strategy aligns with the country’s Industrial Strategy and the UK Digital Strategy, with the view to maintain and extend the country’s FinTech leadership. Data from the 2017 UK FinTech census informed the strategy development process:

Meeting the needs of the FinTech sector: this section of the document looks at strategic initiatives to remove barriers to entry and growth faced by FinTech firms in the UK. The initiatives include:

- RegTech adoption by the UK regulators, to reduce regulatory compliance costs using machine-readable rules.
- Launching the Connect with Work Programme to support FinTechs in accessing appropriate talent.
- Developing shared platforms to facilitate industry and government collaboration on ways to reduce market entry barriers for FinTechs, encouraging competition.
- Setting up industry standards to enable partnerships between FinTechs and incumbent financial players.
- Establishing the FinTech Bridge Agreement Model, starting with Australia, to open new markets for UK FinTechs.
- New opportunities offered by UK FinTechs: this section identifies areas of emerging opportunity offered by UK FinTechs, including new technologies.
and ensuring that everyone across the UK feels the benefits of FinTechs, including the excluded. Strategic initiatives covered under this section include:

• Appointing three National FinTech Envoys and establishing a National FinTech Programme, to ensure FinTechs benefits are inclusive across the UK.

• Establishing a crypto assets Task Force comprising the Treasury, the Bank of England and the Financial Conduct Authority to further explore the risks and benefits of the technology underlying crypto assets.

6.3.2. (Lower middle income): Egypt

In 2018, the Central Bank of Egypt (CBE) developed a FinTech and Innovation Strategy in alignment with the country’s National Vision for 2030, to support the modernisation and innovation of Egypt’s financial sector. The vision of this strategy is to become the leader in financial services for the MENA and Africa region. Five key pillars of the ecosystem assessment form the core of the strategy. These are:

I. Demand
II. Funding
III. Regulation
IV. Talent
V. Governance

The ecosystem assessments incorporated consumer focus groups, stakeholder interviews and global benchmarking. Key strategic initiatives to be completed within three years (Quarter 1, 2021) include:

a) Establishing a $50 to $100 million innovation fund dedicated to fuel ecosystem growth, encourage FinTech start-ups, invest

in youth talent and fund the infrastructure to spur new FinTech trends.

b) Setting up the FinTech and Innovation Committee to ensure collaboration between the national regulators and enable access to a unified FinTech license coordination.

c) Establishing a FinTech and Innovation Department to orchestrate all FinTech related activities across the market, overlook Egypt’s FinTech strategy and handle the overall operationalisation of the FinTech strategy initiatives

d) Starting the CBE Regulatory Sandbox to enable testing of innovative solutions in a live but controlled environment.

e) Forming a FinTech Hub to act as the flag bearer, facilitating collaboration between ecosystem participants.

6.4. INTERNATIONAL BENCHMARKING

We benchmarked the Nigerian FinTech ecosystem against international FinTech ecosystems, selected from the three categories of regulatory responses by national authorities introduced earlier. The select countries include the United Kingdom, China and Singapore; with benchmark parameters covering supply, demand and the regulatory framework. We used the benchmark to verify the strengths and weaknesses of the Nigerian ecosystem in relation to the international benchmark countries.
Figure 15: Global FinTech enablers and inhibitors

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Inhibitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Enabling regulatory environment that fosters innovation</td>
<td>• Weak Corporate Governance</td>
</tr>
<tr>
<td>• Ease of access to APIs and data (open banking)</td>
<td>• Lack of anti-misconduct policy</td>
</tr>
<tr>
<td>• Fintech model testing</td>
<td>• CEO duality</td>
</tr>
<tr>
<td>• Proportionate regulatory licensing</td>
<td>• Overboarded directors</td>
</tr>
<tr>
<td>• Global connections and learning with other financial ecosystems</td>
<td>• Inability of audit firms to detect fraud (mostly due to fintech</td>
</tr>
<tr>
<td>• Partnerships between banks and Fintechs</td>
<td>supervisory structures)</td>
</tr>
<tr>
<td>• Long term funding pools</td>
<td></td>
</tr>
<tr>
<td>• Digital infrastructure relying on emerging technologies</td>
<td></td>
</tr>
<tr>
<td>• Ecosystem orchestrators catering to unmet customer needs</td>
<td></td>
</tr>
<tr>
<td>• Sustainable talent pipelines</td>
<td></td>
</tr>
</tbody>
</table>

Figure 16: Regional FinTech enablers and inhibitors

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Inhibitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Growing population</td>
<td>• Digital Infrastructure (internet penetration)</td>
</tr>
<tr>
<td>• 1.2 billion people</td>
<td>• Enabling regulatory environment</td>
</tr>
<tr>
<td>• digitally savvy young segment</td>
<td>• High operational costs</td>
</tr>
<tr>
<td>• Rising smartphone ownership</td>
<td>• Non-indigenous innovation</td>
</tr>
<tr>
<td>• Mobile money adoption</td>
<td>• Identity poverty</td>
</tr>
<tr>
<td>• Reducing internet cost</td>
<td>• Digital ID penetration</td>
</tr>
<tr>
<td>• Market opportunity</td>
<td>• Low ecosystem trust</td>
</tr>
<tr>
<td>• 350 million unbanked adults (60% of the total population in sub-Saharan Africa and 17% of the global unbanked population)</td>
<td></td>
</tr>
</tbody>
</table>
7. FinTech Strategy

7.1. VISION

By 2024, Nigeria envisions to be the leading inclusive digital and FinTech ecosystem operating out of Africa.

7.2. MISSION

The guiding mission of this strategy is to develop a proportionate and balanced environment that supports innovation and collaboration, promotes inclusive growth, harnesses and retains talent, attracts investments and develops digital infrastructure.

7.3. STRATEGIC OBJECTIVES

Two strategic objectives gird the vision and mission - ecosystem development and governance, symbolising the systematic build-up of the players and the rules of play. Developing a FinTech ecosystem with the common goal of advancing the financial services industry through technological innovation requires structures to promote and coordinate FinTech activities and build talented innovators/entrepreneurs and regulators. The thrust of the governance objective is to set the rules of play and ensure fair play among the players. This includes the standards and processes defining quality and fairness. Figure 17 highlights these objectives.

7.4. STRATEGIC PRIORITIES

The guiding principles to achieving the vision and mission are:

1. Deploy principle-based rules, regulations and infrastructure foundational to building a thriving FinTech ecosystem.
2. Build a FinTech ecosystem that supports acceleration, engagement and collaboration.
Figure 11 shows a mapping of the strategic objectives and priority areas.

<table>
<thead>
<tr>
<th>PRIORITY AREA</th>
<th>ECOSYSTEM DEVELOPMENT</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Deploy principle-based rules, regulations and infrastructure foundational to building a thriving FinTech ecosystem</td>
<td>• Build industry standards (consumer protection, interoperability, etc.) and processes (software integrity) across FinTech sub-sectors</td>
<td>• Design and implement balanced and proportionate policies and regulations covering domains like consumer protection, interoperability, etc. to level the playing field among FinTech firms</td>
</tr>
<tr>
<td></td>
<td>• Facilitate FinTech policy enablers like identity systems (eKYC) that support data sharing and coordinate institutional relationships</td>
<td>• Build and implement FinTech policy evaluation (M&amp;E) system</td>
</tr>
<tr>
<td></td>
<td>• Facilitate/support the development of technical enablers of FinTechs including digital infrastructure and application programming interfaces (APIs)</td>
<td>• Promote alternative regulatory instruments appropriate and “fit for purpose” (market-based, self-regulation or co-regulation)</td>
</tr>
<tr>
<td></td>
<td>• Inform and educate FinTech practitioner community, enhancing regulatory clarity (reducing uncertainty) and promoting know-how of regulatory principles, frameworks and rules</td>
<td>• Digitise regulatory and supervisory processes and increase efficiency and productivity</td>
</tr>
<tr>
<td></td>
<td>• With the telecommunications regulator, facilitate the rollout of universal telecommunications access</td>
<td>• Enhance institutional coordination structures and practices to warrant financial inclusion, financial system stability, integrity and protection (I-SIP)</td>
</tr>
<tr>
<td></td>
<td>• Advocate and promote the need for universal access to energy</td>
<td>• License FinTech players that can scale and stimulate inclusion</td>
</tr>
<tr>
<td>2. Build a FinTech ecosystem that supports acceleration, engagement and collaboration</td>
<td><strong>ACCELERATE</strong></td>
<td><strong>ACCELERATE</strong></td>
</tr>
<tr>
<td></td>
<td>• Create agency to promote &amp; coordinate FinTechs &amp; FinTechs companies</td>
<td>• Establish a regional financial centre</td>
</tr>
<tr>
<td></td>
<td>• Expand and structure the acceleration/incubation space</td>
<td>• Develop a FinTechs ecosystem performance management system</td>
</tr>
<tr>
<td>PRIORITY AREA</td>
<td>ECOSYSTEM DEVELOPMENT</td>
<td>GOVERNANCE</td>
</tr>
<tr>
<td>---------------</td>
<td>-----------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>promoting FinTech clusters</td>
<td>Develop scalable investment ready FinTech firms with innovative ideas/solutions and business models.</td>
<td>Build local funding structures &amp; instruments that stimulate domestic investors, especially for seed stage and grassroot FinTech firms</td>
</tr>
<tr>
<td>• Building a diverse funding landscape comprising of PE/VC, banks, Government and development organisations and incubators/accelerators</td>
<td>• Government and regulators implement policies and enact legislations that promote local angel investments</td>
<td></td>
</tr>
<tr>
<td>ENGAGE</td>
<td>• Active engagements of FinTech market through publicity and market advocacy campaigns that inform and build awareness</td>
<td>COLLABORATE</td>
</tr>
<tr>
<td>• Active engagement fora with regulators and FinTech practitioners</td>
<td>• Promote collaboration through regulatory-backed innovation spaces like regulatory sandboxes and economic zones</td>
<td></td>
</tr>
<tr>
<td>• Develop a business case for underserved that serves as an ecosystem engagement tool</td>
<td>• Promote multi-stakeholder collaboration through facilitated industry fora like accelerator spaces</td>
<td></td>
</tr>
<tr>
<td>COLLABORATE</td>
<td>• Promote hackathons and other competitive events to stimulate innovations to social and developmental problems and generate multiplier effects across industries</td>
<td>• Facilitate international collaboration opportunities by showcasing Nigerian FinTechs through networks such as the Alliance for Financial Inclusion (AFI) and Global Financial Innovation Network (GFIn)</td>
</tr>
<tr>
<td>• Build and maintain library of open-source products library that FSPs can select from and adapt (public goods)</td>
<td>3. Create pool of innovation, software engineering, business and risk management expertise and smart regulation</td>
<td>• Close knowledge gaps by developing regulators conversant with smart policy design and digital capabilities</td>
</tr>
<tr>
<td>• Develop FinTech-related competencies amongst innovators/entrepreneurs, software engineers, media</td>
<td>Build FinTech competency framework/curriculum</td>
<td></td>
</tr>
<tr>
<td>• Engage FinTech ecosystem knowledge partners</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7.4.1. Principle 1

