



National Financial Inclusion Strategy (Revised)

Abuja, October 2018

National Financial Inclusion Strategy (Revised)

Financial Inclusion in Nigeria

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Executive Summary

The Central Bank of Nigeria (CBN) adopted the National Financial Inclusion Strategy (NFIS) in 2012. The Strategy articulated the demand-side, supply-side and regulatory barriers to financial inclusion, identified areas of focus, set targets, determined key performance indicators (KPIs) and established the implementation structure. The NFIS was built on four strategic areas of agency banking, mobile banking/mobile payments, linkage models and client empowerment. Four priority areas were identified for guideline and framework development namely, Tiered Know-your-Customer (T-KYC) regulations, Agent Banking regulations, National Financial Literacy Strategy and Consumer Protection.

The Strategy defined a set of targets for products, channels and enablers of financial inclusion. The KPIs were defined, based on the various dimensions of financial inclusion, including access, usage, affordability, appropriateness, financial literacy, consumer protection and gender. The NFIS proposed strategies for each of these elements, which included a comprehensive set of policy and regulatory changes as well as suggested business models. In the implementation of the Strategy, the targets were further tailored to reflect the needs and challenges of individual financial service providers (FSPs).

Strategy Review Process

In line with the 2012 NFIS monitoring plan, a review was carried out from October 2017 to June 2018 based on research reports, data analysis and stakeholder engagements. The exercise aimed to understand the current state of financial inclusion in Nigeria, assess past approaches, lessons learnt in order to prioritise the most critical interventions to achieve the objectives. Accordingly, the following were consulted:

- **Public sector institutions:** Regulatory agencies, Federal and State Ministries, Departments and Agencies.
- **Private Sector institutions:** Financial service providers and their apexes, financial technology companies.
- **Development partners:** National and International Development Agencies

This NFIS provides revised objectives, priorities and principles for driving financial inclusion in Nigeria. It was developed with input from a broad range of interviewees, working groups, data sources and reports. The process involved:

- a. Guidance and direction from a “core team” of key stakeholders.
- b. Numerous group discussions, workshops and interviews.
- c. Experience sharing and insights from consumers.
- d. Assessment of existing financial products and services.
- e. Assessment of the regulatory framework for financial inclusion.
- f. Data gathering from published sources (EFInA Access to Financial Services in Nigeria Survey reports, World Bank Global Findex report, etc.).

Key Findings

The key findings from the review include:

- I. Nigeria had made significant progress to implement the NFIS because Stakeholders regard financial inclusion as a National development tool.
- ii. Inter-departmental and inter-agency governance arrangements including Steering and Technical Committees, Implementation structures in the 36 States and the Federal Capital Territory (FCT) and National Working Groups, have been collaborating to achieve set targets.
- iii. Stakeholder engagements revealed the following:
 - Some of the elements of the strategy such as point-of-sale terminals are no longer the appropriate or most efficient channel for distribution of financial services in view of advances in technology;
 - Regulations and policies such as fixed fees for certain transactions, limit the range and variation of business models that can be deployed.
 - Innovative models that have substantially increased financial inclusion in other countries such as mobile money penetration are yet to take significant root owing to some restrictive policies and regulations.
 - The pace of adoption of agent banking and agent density have been low due to lack of understanding of the workings of agent banking and the opportunities it provides for stakeholders;
 - Challenging macroeconomic and security situation in the review period exacerbated the constraints to financial inclusion.
 - Low or non-adoption of financial products owing to cultural and religious factors slowed down financial inclusion in the Northern parts of the country.

In 2016, 58.4% of Nigeria's 96.4 million adults were financially included comprising 38.3% banked, 10.3% served by other formal institutions and 9.8% served by informal service providers. In 2020, Nigeria plans to have 70% of its adult population in the formal financial services sector and 10% included in the informal sector.

Prospects for Financial Inclusion

The revised strategy recognises the imperative for prioritizing the foundational constraints, the importance of innovation and the need to create an enabling environment to promote financial inclusion. Despite the current implementation challenges, there are some emerging opportunities that enhance the prospects of remarkably increasing financial inclusion over the next two and half years (2018-2020). These include: (i) the signing of an MoU in 2018 between the Central Bank of Nigeria (CBN) and the Nigerian Communications Commission on digital payment systems. (ii) collaborative efforts between the CBN and Nigeria Inter-Bank Settlement System (NIBSS) to create a regulatory sandbox for innovative financial services, (iii) partnership between the Committee of Bank CEOs and the private sector to roll out a 500,000-agent networks nationwide.

Policy Implementation Principles

In the revised NFIS, two overarching principles have been defined to make implementation comprehensive, easy and efficient as follows:

(i) An appropriate risk based regulatory level playing field that focuses on both activity and the actors. The regulation should prescribe what eligibility conditions a party needs to meet to provide a particular service, without closing off the sector from future innovations. Specifically, this entails:

- Ensuring that the same set of regulatory requirements and conditions apply to all potential providers of a given service, regardless of their background or type of operation.
- Ensuring that the playing field is balanced across various objectives. For example, the set of licensing requirements should both maintain financial system sustainability *and also* create incentives to drive financial inclusion.