Deploy principle-based rules, regulations and infrastructure foundational to building a thriving FinTech ecosystem.

Governance: set the “rules of play” and ensure fair play among the players.

A stable policy and regulatory environment with the requisite digital rails is critical to the sustainable development and growth of FinTechs and their multiplier effect on other industries. Achieving this requires collaboration and coordination among government agencies that warrant financial system stability, integrity, protection and inclusion (I-SIP) and fostering, designing and implementing balanced and proportionate policies and regulations covering domains like consumer protection, interoperability, etc. to level the playing field among FinTech firms.

The dynamic nature of the technology space introduces many unknown elements and thus may limit innovation. While seeking to maintain financial systems stability and integrity, regulators should seek to promote alternative regulatory instruments appropriate and “fit for purpose” (market-based, self-regulation or co-regulation).

In complement of alternative regulations is the need for periodic analysis and evaluation of the effectiveness of the policy environment, to highlight intended and unintended consequences and provide feedback for policy review. Thus, building and implementing a policy evaluation system into the FinTech framework is necessary.

As the FinTech ecosystem evolves, more functional entities will emerge and require more regulatory interactions and engagements. To facilitate productivity, efficiency and transparency, digitalising regulatory and supervisory processes using relevant technologies will be valuable.

The thrust for inclusive FinTech or FinTech for financial inclusion requires licensing players that can scale and stimulate inclusion in the most underserved regions highlighted in the revised National Financial Inclusion Strategy.

Players: with the common goal of advancing the financial services industry through technological innovation.

The activities driving the policy and regulatory environment span the ecosystem. First, the ecosystem needs standards across FinTech sub-sectors that will enhance trust and reduce risks in areas like consumer protection, interoperability, etc. software integrity.

Table 1: Mapping of the strategic objectives and priority areas.
FinTech development and growth is stunted by policy and digital constraints, but these can be overtunred with the deployment of policy and technical enablers. Policy enablers are complementary legislations and policies relevant to enhancing financial inclusion and the financial ecosystem. These include access to identity systems that provide eKYC, support data sharing and coordinate institutional relationships. Digital infrastructure and application programming interfaces (APIs) are essential technical enablers. These technical enablers include a marketplace or platform of digital artefacts that enhance FinTech innovation and speed to market.

Access to power is a requisite to the digital economy and the growth and stability of FinTech demand. Hence, advocating and promoting the need for universal access to power is an imperative. Developing the digital rails to rollout universal telecommunications access requires the intervention of the telecommunications regulator and institutional relationships. An important element of a thriving FinTech ecosystem is regulator-practitioner engagements that inform and educate the FinTech practitioner community, to enhance regulatory clarity (and reduce uncertainty) while promoting know-how of regulatory principles, frameworks and rules.

7.4.2. Principle 2

Build a FinTech ecosystem that supports acceleration, engagement and collaboration. Accelerate: build sectoral clusters that promote scalable investment ready FinTech firms with innovative ideas/solutions and business models.

Engage: active engagement with FinTech practitioners to stimulate healthy exchange and communication that fosters learning and regulation clarity.

Collaborate: facilitate collaboration by enabling innovation (technical mechanisms and policy instruments), creating innovation spaces (sandboxes, economic zones), coordinating parties and fostering international partnerships.

Governance: set the “rules of play” and ensure fair play among the players.

ACCELERATE

Unlike the traditional financial services ecosystem, the FinTech ecosystem comprises the major actors with the common goal of advancing the financial services industry through technological innovation. These include government (policy makers and regulators), financial institutions, investors, entrepreneurs and innovators and FinTechs (start-ups and scale-ups). Establishing the Nigeria’s FinTech ecosystem as a regional financial centre aligns with the vision “to be the leading inclusive FinTech ecosystem operating out of Africa.” Building out such an ecosystem will require an effective performance management system that ensures outcomes are met.

Foreign investors play a significant role in Nigeria’s FinTech ecosystem, nonetheless it is imperative to build local funding structures and instruments that stimulate domestic investors, especially for FinTech firms at inception and grassroot innovations. One particular investment group to target is angel investors through government-backed incentives.

COLLABORATE

Working with others and building collaborative ecosystem that seeks to solve societal problems requires institutional and private sector initiatives. Regulators can promote collaboration through innovation spaces like regulatory sandboxes and economic zones. Governments and regulators may support and promote national multi-stakeholder networks through industry fora like accelerator spaces. Finally,
the Government and regulators can also promote international and regional collaboration opportunities by showcasing Nigerian FinTechs through networks like the Alliance for Financial Inclusion (AFI) and Global Financial Innovation Network (GFIN). Players: with the common goal of advancing the financial services industry through technological innovation.

ACCELERATE
The quest to accelerate FinTechs by building a financial centre requires an entity with the mandate to galvanise public and private sectors. This agency will promote and coordinate FinTechs and Nigerian FinTechs companies locally and internationally. In addition, the entity will expand and structure the acceleration and incubation space, promoting FinTech clusters nationwide. This regional financial centre would be responsible for structuring the ecosystem activities to develop scalable investment ready FinTech firms with innovative ideas/solutions and business models as well as actively building a diverse funding landscape comprising of private equity (PE) and venture capital (VC), banks, Government, development organisations and incubators/accelerators.

ENGAGE
Market engagement is an imperative for building a thriving FinTech ecosystem. Hence, the need for active engagements of the FinTech market through publicity and market advocacy campaigns that inform and build awareness as well as hosting engagement fora with regulators and FinTech practitioners. To address financial inclusion, it is imperative to provide the business case for serving the underserved as an ecosystem engagement tool.

COLLABORATE
We foresee this entity extending the spirit of collaboration through open-source tools like

7.4.3. Principle 3
Create a multi-disciplinary talent pool and employability opportunities across FinTech ecosystem.

Competencies across the financial services innovation, IT/digital, policy/regulations, business and management domains are essential to develop the requisite ecosystem talent.

Governance: set the "rules of play" and ensure fair play among the players. To set standards and rules of fair play, we need to close the knowledge gaps among financial services regulators and other government agencies. In addition to understanding digital technologies, the ecosystem will be better served by smart policy design capacities.

Players: with the common goal of advancing the financial services industry through technological innovation.

Complementary to up-skilling regulators is to build a talent pool of young digitally savvy Nigerians and improve employability levels. This requires a holistic approach to build a FinTech competency framework/curriculum that will result produce talent across the value chain, including but not limited to innovators/entrepreneurs, software engineers, media, public relations and customers. The role of education providers in developing the talent is another integral part of the ecosystem. Given the diverse capabilities
The objective to enhance employability will require complimentary developmental capacities that can be offered through apprenticeships and internships and supported by mentoring.

### 7.5. Strategic Initiatives

#### 7.5.1. Adopt smart policy design and implementation practices

**DESCRIPTION**

Smart policy design support new public management (NPM) and improve policy efficiency and effectiveness. Adopting a smart policy design regime yields evidence-based policies that are rigorously tested and evaluated across the dimensions of: efficiency, effectiveness, effects, appropriateness and feasibility.

**OWNER(S)**

Financial and sectoral regulators

**KEY ACTIVITIES**

1. Creating operational alignment between data collection, policy development, and implementation teams across regulators by creation of a Joint Research Centre to enhance evidence-informed policymaking.
2. Increased utilization of cooperation agreements with public and private entities to allow sharing of infrastructure, equipment, data materials as well as transferring knowledge.
3. Stakeholder engagement to identify priorities and responsibilities using smart tools and non-standard data to understand market perception.
4. Utilizing international and local tech-based platforms for data collection and improving existing databases.
5. Roll out limited pilots to test new approaches.
6. Creation and dissemination of guidance notes to accompany new policy and/or legislation.
7. Creating smart data systems to capture key indicators of progress to enable real-time iteration and improvement of policy.
8. Internal audit and periodic review process.

**TARGET**

To improve the quality and rate of success of new policies

**SUCCESS FACTORS**

- Institutional/Political Will
- Legislative alignments
- Accuracy of data
- Technical capacity
- Effective feedback mechanism

**RESOURCES**

RegTech/SupTech Solutions
Research and Data Collection
Trainings and Seminars
Consulting expertise/time

**MEASURES**

- Stakeholder feedback (positive vs negative)
- Rate of success
7.5.2. Design and implement balanced and proportionate policies and regulations

**DESCRIPTION**
Smart policy design support new public management (NPM) and improve policy efficiency and effectiveness. Adopting a smart policy design regime yields evidence-based policies that are rigorously tested and evaluated across the dimensions of: efficiency, effectiveness, effects, appropriateness and feasibility.

**OWNER(S)**
Financial and sectoral regulators

**KEY ACTIVITIES**
1. Creating operational alignment between data collection, policy development, and implementation teams across regulators by creation of a Joint Research Centre to enhance evidence-informed policymaking.
2. Increased utilization of cooperation agreements with public and private entities to allow sharing of infrastructure, equipment, data materials as well as transferring knowledge.
3. Stakeholder engagement to identify priorities and responsibilities using smart tools and non-standard data to understand market perception.
4. Utilizing international and local tech-based platforms for data collection and improving existing databases.
5. Roll out limited pilots to test new approaches.
6. Creation and dissemination of guidance notes to accompany new policy and/or legislation.
7. Creating smart data systems to capture key indicators of progress to enable real-time iteration and improvement of policy.
8. Internal audit and periodic review process.

**TARGET**
To improve the quality and rate of success of new policies

**SUCCESS FACTORS**
Institutional/Political Will
Legislative alignments
Accuracy of data Technical capacity
Effective feedback mechanism

**RESOURCES**
RegTech/ SupTech Solutions
Research and Data Collection
Trainings and Seminars
Consulting expertise/time

**MEASURES**
# Stakeholder feedback (positive vs negative)
# Rate of success
7.5.3. Promote alternative regulatory instruments

**DESCRIPTION**
Given the dynamic nature of fintech, a regulatory environment with alternative regulatory instruments that are appropriate and “fit for purpose” (market-based, self-regulation or co-regulation) are essential.

**OWNER(S)**
Financial and sectoral regulators
Academia
Incubators/Accelerators

**KEY ACTIVITIES**
1. Training regulators in emerging techniques in market governance
2. Hold hackathons for regulators and stakeholders to develop new regulatory tools suited to the Nigerian market
3. Knowledge exchange programs
4. Increased implementation of pilots of new regulatory tools

**TARGET**
Creating streamlined and digitise process which aids in the effectiveness of regulation

**SUCCESS FACTORS**
Institutional/Political Will
Legislative alignments

**RESOURCES**
RegTech/SupTech Solutions
Research
Consulting expertise/time

**MEASURES**
#regulators using RegTech/SupTech

7.5.4. Digitize regulatory and supervisory processes

**DESCRIPTION**
Digitize the regulatory and supervisory process and increase efficiency and productivity and set a role model for the ecosystem.

**OWNER(S)**
Financial and sectoral regulators

**KEY ACTIVITIES**
1. Review current processes
2. Identify processes capable of automation and/or digitisation
3. Replace paper-based with digitized process
4. Create new policy enablers if needed
5. Audit/evaluate
7.5.5. Enhance institutional coordination structures and practices.

**DESCRIPTION**
Promote cross-sectoral coordination across regulatory institutions and facilitate ecosystem value chain partnerships.

**OWNER(S)**
Financial and sectoral regulators
Ecosystem players

**KEY ACTIVITIES**
1. To facilitate ecosystem value chain partnerships, an institutional shared infrastructure player like NIBSS should be leveraged as a one-stop shop for transactions data interoperation, complemented by data from credit bureaus.
2. Obtaining customer consent with respect to customer data.
3. Fintech or innovation units of regulatory institutions should act as intermediary liaison between the institutions in harmonizing regulatory frameworks and infrastructure, regulatory sandboxes, innovation hubs, industry engagement and outreach, and legislation.
4. Establishing working groups for strengthening institutional communication and systems.

**TARGET**
Ecosystem convergence
Harmonised regulatory framework

**SUCCESS FACTORS**
Greater transparency and transaction visibility
Efficient risk monitoring and compliance

**RESOURCES**
RegTech/SupTech Solutions

**MEASURES**
#Cross-sectoral industry engagements
Ease of regulatory compliance
Regulatory cost efficiencies
Regulatory compliance efficiency
7.5.6. License fintech players that can scale

**DESCRIPTION**
Issue operating licenses to fintech actors that can scale and stimulate financial inclusion by focussing on the underserved across NFIS priority segments.

**OWNER(S)**
Financial and sectoral regulators

**KEY ACTIVITIES**
1. Review current licensees to identify potential indicators of future success.
2. Create and disseminate guiding criteria for solutions which scale and stimulate financial inclusion.
3. Provide a fast track for solutions with the most potential for increasing financial inclusion or addressing underserved groups.

**TARGET**
Improve access to finance for all Nigerians

**SUCCESS FACTORS**
Institutional/Political Will

**RESOURCES**
AIP/Licenses

**MEASURES**
- # new account holders
- % penetration

7.5.7. Build industry standards across fintech sub-sectors

**DESCRIPTION**
Build industry standards across the fintech sub-sectors that the fintech ecosystem that enhance trust and reduce risks in areas like consumer protection, interoperability, etc. software integrity.

**OWNER(S)**
Regional financial centre
FSPs/Fintechs
Industry Associations

**KEY ACTIVITIES**
1. Produce standards
2. Propagate standard
3. Amend/Review/Reissue
4. Audit/evaluate

**TARGET**
Develop and implement standards across core areas - consumer protection, interoperability and software integrity and fintech sub-sectors.

**SUCCESS FACTORS**
Institutional/Political Will
Regulator endorsements
7.5.8. Build fintech policy enablers

**DESCRIPTION**
Policy enablers are strategies that facilitate fintech implementation. These include identity systems to provide eKYC and support data sharing and coordinate institutional relationships.

**OWNER(S)**
Financial and sectoral regulators
Academia

**KEY ACTIVITIES**
1. Conduct periodic audit/assessment of policy enablers – catalogue, classify and prioritise
2. Identify ecosystem policy-frictions
3. Create new policy enablers if needed
4. Audit/evaluate

**TARGET**
Creating an ecosystem with multiple policy enablers working in tandem to drive the industry
Reduce policy frictions amongst ecosystem actors by building policy enablers and facilitating access to fintechs.

**SUCCESS FACTORS**
Ecosystem endorsements
Regulator endorsements

**RESOURCES**
Scientific research
Consulting expertise/time

**MEASURES**
# fintech sub-sectors (CCAF)
% nation-wide Internet penetration
% tech adoption - AI, ML, DLT, APIs
# scholarly intellectual contributions (research)

7.5.9. Build fintech technical enablers

**DESCRIPTION**
Technical enablers are those technological components that enhance fintech development and growth. These include resilient payments infrastructure, digital infrastructure and application programming interfaces (APIs) are essential technical enablers.
### OWNER(S)
Ecosystem Enablers – NIBSS, FSI

### KEY ACTIVITIES
1. Identify key technical enablers – data, application programming interfaces (APIs), identity
2. Host challenges to among fintech ecosystem to build working components
3. Host technical components on ecosystem integrated development platform (innovation marketplace)
4. Monitor/audit use

### TARGET
Reduce technical frictions amongst ecosystem actors by building policy enablers and facilitating access to fintechs.

### SUCCESS FACTORS
Independent component builders

### RESOURCES
Ecosystem/industry standards

### MEASURES
- # technical enablers
- # independent component builders

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### 7.5.10. Fast track universal telecommunications access

#### DESCRIPTION
Collaborating with the telecommunications regulators (NCC), fast track the development of digital rails and the rollout universal telecommunications.

#### OWNER(S)
Federal Ministry of Communications and Digital Economy
Nigerian Communications Commission (NCC)
Mobile Network Operators (MNOs)

#### KEY ACTIVITIES
1. Accelerate rural internet connectivity
2. Build out open access national fibre-optic inland backbone infrastructure with guaranteed right of way (RoW)
3. Encourage more States to implement the standardised RoW fee of ₦145/m
4. Revamp InfraCo model

#### TARGET
Institutional/Political Will
Public-private partnerships

#### RESOURCES
Public & Private Capital

#### MEASURES
- # National internet penetration
- Average internet quality (QoS)
7.5.11. Get fintech firms regulation fit

**DESCRIPTION**
Inform and educate fintech practitioner community by hosting sessions to bridge the interaction gaps between regulators and practitioners and enhance regulatory clarity (reducing uncertainty) and promoting know-how of regulatory principles, frameworks and rules.

**OWNER(S)**
Financial and sectoral regulators
Academia
FSPs/Fintechs

**KEY ACTIVITIES**
1. Development of a compliance curriculum for fintech companies as well as for legal practitioners
2. Creation of Knowledge Exchange Platforms to allow stakeholders across sectors to discuss issues related to research and innovation.
3. Developing market incentives for firms showing significant compliance (e.g. reduce regulatory fees, waivers)
4. Compliance training prior to obtaining licenses, identifying key compliance requirements and regulatory priorities and continuous professional development for key officers of licensees.
5. Review of current reporting processes to enable collection of information from new market participants and on new products and activities.

**TARGET**
Creating streamlined and digitize process which aids in the effectiveness of regulation

**SUCCESS FACTORS**
Institutional/Political Will Legislative alignments

**RESOURCES**
Financial Supervisors
AIP/Licenses

**MEASURES**
# convenings/knowledge exchange sessions
# trainings
# regulated fintechs

7.5.12. Advocate universal access to energy

**DESCRIPTION**
Understanding the importance of energy, the financial eservices ecosystem should advocate and promote the need for universal access to energy
7.5.13. Establish a regional financial centre/hub

**DESCRIPTION**
A financial centre is an area with a high concentration of financial institutions. The regional financial centre will coordinate and promote fintech and fintech businesses as well manage fund flows and linkages, knowledge and tools. Deploying a market-focused fintech ecosystem needs to be private sector led and government-backed. The hub/centre will also measure fintech performance.