(ii) Actors should play in their areas of core strength (comparative advantage) to engender high impact. This has three specific implications:

- All actors should continuously apply a lens of inclusivity to their activities in order to achieve impact on particularly excluded groups such as women, micro, small and medium-sized enterprises (MSMEs) and people living in the most excluded regions (North East and North West).
- The government should create an appropriate regulatory context in which innovation can thrive.
- Public and philanthropic (local and international) investments should be tailored towards: (i) creating public goods; and (ii) overcoming obstacles that hinder business case for private sector actors.

Definition of financial inclusion

For the purpose of this revised Strategy, “financial inclusion is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at affordable costs.” The services include, but are not limited to, payments, savings, credit, insurance, pension and capital market products.

The implication of the definitions are that:

- i. The requirement for financial products should be simple enough to bring such services within easy reach of all segments of the population.
- ii. Services should be broad enough to enable access, choice and usage and specifically include but not limited to payments, savings, credit, insurance, pension and collective investment products.
- iii. Financial products should be designed to meet the needs of clients taking into cognisance income levels and nearness to clients to be served through proper and appropriate distribution channels.

- iv. Prices for financial services such as interest rate and other indirect costs should be affordable even to low income groups.

Strategy stakeholders and their interests

The stakeholders and the identified rationale for their participation in the implementation of this Revised NFIS are:

- **Providers:** These include institutions that provide financial products and services, as well as their partner infrastructure and technology. The attraction for providers is the untapped business potential in serving the majority of Nigerians who are not currently using financial products and services.
- **Enablers:** These are regulators and public institutions responsible for setting regulations and policies on financial inclusion. Their interest is triggered by the Federal Government's commitment to make Nigeria one of the top 20 economies by the year 2020 and the inter relatedness of financial inclusion with their core mandates.
- **Supporting institutions:** These are institutions that enhance and support Nigeria's efforts to achieve the national financial inclusion goals. They include development partners and experts committed to supporting the Nigerian people and government through technical assistance/aid and similar programmes.
- **Consumers:** These are users of financial services in this case, the target adult population in the country, including Micro Small and Medium Enterprises (MSMEs), Farmers, Artisans and all economically active people particularly those in the informal sector. Financial Inclusion supports them to engage in economic activities, manage risks and improve their standard of living.

Status and progress of financial inclusion in Nigeria

A total of 40.1 million adult Nigerians (41.6% of the adult population) were financially excluded in 2016. Further analysis has revealed that 55.1% of the excluded population were women, 61.4% of the excluded population were within the ages of 18 and 35 years, 34.0% had no formal education, and 80.4% resided in rural areas.

Priority actions and time frame

The revised strategy revealed that 46.5% of the females, 52.5% of those in rural areas and 53.5% of youth aged 18 to 25, 70% of those from the North West and 62% of those from the North East were excluded in 2016. MSMEs were also peculiarly excluded from financial services. The aforementioned demographic (women, rural areas, youth, Northern geopolitical zones and MSMEs) shall be the primary focus of intervention in these revised NFIS. Five priorities will be most crucial to increasing financial inclusion in Nigeria as follows:

1. Create an enabling environment for the expansion of DFS.
2. Enable the rapid growth of agent networks with nationwide reach.
3. Harmonise KYC requirements for opening and operating accounts/mobile wallets on all

financial services platforms.

4. Create an enabling environment to serve the most excluded.
5. Improve the adoption of cashless payment channels, particularly in government-to-person and person-to-government payments.

The strategy derives actions for each of these priorities and assigns them high-, medium-, or low-priority status, lays out a time frame for completion and specifies entities responsible for leading or supporting each action.

Monitoring and evaluation

The measurement framework includes both qualitative, quantitative metrics and dashboard indicators that will be used to accurately track progress towards the outcome on regular basis.

This will involve:

- Biannual collection of comprehensive data from industry stakeholders
- Distillation of key performance indicators from industry data
- Comparison of results with defined indicator targets
- Analysis of gaps and trends
- Annual reporting to the Financial Services Regulation Coordinating Committee (FRSCC) and the National Economic Council.
- Suggestions to increase target achievement rates, such as necessary measures to be taken, changes in priorities, or a partial review of the strategy direction.