**OWNER(S)**
Financial regulators

**KEY ACTIVITIES**
1. Conduct global survey on RFCs and propose structure, operating model, governance, funding, etc.
2. Staff & resource RFC
3. Launch RFC

**TARGET**
Develop and implement standards across core areas - consumer protection, interoperability and software integrity and fintech sub-sectors.

**SUCCESS FACTORS**
Regulator endorsements and willingness to collaborate
Adequate resourcing (talent and funding)

**RESOURCES**
Identify & benchmark financial centres
Consulting expertise/time
Market-oriented expertise/talent

**MEASURES**
# Standards created
GVA contribution
GDP contribution
7.5.14. Build fintech clusters

**DESCRIPTION**
Build a network of accelerators/incubators/co-working spaces that will support fintech clusters across societal and developmental challenges/financial services sub-segments across the country.

**OWNER(S)**
Financial and sectoral regulators
Investors
Incubators/ Accelerators

**KEY ACTIVITIES**
1. Conduct a landscape analysis to understand institution types and linkages for an efficiently functioning FinTech cluster.
2. Identify an appropriate location for the cluster, equip the location and attract ecosystem members to the cluster.
3. Establish incentives that will attract local and international organizations to the cluster.
4. Appoint an agency to manage the careful develop of the Nigerian FinTech Cluster.
5. Provide access to capital, talent and other resources that will enable the proper functioning of the cluster.
6. Develop a framework to constantly monitor cluster performance and upgrade the cluster when necessary.

**TARGET**
Viable and active clusters working within incubators and accelerators and multiplying fintech impacts.

**SUCCESS FACTORS**
Institutional/Political Will
Legislative alignments

**RESOURCES**
Financial Supervisors
AIP/Licenses

**MEASURES**
# Jobs created by the Cluster
# Innovators/cluster
# Sectors/cluster

7.5.15. Develop scalable investment ready fintech firms

A well-functioning ecosystem that is contributing to jobs creation, growth in GDP and increase in attraction of FDI must have scalable and investment ready FinTech companies.
7.5.16. Diversify funding landscape

**DESCRIPTION**

Diversifying the fintech funding landscape to include various domestic investors (PE/VC, banks, Government, development organisations & incubators/accelerators) and alternative funding structures.

**OWNER(S)**

Financial regulators
Investors
Incubators/Accelerators

**KEY ACTIVITIES**

1. Conduct periodic audit/assessment of funding instruments, existing government incentives and providers – catalogue, classify and prioritise
2. Create concessions for funding
3. Develop new funding institutions/funding instruments (market-driven)
4. Audit/evaluate

**TARGET**

Ensure fintech companies have diversified capital

**SUCCESS FACTORS**

Research
Domestic Funding Values
7.5.17. Inform and build awareness

**DESCRIPTION**

Develop fintech markets through publicity and advocacy campaigns that inform and build awareness of the potentials and existence of FinTech in Nigeria.

**OWNER(S)**

Financial and sectoral regulators
Incubators and accelerators
FSPs/Fintechs
Civil society organizations
Ecosystem enablers

**KEY ACTIVITIES**

1. Develop a strategic communications plan that will inform and educate the different stakeholder groups on the value and potential of FinTech – The plan shall include print media communication, town hall meetings, industry engagements, social media, and international events.
2. Develop a world-class website that communicates FinTech in Nigeria very elaborately.
3. Build integrated social media handles that amass followers and track performance.
4. Develop specific communication strategies addressing the different stakeholder groups.
5. Integrate digital literacy into financial literacy initiatives that reach the target population segments.

**TARGET**

Attainment of NFIS goals

**SUCCESS FACTORS**

Widespread awareness and adoption of FinTech

**RESOURCES**

Media agency support

**MEASURES**

# publicity campaigns
# financial education campaigns
7.5.18. Build industry linkages

**DESCRIPTION**
Host engagement fora between regulators and industry practitioners and facilitate the cross-pollination of knowledge.

**OWNER(S)**
Industry associations  
Incubators/accelerators  
Academia

**KEY ACTIVITIES**
1. Develop business case for partnerships  
2. Identify ecosystem pain points  
3. Host learning fora using global knowledge experts  
4. Coordinate Communities of Practice  
5. Build indigenous partnership frameworks

**TARGET**
A collaborative ecosystem with co-creation and ensures fintechs play to their strengths

**SUCCESS FACTORS**
Institutional will  
Collaborative mindsets  
# Partnership arrangements

**RESOURCES**
Global knowledge expertise  
Online learning community

**MEASURES**
# Convenings  
# Collaborations

7.5.19. Build and maintain library of tools to support the ecosystem

**DESCRIPTION**
The growth and development of the ecosystem will be dependent on the repertoire of tools that are available to the ecosystem to support policy formulation, product development, product deployment and service delivery. Examples include open-source datasets and products library that FSPs can utilise (public goods), and knowledge tools that will engage fintech actors to address the needs of underserved defined as priority segments in NFIS.

**OWNER(S)**
Financial and sectoral regulators  
Regional Financial Centre  
Financial services providers  
Ecosystem enablers

**KEY ACTIVITIES**
1. Define repository format for tools and frameworks that will be made available to the ecosystem  
2. Develop this repository, partition it and make it accessible to the ecosystem  
3. Define a data upload and download policy  
4. Communicate this repository to the ecosystem so that participants can make available the tools and frameworks available to them
7.5.20. Host hackathons and other competitive events

**DESCRIPTION**
Hackathons and other competitive events are platforms where new ideas, products, and approaches for creating and deploying FinTech are birthed. To stimulate innovations for social and developmental problems and generate multiplier effects across industries, launch and promote hackathons and other competitive events.

**OWNER(S)**
Regional Financial Centre Incubators/Accelerators

**KEY ACTIVITIES**
1. Develop a framework for hosting the Hackathon events
2. Define goals and objectives of the Hackathons
3. Establish the problems that the hackathons will be addressing – FinTech products, delivery channels, services etc.
4. Assign planning and coordinating responsibilities to operators and regulators
5. Identify sponsors and provide a sponsorship value proposition
6. Organise logistics – venue, judges, event planning etc.

**TARGET**
Fintech solutions addressing societal and developmental problems

**SUCCESS FACTORS**
Institutional/Political Will
Legislative alignments

**RESOURCES**
Financial Supervisors
AIP/Licenses

**MEASURES**
# Product prototypes delivered to the ecosystem
# New services introduced
7.5.21. Track fintech ecosystem performance

**DESCRIPTION**

The growth and performance of the ecosystem will be best tracked with an independent performance management framework that ensures that all the goals and objectives set are accomplished within the set timelines.

**OWNER(S)**

Regional Financial Centre

**KEY ACTIVITIES**

1. Establish ecosystem performance monitoring system across the dimensions of policy, activity, capital, etc. as defined in M&E framework
2. Define ecosystem parameters to be tracked
3. Periodically measure performance of different dimensions against 2024 targets
4. Report the performance to industry stakeholders periodically
5. Collaboratively work with activity owners to devise corrective actions to improve performance

**TARGET**

Attainment of NFIS goals

**SUCCESS FACTORS**

Access to data

**RESOURCES**

Funding
Technology infrastructure
Consulting support
Manpower

**MEASURES**

Total investments/raises (#women)
Envelope size of capital raised domestic & international
Fintech ecosystem ranking/performance score
# fintech sub-sectors (categorised by CCAF taxonomy)
# Sector Value (Gross Value Added (GVA)) /# Women GVA
# Women-led fintech firms

7.5.22. Stimulate domestic investment landscape

**DESCRIPTION**

Build local funding structures & instruments that stimulate domestic investors, especially for seed stage and grassroot fintech firms.

**OWNER(S)**

Financial regulators (SEC)

**KEY ACTIVITIES**

1. Develop framework for local investment schemes like syndicates, funding clubs and associated custodian services
2. License/recognize investment promoters
### TARGET
Financial instruments that support local fintech investments

### SUCCESS FACTORS
SEC licensing/recognition  
Market friendly terms and conditions

### RESOURCES
Investment managers

### MEASURES
# Angels, VCs, Crowdfunding platforms (domestic & foreign) (# women)  
Envelope size of capital raised (domestic)

#### 7.5.23. Incentivize Angel Investments

#### DESCRIPTION
Government and regulators should seek to implement policy and enact legislations that will make angel investment more attractive.

#### OWNER(S)
Financial Service Regulators  
National Assembly  
Nigerian Investment Promotion Commission  
Federal Inland Revenue Service

#### KEY ACTIVITIES
1. Identify key pain points and bottlenecks to angel investment  
2. Review/revise extant laws (e.g., Venture Capital Investment Act)  
3. Streamline existing incentives

#### TARGET
Increase quantum of investment in start-ups

#### SUCCESS FACTORS
Institutional/Political Will  
Legislative alignments (especially the Venture Capital Investments Act)

#### RESOURCES
Consulting expertise/time

#### MEASURES
% Growth in angel investment

#### 7.5.24. Create regulatory-backed innovation spaces

#### DESCRIPTION
Foster collaboration through regulatory-backed innovation spaces like regulatory sandboxes and economic zones. While there is a need for a multi-sector sandbox framework, the CBN and SEC have defined regulatory sandboxes for fintech innovation, cohorts are yet to commence.
7.5.25. Promote multi-stakeholder collaboration

**DESCRIPTION**
Promote multi-stakeholder collaboration through facilitated industry fora like accelerator spaces. For example, creating an accelerator space for Project Giant and stimulate eNaira innovations.

**OWNER(S)**
Financial and sectoral regulators
Regional Financial Centre
Incubators/accelerators
Ecosystem enablers

**KEY ACTIVITIES**
1. Crowdsource accelerator problems or thematic areas
2. Identify partner accelerators/incubators
3. Develop/scope accelerator programme
4. Select/recruit participants
5. Host periodic engagement peer learning/knowledge sharing events

**TARGET**
Through acceleration spaces, develop innovative solutions to address current developmental challenges and technological themes.

**SUCCESS FACTORS**
Funding

**RESOURCES**
Funding

**MEASURES**
# accelerator spaces created
# Fintech-enabled sectors (multiplier effects)
# Innovative financial solutions/DFS
7.5.26. Showcase Nigerian fintech’s internationally

**DESCRIPTION**
Facilitate international collaboration opportunities by showcasing Nigerian fintech’s through networks such as the Alliance for Financial Inclusion (AFI) and Global Financial Innovation Network (GFIN).

**OWNER(S)**
Regional financial centre

**KEY ACTIVITIES**
1. Coordinate with international trade missions and Nigerian trade missions abroad
2. Define mission objectives
3. Select fintech entities to showcase
4. Seek funding

**TARGET**
Promote Nigeria as Africa’s premiere fintech destination

**SUCCESS FACTORS**
Funding

**RESOURCES**
Trade relationships
Fintech association memberships

**MEASURES**
# international missions
# international collaborations/new markers for Nigerian fintechs

7.5.27. Build fintech talent

**DESCRIPTION**
Build fintech competency framework/curriculum and working with education partners close knowledge gaps amongst innovators/entrepreneurs, software engineers and media.

**OWNER(S)**
Financial and sectoral regulators
Education providers
Incubators/Accelerators

**KEY ACTIVITIES**
1. Identify ecosystem talent requirements/conduct learning needs assessment
2. Guide education requirements and local fintech certifications/standardization of relevant skills
3. Collate and circulate ecosystem talent data
4. Work with ecosystem players to attract, motivate and retain new fintech talent and upskill existing talent to meet current ecosystem developments/innovation (incentives for employers, knowledge programs for employees)
5. Provide connection between providers and patrons of fintech talent
7.5.28. Build “smart/contemporary regulators

DESCRIPTION
Close knowledge gaps by developing regulators conversant with smart/contemporary policy design and digital capabilities.

OWNER(S)
Financial and sectoral regulators
Education providers

KEY ACTIVITIES
1. Identify regulatory-supervisory talent requirements/conduct learning needs assessment
2. Guide education requirements and local fintech certifications/standardization of relevant skills
3. Collate and circulate ecosystem talent data
4. Work with ecosystem players to promote in-work engagements with regulators/supervisors.
5. Recruit additional specialized staff to complement existing expertise.

TARGET
Creating streamlined and digitize process which aids in the effectiveness of regulation

SUCCESS FACTORS
Institutional/Political Will
Legislative alignments
Requirement in regulator competency framework
Incentives for fintechs hosting/mentoring regulators

RESOURCES
Financial Supervisors
AIP/Licenses

MEASURES
# knowledge building programmes
# Regulators with specialist expertise
7.5.29. Enhance employability opportunities

**DESCRIPTION**
Enhance employability capabilities of digital workers by building and implementing work skills through apprenticeship/mentoring/internship initiatives.

**OWNER(S)**
- Incubators/Accelerators
- FSPs/Fintechs
- Regional financial centre

**KEY ACTIVITIES**
1. Create ecosystem. employability schemes for mentoring, apprenticeship, internship – Could be project-based or time-bound
2. Identify providers – mentors, participating fintechs, projects
3. Recruit mentees, interns, etc.
4. Enrol participants into employability programmes
5. Monitor and evaluate progress

**TARGET**
Fintech employability options through internships and apprenticeships.

**SUCCESS FACTORS**
- Participating fintech companies
- Available mentors

**RESOURCES**
- Employability marketplace/platform

**MEASURES**
- # of people mentored/interned/apprenticed
- # mentors
The vision of success for fintech in Nigeria aligns with pillar #5 of Nigeria’s National Digital Economy Policy and Strategy, spanning inclusive growth and a healthy/vibrant financial hub/sector [20].

Inclusive growth recognises the contribution of the fintech ecosystem to national development such as gross domestic product in the telecommunications and information services sub-category, number of direct and indirect jobs created (traditional and digital), and the overall increase in productivity. The goals of the health and vibrancy of the ecosystem projects active stakeholders across the financial services sub-sectors that are leading enterprises or building and exchanging programmatic interfaces, thereby fostering cooperation and collaboration.

Across the dimensions of inclusive growth and ecosystem development, highlights the outcomes across the social, digital infrastructure, policy/environment (governance), investment and practice domains.

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Figure 18: Fintech Strategy Summary

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9. Implementation Roadmap

Following implementation planning, we envisage a 3-phased implementation approach that commences immediately upon approval of the plan and extends beyond the financial inclusion target date of 2024. This approach is aggressive because of the limited timeline to demonstrate the role of fintech in driving inclusive finance and growth (see Figure 19).

- Establish regional financial centre/hub (RFC)
- Build industry standards across fintech sub-sectors
- Build fintech policy enablers
- Build fintech technical enablers
- Inform and build awareness
- Build industry linkages
- Host hackathons and other competitive events
- Build fintech talent
- Adopt smart policy design and implementation practices
- Design and implement balanced and proportionate policies and regulations
- Fast track universal telecommunications access
- Advocate universal access to energy
- Stimulate domestic investment landscape
- Build and maintain library of tools to support the ecosystem
- Enhance employability opportunities
- Develop scalable investment ready fintech firms
- Create regulatory-backed innovation spaces
- Diversify funding landscape
- Digitise regulatory and supervisory processes
- Promote alternative regulatory instruments
- Build fintech clusters
- Enhance institutional coordination structures and practices
- Incentivise angel investments
- Track fintech ecosystem performance
- License fintech players that can scale
- Promote multi-stakeholder collaboration
- Showcase Nigerian fintech’s internationally

The first stage of the implementation which spans 9-months will establish the building blocks both in the ecosystem and governance domains. The next 24 months will encompass the continued development of structures and enablers and will layer on the investment and capital raising structures for domestic and international investments. By the end of this phase, we anticipate improved DFS perceptions and adoption levels, clearer regulations, regulator-market relationships and regulatory instruments that support innovative products and services. By 2024, Nigeria should have established fintech innovations and able to promote Nigerian fintechs internationally.
10. Stakeholder Roles & Responsibilities

The different strategic initiatives will be implemented by ecosystem actors listed in Table 2, with dependencies and implementation roles highlighting actors that are responsible, accountable, consulted and informed (RACI).

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>ECOSYSTEM DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigerian market consumers</td>
<td>Users of the fintech applications</td>
</tr>
<tr>
<td>Civil society organisations</td>
<td>Organisations advocating and promoting fintech amongst the society</td>
</tr>
<tr>
<td>Tech Providers/enablers</td>
<td>Providers of technology enablers like digital infrastructure and tech development community</td>
</tr>
<tr>
<td>Financial and sectoral regulators</td>
<td>Regulators of the financial services industry and other regulators like infrastructure, data protection</td>
</tr>
<tr>
<td>Law enforcement agencies</td>
<td>Securing the digital landscape against criminals and criminality</td>
</tr>
<tr>
<td>Incumbents (banks, MMOs)</td>
<td>Licensed incumbents like banks, MMOs, PSPs that successfully launched digital banking products.</td>
</tr>
<tr>
<td>Fintech’s (new entrants)</td>
<td>Technologically enabled new entrants building innovative products or deploying innovative business models.</td>
</tr>
<tr>
<td>Investors (Private capital, Public financing, International financing)</td>
<td>Providers of equity and debt capital</td>
</tr>
<tr>
<td>Incubators/Accelerators</td>
<td>Ecosystem facilitators supporting acceleration/incubation of start-up fintech firms</td>
</tr>
<tr>
<td>Education providers</td>
<td>Educational/capacity building institutions and educators building tech and talent</td>
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<tr>
<td>Industry associations</td>
<td>Aggregation of fintech market operators and other interested parties providing collective representation</td>
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<tr>
<td>Consultants/Advisers</td>
<td>Provide advisory and consulting guidance to fintech ecosystem</td>
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<tr>
<td>Fintech ecosystem talent</td>
<td>Talent supporting entrepreneurs/innovators in building fintech firms</td>
</tr>
</tbody>
</table>

Table 2: Ecosystem actors
<table>
<thead>
<tr>
<th>S/NO</th>
<th>INITIATIVE</th>
<th>RESPONSIBLE&lt;sup&gt;5&lt;/sup&gt;</th>
<th>ACCOUNTABLE&lt;sup&gt;6&lt;/sup&gt;</th>
<th>CONSULTED&lt;sup&gt;7&lt;/sup&gt;</th>
<th>INFORMED&lt;sup&gt;8&lt;/sup&gt;</th>
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<tbody>
<tr>
<td>1</td>
<td>Adopt smart policy design and implementation practices</td>
<td>Sector regulators</td>
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<td>Entire ecosystem</td>
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<td>institutions</td>
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<td>2</td>
<td>Design and implement balanced and proportionate policies and regulations</td>
<td>Sector regulators</td>
<td>Sector regulators</td>
<td>Entire ecosystem</td>
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<td>3</td>
<td>Promote alternative regulatory instruments</td>
<td>Sector regulators</td>
<td>Operators</td>
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<td>4</td>
<td>Digitize regulatory and supervisory processes</td>
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<td>5</td>
<td>Enhance institutional coordination structures and practices</td>
<td>Sector regulators</td>
<td>Ecosystem players</td>
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<td>License fintech players that can scale</td>
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<td>Build industry standards across fintech sub-sectors</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>institutions</td>
<td>institutions</td>
</tr>
<tr>
<td>8</td>
<td>Build fintech policy enablers</td>
<td>Financial and sectoral</td>
<td>Sector regulators</td>
<td>Entire ecosystem</td>
<td>Entire ecosystem</td>
</tr>
<tr>
<td></td>
<td></td>
<td>regulators</td>
<td></td>
<td>comprising players,</td>
<td>comprising players,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>partners, and other</td>
<td>partners, and other</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>institutions</td>
<td>institutions</td>
</tr>
<tr>
<td>9</td>
<td>Build fintech technical enablers</td>
<td>Ecosystem Enablers –</td>
<td>Sector regulators</td>
<td>Entire ecosystem</td>
<td>Entire ecosystem</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NIBSS, FSI</td>
<td></td>
<td>comprising players,</td>
<td>comprising players,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>partners, and other</td>
<td>partners, and other</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>institutions</td>
<td>institutions</td>
</tr>
</tbody>
</table>

<sup>5</sup> Carries out the tasks  
<sup>6</sup> Takes decisions of approving the initiative  
<sup>7</sup> Opinions sought prior to making decisions  
<sup>8</sup> Keep notified of progress
| 10 | Fast track universal telecommunication services access | • Federal Ministry of Communications and Digital Economy  
  • Nigerian Communications Commission (NCC)  
  • Mobile Network Operators (MNOs) | Mobile Network Operators (MNOs) | Entire ecosystem comprising players, partners, and other institutions | Entire ecosystem comprising players, partners, and other institutions |
| 11 | Get FinTech firms regulation fit | • Financial and sectoral regulators  
  • Academia  
  • FSPs  
  • Fintechs | Financial and sectoral regulators | • FSPs  
  • Fintechs | • FSPs  
  • Fintechs |
| 12 | Advocate universal access to energy | • Federal Ministry of Power  
  • Energy Ecosystem  
  • FS Ecosystem | Energy Ecosystem | FinTech Ecosystem, Energy Ecosystem | FinTech Ecosystem, Energy Ecosystem |
| 14 | Build FinTech Clusters | • Financial and sectoral regulators  
  • Investors  
  • Incubators/Accelerators | Financial and sectoral regulators | Energy Ecosystem | Energy Ecosystem |
| 15 | Develop scalable investment ready Fintechs | • Regional Financial Centre  
  • FinTech development agency  
  • Academia/Educators  
  • Incubators/Accelerators | FinTech development agency | FinTech Ecosystem | FinTech Ecosystem |
| 16 | Diversify funding landscape | • Financial regulators  
  • Investors  
  • Incubators/Accelerators | Financial regulators | FinTech Ecosystem | FinTech Ecosystem |
<table>
<thead>
<tr>
<th>Page</th>
<th>National Fintech Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Inform and build awareness</td>
</tr>
<tr>
<td>18</td>
<td>Build industry linkages</td>
</tr>
<tr>
<td>19</td>
<td>Build and maintain a library of tools to support the ecosystem</td>
</tr>
<tr>
<td>20</td>
<td>Host hackathons and competitive events</td>
</tr>
<tr>
<td>21</td>
<td>Track FinTech ecosystem performance</td>
</tr>
<tr>
<td>22</td>
<td>Stimulate domestic investment landscape</td>
</tr>
<tr>
<td>23</td>
<td>Incentivize angel investments</td>
</tr>
<tr>
<td>24</td>
<td>Create regulatory-backed innovation spaces</td>
</tr>
<tr>
<td>Stakeholder Role</td>
<td>Financial and Sectoral Regulators</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Promote multi-stakeholder collaboration</td>
<td></td>
</tr>
<tr>
<td>Showcase Nigerian FinTech’s Internationally</td>
<td>Regional financial centre</td>
</tr>
<tr>
<td>Build FinTech talent</td>
<td>Financial and Sectoral Regulators</td>
</tr>
<tr>
<td>Build “smart/contemporary regulators”</td>
<td>Financial and Sectoral Regulators</td>
</tr>
<tr>
<td>Enhance employability opportunities</td>
<td>Incubators/Accelerators</td>
</tr>
</tbody>
</table>

Table 3: Stakeholder roles in Strategy implementation
11. Risks and Mitigation Strategies

11.1. RISK FACTORS & OUTCOMES

The key risk factors limiting the national fintech strategy are:

**Implementation**: the ownership and coordination of this National Fintech Strategy and especially its implementation is a critical risk, especially regarding the participation of ecosystem actors and the allocation of resources. While the strategy addresses fintech development across the financial ecosystem, the different resources required to ensure the vision is achieved requires collaboration.

**Digital rails**: enabling the fintech multiplier effects beyond urban locations and banked Nigerians requires digital infrastructure rollout.

**Infrastructure**: Inadequate provision and access to energy could impede digital technology solutions rollout.

**Technological**: by virtue of the strategy’s dependence on digital technology implementation and adoption, cybersecurity, technology failures (reliability, availability) would impact the strategic outcomes.

**Strategic alliance frameworks**: this fintech strategy hinges on building an inclusive ecosystem and collaborative work engagements and relationships between regulators and operators.

**Regulatory clarity**: the direction of financial sector regulators towards an innovation friendly environment matched with minimal domestic funding will limit funding opportunities available to innovators and reduce products, enterprises, etc.

**User adoption**: low trust of financial service providers resulting from negative experiences and low advocacy.

The potential outcomes of these risks include the loss of global fintech market share/national competitiveness, higher financial exclusion and the inability to take advantage of the multiplier effects of fintech economic benefits.
11.2. **RISK MATRIX**

Failing to implement these strategic initiatives in this strategy will result not only to stagnate the financial inclusion progress but also reduce market share among the incumbents and reduce competitiveness. In addition, the potential of fintech to drive other economic sectors will diminish. The risk matrix in Figure 20 maps the risk factors and potential outcomes.

<table>
<thead>
<tr>
<th>LOSS OF MARKET SHARE/ COMPETITIVENESS</th>
<th>FINANCIAL EXCLUSION</th>
<th>MULTIPLIER EFFECTS/ [DIGITAL] ECONOMIC BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The inability of the financial services ecosystem to coordinate, collaborate and drive the National Fintech Strategy will limit Nigeria’s ability to systemically grow the industry and showcase Africa.</td>
<td>The lack of ecosystem coordination to advance advocacy and awareness will ultimately impact the ability to grow and promote inclusive fintech.</td>
<td>The fintech ecosystem is foundational to showcasing the opportunities in Nigeria’s digital ecosystem and initiatives to drive a digital economy. The inability to coordinate and allocate required resources to achieve the goals in the plan will have a negative multiplier effect across sectors that are not as organized as the financial services ecosystem.</td>
</tr>
<tr>
<td>Digital failure</td>
<td>The inability to provide digital access could result in dominance in some markets and loss of market share to informal or other alternatives.</td>
<td>Expanding the digital divide will only make it more expensive for already vulnerable communities to access financial services.</td>
</tr>
<tr>
<td>Energy Infrastructure</td>
<td>Low energy access will limit the access to fintech solutions and loss of market share to informal or other alternatives.</td>
<td>The lack of an energy stack is a disincentive for digital and financial inclusion.</td>
</tr>
<tr>
<td>LOSS OF MARKET SHARE/COMPETITIVENESS</td>
<td>FINANCIAL EXCLUSION</td>
<td>MULTIPLIER EFFECTS/[DIGITAL] ECONOMIC BENEFITS</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>---------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Technology failures resulting from systems unavailability (outages), reliability and cyber-attacks could limit fintech adoption and utilisation. This downward turn in the market will limit the businesses’ ability to scale nationally and reduce competitiveness.</td>
<td>In addition to exacerbating the low trust in the financial services ecosystem, technological failures would reduce utilisation and reliance on alternative payment instruments like cash. Coupled with poor understanding amongst underserved market segments, this will hinder financial inclusion progress.</td>
<td>Advancing the digital economy requires integrated and reliable technological systems and services that are available and usable daily. Anticipated positive multiplier effects would be directly counteracted by the technology failures.</td>
</tr>
<tr>
<td>The role of partnerships and strategic alliances to enable co-creation across the value chain will enhance competitiveness and enrich the value chain with actors playing to their strengths.</td>
<td>Weak or non-existent alliances and frameworks will ultimately limit scale and the extension of financial services to underserved market segments and the NFIS priority segments.</td>
<td>The integration of financial services into sectoral systems can support financial health improvements and create economic benefits across workers in sectors like agriculture.</td>
</tr>
<tr>
<td>The lack of clear and concise regulations may lead to the exit of serious fintech market players and investors. All in all, this could result in lower global fintech performance results and the perceived loss of competitiveness of Nigeria as a fintech hub.</td>
<td>Given that financial inclusion requires patient capital and time, the dearth of players in the market could result in focus on higher-income and easy to reach segments.</td>
<td>The lack of clarity on regulatory boundaries and institutional voids may limit innovation of bundled cross-sectoral products and services, especially as it may result in multiple licensing processes.</td>
</tr>
<tr>
<td>Even if we build the fintech products and services, the users still need to adopt. Hence ensuring that the products are fit for purpose will only enhance the value of the providers and increase competitiveness.</td>
<td>Low user adoption of digital financial services (DFS) is one of the inhibitors of financial inclusion. Hence, strategies to drive adoption and ensure consumer needs are met are essential.</td>
<td>Lower user adoption reduces the innovation capacity from fintechs and has a negative multiplier effect on digital developments and adoption across sectors.</td>
</tr>
</tbody>
</table>
11.3 MITIGATION STRATEGIES
First, mitigating the risks requires the ratification of this strategy by all financial and sectoral regulators. This commitment will be demonstrated through the actions (and inactions) taken and the adherence to the timelines.

Addressing these risks requires strategies highlighted below:

Ownership: establishing an independent Regional Financial Centre is critical to the advancement of fintech in Nigeria. The regional financial centre will coordinate and promote fintech and fintech businesses and manage fund flows and linkages, knowledge and tools. Deploying a market-focused fintech ecosystem needs to be private sector led and government-backed. The hub/centre will measure fintech performance and will bridge the gaps between regulators and the private sector.

Institutional collaborations: Foundational to the ownership structures for implementing this strategy is the commitment of the diverse financial and sectoral regulations to collaborate and innovate to enhance fintech ecosystem development in Nigeria.

Digital and Financial Literacy: building the digital and financial capabilities of the populace will enhance adoption and responsible use of DFS. Thus, the body of financial and sectoral regulators requires a cohesive approach in driving the mass literacy of users through partnerships with civil society organizations.

Regulatory Enablement: the changing role of regulators in this digital era requires active engagements and fora for active solutioning. Changing the assumptions of the regulator as a gatekeeper to enablers will only enhance innovation and create an environment that seeks to address Nigeria’s social and institutional problems whilst driving inclusive growth.

Awareness & advocacy of consumer protection: the success of fintech is dependent on the ability to address non-consumption and grow the pool of those accessing and utilizing financial services. This will require deliberate media and communications support that promote the ideology of digital financial services and tell stories about Nigerian companies.
Nigeria’s fintech successes have been organic and may prove difficult to sustain without implementing deliberate and intentional strategies. The critical problems constraining inclusive fintech in Nigeria include:

**Unmet demand:** digital financial services/solutions not addressing the needs of the underserved (non-consumption)

**Policy/Regulatory adequacy:** The lack of proportionate and balanced policies and regulations to support the growing ecosystem limits sector participation

**Ecosystem development:** the fragmented and unstructured fintech ecosystem that evolved organically rather than by-design limits linkages and interplay across the ecosystem.

Addressing these core challenges, the National Fintech Strategy is complemented by a monitoring and evaluation (M&E) framework proposing mechanisms to assess the implementation efficacy and attainment of the targets.

The subsequent paragraphs highlight the M&E framework.

### 12. Monitoring & Evaluation

#### 12.1. THEORY OF CHANGE

**Development Goals**  Inclusive Growth – sector contribution to national development such as GDP, direct and indirect, and the overall increase in productivity.

Vibrant ecosystem - stakeholders across the financial services sub-sectors that are leading enterprises or building and exchanging programmatic interfaces, and fostering cooperation and collaboration

<table>
<thead>
<tr>
<th>Long Term Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society with consumers/users that are included using DFS, healthy and financially and digitally capable</td>
</tr>
<tr>
<td>A FinTech ecosystem that is creating and sustaining jobs</td>
</tr>
<tr>
<td>Use of diverse emerging technologies - AI, ML, DLT, APIs</td>
</tr>
<tr>
<td>Multiplier effect (enablement) across other industries/sectors</td>
</tr>
<tr>
<td>A regulatory environment with balanced and proportionate policies</td>
</tr>
<tr>
<td>Employing smart regulatory and supervisory systems and insight-based supervision and oversight</td>
</tr>
<tr>
<td>An increase in the number of local and foreign direct investors</td>
</tr>
<tr>
<td>Increase in envelope size of investments</td>
</tr>
</tbody>
</table>

**Intermediate Outcomes**

**Policy/Environment Changes**
12.2. RESULT FRAMEWORK

The results framework maps the critical indicators across the policy, ecosystem and talent domains and proposes targets to be achieved by year 2024.
### 12.2.1. Policy Indicators

<table>
<thead>
<tr>
<th>RESULTS</th>
<th>INDICATORS</th>
<th>2024 TARGET</th>
<th>DATA SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced and proportionate policies</td>
<td># Proportionate policies/ regulations</td>
<td>25 policies</td>
<td>Policy effectiveness tracker from ecosystem performance</td>
</tr>
<tr>
<td></td>
<td>Policy effectiveness level/score</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td></td>
<td># regulators using RegTech/Suptech</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td></td>
<td># regulatory processes digitised</td>
<td>95%</td>
<td></td>
</tr>
<tr>
<td></td>
<td># licensed/ regulated fintechs</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Adoption of diverse regulatory instruments (self-regulation/co-regulation)</td>
<td># Institutional collaboration arrangements</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Emergent entrepreneurs, innovators and firms using innovative business models and developing solutions that address social and developmental challenges</td>
<td># Start-ups, ScaleUps, Exits</td>
<td>350</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Women-led fintech firms</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Sector Value (Gross Value Added (GVA)) / # Women GVA</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Fintech-enabled sectors (multiplier effects)</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Innovative financial solutions/DFS</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Angels (volume &amp; value)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providing access to essential policy and technical enablers</td>
<td>% identifiable adult Nigerians (% women)</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td># fintech sub-sectors (categorised by CCAF taxonomy)</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% nation-wide Internet penetration</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% tech adoption - AI, ML, DLT, APIs</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% energy access</td>
<td>75%</td>
<td></td>
</tr>
</tbody>
</table>

_Figure 21: Policy Indicators_
12.2.2. Ecosystem Indicators

<table>
<thead>
<tr>
<th>RESULTS</th>
<th>INDICATORS</th>
<th>2024 TARGET</th>
<th>DATA SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial/digital aware Nigerian consumers (across priority segments) receptive to and utilising DFS (across financial sub-sectors)</td>
<td>% financially included adult Nigerian (%) women</td>
<td>Current: 60% (40% women)</td>
<td>EFInA</td>
</tr>
<tr>
<td></td>
<td># NFIS segments served by DFS</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Financial Health Score</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Financial/digital literate (aware) consumers</td>
<td>% Financial/digital literate (aware) consumers (% women)</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td></td>
<td># publicity campaigns</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Organised and cohesive financial services ecosystem fostering linkages</td>
<td># linkages (ecosystem, regional, national)</td>
<td>Beyond 2024</td>
<td>Ecosystem tracker (RFC)</td>
</tr>
<tr>
<td></td>
<td># active fintech clusters</td>
<td></td>
<td>Incubators/Accelerators</td>
</tr>
<tr>
<td></td>
<td># accelerator spaces created</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td># sandbox cohorts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td># library/tools assets</td>
<td>Beyond 2024</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fintech ecosystem ranking/performance score</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td># global roadshows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vibrant investment landscape with contemporary instruments and structures</td>
<td>Envelope size of capital raised domestic &amp; international</td>
<td>Average $1 million</td>
<td>Ecosystem tracker (RFC)</td>
</tr>
<tr>
<td></td>
<td>Total investments /raises (US$)</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Angels, VCs, Crowdfunding platforms (domestic &amp; foreign) (# woman)</td>
<td>200 (50 women)</td>
<td></td>
</tr>
<tr>
<td></td>
<td># Unicorns, Gazelles, Zebras, Camels (#women-led)</td>
<td>60 (20 women-led)</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 22: Ecosystem Indicators*
### 12.2.3. Talent Indicators

<table>
<thead>
<tr>
<th>RESULTS</th>
<th>INDICATORS</th>
<th>2024 TARGET</th>
<th>DATA SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competent fintech professionals</td>
<td># Education programmes/educators</td>
<td>25</td>
<td>Ecosystem tracker (RFC) Incubators/Accelerators</td>
</tr>
<tr>
<td></td>
<td># of people trained, mentored/interned/apprenticed</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>%Fintech workforce (local &amp; global)</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Regulators guided by smart design and implementation principles</td>
<td># regulators trained</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>New firms, innovators, entrepreneurs</td>
<td># competitive events/hackathons</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 23: Talent Indicators*
13. Conclusion

This strategy paves the way for Nigeria to harness fintech development with intentionality, while retaining developmental outcomes in-country. The broad strategic objectives of ecosystem development and governance align with global and domestic trends illustrated in .

13.1. ALIGNMENTS

13.1.1. Contemporary Initiatives

While technological advancements continue, this strategy broadly adopts a test and lean approach for fintech evolution by proposing structures that develop innovation and experimentation capabilities. Examples of these include the focus on policy and technical enablers and initiatives supporting the buildout of fintech clusters, regulatory-backed innovation spaces, hackathons and other competitive events and multi-stakeholder collaborations to address emerging and perennial issues. Thus, innovations supporting advancements like the eNaira can be supported through acceleration and innovation spaces as proposed in the strategy. Section introduces the eNaira and potential use cases.
13.1.2. SEC is FinTech Roadmap

The recommendations in Table 3 represent the initiatives of the SEC Fintech Implementation Roadmap 2019 alongside the initiatives in this National Fintech Strategy.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>NFS Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Collaborations</td>
<td>Enhance institutional coordination structures and practices</td>
</tr>
</tbody>
</table>
| Fostering an Innovation Environment | Build FinTech clusters  
Host hackathons and other competitive events  
Create regulatory-backed innovation spaces  
Promote multi-stakeholder collaboration  
Build and maintain library of tools to support the ecosystem |
| Invest in RegTech and Process Improvement Technologies | Digitise regulatory and supervisory processes  
Build FinTech policy enablers |
| Consumer Protection, Security & Data Privacy | Enhance institutional coordination structures and practices  
Inform and build awareness  
Build industry standards across FinTech sub-sectors  
Build FinTech technical enablers |
| Driving a harmonised regulatory agenda | Adopt smart policy design and implementation practices  
Design and implement balanced and proportionate policies and regulations  
Promote alternative regulatory instruments |
| Cryptocurrencies, virtual financial assets and ICOs | Build FinTech policy enablers  
Build FinTech technical enablers |
| Accelerating investments in FinTechss | Stimulate domestic investment landscape |
13.2. ACHIEVING FINANCIAL INCLUSION

Inclusive growth is at the core of this strategy that seeks to address Nigeria’s societal and developmental challenges like financial inclusion. The strategic objectives of ecosystem development and governance seek to address the systemic gaps in the fintech ecosystem to support the vision “to be the leading inclusive fintech ecosystem operating out of Africa” and promote inclusive fintech. Thus, enabling fintech in Nigeria will require a governance environment that catalyses the entrepreneurial and technological capabilities of Nigerian digital natives whilst structuring the fintech ecosystem.

Achieving 95% financial inclusion by 2024 requires shifts in the assumptions from the consumer, operator and regulator perspectives.

**Consumers:** to trust formal financial services providers and the system

**Operators:** to understand the value in serving the underserved and adopt their business models and propositions to meet the needs of diverse customer segments, especially as it relates to the trust multipliers like consumer protection.

**Regulators:** to recognise the dynamism of technological advancements, and through diverse regulatory instruments, support the development and use of innovative digital technologies whilst safeguarding the financial ecosystem.

### Table 5: Aligning SEC implementation roadmap

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>NFS Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversify funding landscape</td>
<td>Establish a regional financial centre/hub</td>
</tr>
<tr>
<td>Develop scalable investment ready FinTech firms</td>
<td>Track FinTech ecosystem performance</td>
</tr>
<tr>
<td>Directory Services</td>
<td>Build FinTech talent</td>
</tr>
<tr>
<td></td>
<td>Build “smart regulators”</td>
</tr>
<tr>
<td></td>
<td>Enhance Employability Skills</td>
</tr>
<tr>
<td>Capacity Building</td>
<td>Build industry linkages</td>
</tr>
</tbody>
</table>

---

The table above highlights the initiatives under the National Fintech Strategy (NFS) to align with the implementation roadmap of the Securities and Exchange Commission (SEC). Each recommendation is matched with specific initiatives to ensure the strategic objectives are met.
14. References


10. Amer DW, Barberis JN, Buckley RP. The Evolution of FinTechs: A New Post-Crisis Paradigm? 2015 Oct 1;


## 15.1 Fintech Regulatory/Policy Landscape (2011 - 2021)

<table>
<thead>
<tr>
<th>Year</th>
<th>Policy/Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Switching Guidelines, Capital Market Literacy Masterplan, E-Dividend management system, Financial Inclusion Desk, Dematerialization of share certificates, Direct Cash Settlement, Consumer Protection Framework</td>
</tr>
<tr>
<td>2017</td>
<td>Payment Service Banks, Financial Inclusion State Steering Committees, Capital Market Financial Inclusion Strategy, Revised NFIS</td>
</tr>
<tr>
<td>2018</td>
<td>Narendra Modi Pension Yojana (NDPR), Revised Banking Guidelines, Payment System Management Committee, USSD Framework</td>
</tr>
<tr>
<td>2019</td>
<td>EFT &amp; Bill Payment Regulation, Fintech Roadmap Committee, Revised NFIS, SANEF</td>
</tr>
<tr>
<td>2020</td>
<td>Fintech Roadmap Committee of the Nigerian Capital Market, Micro pension Guideline, Review of MFB</td>
</tr>
</tbody>
</table>

### National Financial Inclusion Guidelines:
- Three-tiered KYC: Know Your Customer
- Agent Banking
- Micro-insurance Guidelines for Takaful Insurance Operators
- Revised Guide to Charges
- National Financial Inclusion Governance Committees
- Capital Market Masterplan
- Mobile Money Guidelines
- Revised Guidelines on the Electronic Payments of Salaries, Pensions, Suppliers and Taxes in Nigeria
- Switching Guidelines
- Capital Market Literacy Masterplan
- E-Dividend management system
- Financial Inclusion Desk
- Dematerialization of share certificates
- Direct Cash Settlement
- Consumer Protection Framework
- Revised Guideline on Banc-assurance
- Electronic Payment Guidelines
- Capital Market Financial Inclusion Strategy
- Revised guidelines for Micro-insurance Operations
- Payment Service Banks
- Financial Inclusion State Steering Committees
- Capital Market Financial Inclusion Strategy
- Revised NFIS
- Narendra Modi Pension Yojana (NDPR)
- Revised Banking Guidelines
- Payment System Management Committee
- USSD Framework
- EFT & Bill Payment Regulation
- Fintech Roadmap Committee
- Revised NFIS
- SANEF
- Fintech Roadmap Committee of the Nigerian Capital Market
- Micro pension Guideline
- Review of MFB
- Blockchain & Virtual Financial Assets Market-wide Committee
- Open Banking
- Regulatory Sandbox
- Crowd-funding rules
- Release of Regulatory Incubation Guidelines
- Digital Sub-Broker Rules
- Robo-Advisory Rules
15.2. Participating Organisations

<table>
<thead>
<tr>
<th>Category</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Ministries</td>
<td>Ministry of Communication &amp; Digital Economy (MC&amp;DE)</td>
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<tr>
<td>Financial Services Regulators</td>
<td>Central Bank of Nigeria (CBN)</td>
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<td></td>
<td>Securities and Exchange Commission (SEC)</td>
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<td></td>
<td>National Insurance Commission (NAICOM)</td>
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<td>National Pension Commission (PENCOM)</td>
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<tr>
<td>Other Regulators</td>
<td>Federal Competition and Consumer Protection Commission (FCCPC)</td>
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<td></td>
<td>National Information Technology Development Agency (NITDA)</td>
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<td>Nigeria Communications Commission (NCC)</td>
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<td>National Identity Management Commission (NIMC)</td>
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<td>Market Enablers</td>
<td>Nigeria Interbank Settlement System (NIBSS)</td>
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<td>Interswitch Limited</td>
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<td>Shared Agent Network Expansion Facility (SANEF)</td>
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<tr>
<td>Industry Associations</td>
<td>Committee of e-Business Industry Heads (CeBIH)</td>
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<td>(representing market actors)</td>
<td>FinTechs Association of Nigeria</td>
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<td></td>
<td>Association of Licensed Mobile Payment Operators (ALMPO)</td>
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<td>Association of Licensed Telecommunications Operators of Nigeria</td>
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<td>(ALTON)</td>
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<td>Others</td>
<td>Co-Creation Hub Nigeria</td>
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<td>Enhancing Financial Innovation &amp; Access (EFInA)</td>
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<td>Alliance For Financial Inclusion (AFI)</td>
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15.3. eNaira Introduction & Use Cases

The eNaira is a Central Bank Digital Currency (CBDC), a new form of sovereign (fiat) digital currency issued by the Central Bank of Nigeria is the e-Naira. It is the digital form of the Naira and is used just like cash [21]. The eNaira was launched in October 2021 to facilitate micro-payments on a low-cost platform with reduced risks and catalyse the payments stack of the digital economy.

The eNaira is a retail CBDC that modifies the conventional two-tier monetary system by making central bank digital money available to the public, just as cash is available to the public as a direct claim on the central bank [22]. Hence, the CBN issues and stores the eNaira and distributes the CBDC to financial institution and licensed service providers who provide the services (wallets) to
individuals and businesses (merchants). Individuals and businesses transfer value in real time via payment channels (e.g., mobile) [23]. eNaira value stored in digital wallets and can be used for payment transactions; and transferred digitally and at virtually no cost to anyone in the world with an eNaira wallet.

Blockchain technology or distributed ledger technology (DLT), also used by cryptocurrencies like Bitcoin or Ethereum, is the foundational technology of the eNaira. In Nigeria, the eNaira objectives include monetary policy effectiveness, financial inclusion, payments and remittances efficiency (domestic and cross-border) and government payments. Given the eNaira objectives, use cases to drive adoption must have a good-market fit.

The following paragraphs summarise eNaira use case proposals.

**Remittances and retail payments:** as a digital currency, the eNaira is not subject to cash flow problems and delays in payments and is highly interoperable and can thus facilitate faster payments and remittances, eliminating the need for multi-step settlement processes. In addition, the eNaira can potentially improve efficiency and generate savings by reducing the reliance on cash and coins and redirect the biophysical and human resources currently devoted to maintaining those systems [24].

**Financial inclusion:** In addition to barriers like distribution, trust in financial institutions has limited the adoption of financial services, with cash remaining the preferred alternative. Despite the availability of mobile money as a driver of financial inclusion, distribution (access to agents) and the conversion costs and efforts borne by participants at agent points where fiat money becomes digital, and vice versa still limit widespread adoption. The eNaira, an interoperable digital currency issued and authorised by the central bank, addresses these issues as conversion and intermediation costs become minimal or non-existent, thus reducing the cost of financial inclusion. However, making the eNaira, the de facto payment instrument will require widespread advocacy, enablement of the tiered KYC structure and offline capabilities and other mobile protocols like USSD.

**Government Payments:** The central bank can use a pre-programmed eNaira to pay intended beneficiaries on the social register, which could be accepted only for a specific purpose and at specifically authorised locations. This use case will ensure the proper use of social funds, ensure high-quality data can be collected on the performance of these programs, and help to prevent leakage or diversion of funds. This capability could be extended to other use cases in financial services and related ecosystems, where there exists a priority to maintain the integrity of funds and the purpose for which it is used.


10 Also known as cash-in, cash-out (CICO)