National Financial Inclusion Targets

The major goal of this revised Strategy is to reduce the proportion of adult Nigerians that are financially excluded to 20% in year 2020 from its baseline figure of 46.3% in 2010. Other specific products and channels targets are:

Table 1: NFIS Product and Channel Targets

		TARGETS		
		2010	2015	2020
% of Total adult Population	Payment	21.6%	53%	70%
	Savings	24%	42%	60%
	Credit	2%	26%	40%
	Insurance	1%	21%	40%
	Pension	5%	22%	40%
Units per 100,000 adults	Bank branches	6.8	7.5	7.6
	MFB branches	2.9	4.5	5.0
	ATMs	11.8	88.5	203.6
	POS	13.3	442.6	850.0
	Mobile Money/Bank Agents	0	31	476 ¹
% of Pop	KYC ID	18%	59%	100%

¹ The 2020 target for Agents was 62 per 100,000 adults in the 2012 Strategy document. However, considering the shift from physical bank branches to branchless banking globally, this revised Strategy considers increasing the Agent target from 62 to 476 Agents per 100,000 adults by 2020. The justification for this new figure is based on recent developments in the financial sector aimed at taking financial services to the un-served and under-served using branchless platforms such as Agent banking and digital platforms. It is estimated that at least 500,000 Agents should be available to serve about 105 million adults population in Nigeria by the year 2020. This gives about 476 Agents per 100,000 adults.

Emphasis has drastically shifted in favour of mobile money / Bank Agents in view of the fact that this brings financial services closer to the people and provides platform for offering simple diversified low cost financial services across the broad spectrum of excluded population in Nigeria.

Implementation Governance arrangements

The Financial Inclusion Secretariat which has been set up within the CBN shall take responsibility for day-to-day reporting, coordination and implementation of the Strategy. It shall continue to receive guidance on its activities from the Steering and Technical Committees as already constituted. The overall responsibility for supervision of the activities of the Secretariat shall be performed by the Financial Inclusion Steering Committee, which will in turn, provide updates to the National Economic Council (NEC).

1.0 INTRODUCTION

This revised National Financial Inclusion Strategy sets a clear agenda for significantly increasing access to and usage of quality and affordable financial services by 2020. The recommendations are based on a review carried out on the original strategy from October 2017 to June 2018 and the need to focus priorities on access and strategies that will provide the deserved results in the target year.

1.1 Overview of the 2012 National Financial Inclusion Strategy (NFIS)

Coordinated efforts to address the financial inclusion gap in Nigeria can be traced back to the development of the National Financial Inclusion Strategy in 2012. The Strategy defined financial inclusion as achieved “when adults in Nigeria have access to a broad range of formal financial services that are affordable, meet their needs and are provided at an affordable cost”. The Strategy set overall targets and specific targets for products, channels and enablers.

- a. **Targets:** the two overall financial inclusion targets were 80% overall (formal and informal) financial inclusion and 70% formal financial inclusion by 2020. There were 15 additional targets for channels, products and enabling environment as well as 22 key performance indicators (KPIs).

Definition of Financial Inclusion

Financial inclusion within the context of this revised strategy, is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs and are provided at an affordable cost. The definition of financial inclusion used in the NFIS includes the following elements:

- Ease of access to financial products and services
 - Financial products must be within easy reach of all segments of the population and should not have onerous requirements.
- Use of a broad range of financial products and services
 - Financial inclusion implies not only access but usage of a full spectrum of financial services including, but not limited to payments, savings, credit, insurance, and pension products.
- Financial products designed according to need
 - Financial products must be designed to meet the needs of clients and should consider income levels, as well as access to distribution channels.
- Affordability –
 - Financial services should be affordable even for low-income groups.

Strategic Objectives

- To set a clear agenda to significantly increase access to and use of financial services by 2020;
- To ensure that the concerns and inputs of all stakeholders are considered and that roles and responsibilities are defined before financial inclusion regulations and policies are established; and
- To outline a framework for increasing the formal use of financial services from 36.3% of the adult population in 2010 to 70% by 2020.

How the revised National Financial Inclusion Strategy supports Stakeholders objectives/mandates

Increased financial inclusion would support the mandates of the various stakeholders in the following respects:

Stakeholder Type	Stakeholder Roles	Key Motivation / Driver
Providers e.g. Deposit Money Banks, Microfinance Banks, Insurance and Technology Firms, Pension Fund Administrators, Capital Market Operators, etc.	Offer products and services, as well as infrastructure and technology required for the implementation of the NFIS	Opportunity to expand business into the untapped, potential market of the unbanked and underserved people
Enablers e.g. Regulators, Government and its Agencies.	Responsible for setting regulations and policies on financial inclusion	Federal Government's commitment to make Nigeria one of the top 20 economies by the year 2020
Supporting Institutions e.g. Development Partners.	Development Partners, Experts and Public Institutions offering technical assistance in the implementation of the strategy	Development focus and partnership with the Nigerian government to achieve financial inclusion goals
Clients e.g. Adult Nigerians, Entrepreneurs, Businesses, and the General Public.	They are to patronize financial institutions in a responsible manner.	Could save, borrow, transact, invest, smoothen consumption, expand their businesses and manage risks.

The Central Bank of Nigeria's mandate will be particularly supported in the following specific ways:

S/N	OBJECTIVE OF THE CBN	HOW FINANCIAL INCLUSION ADDRESSES THE CBN OBJECTIVE
1	Ensure Monetary and price stability	The CBN will be better able to influence savings, investment and consumption behavior through interest and exchange rate changes, a direct result of increased participation of Nigerians in the formal financial sector
2	Issue Legal Tender Currency in Nigeria	Increased penetration of e-payments use and cashless efforts will reduce the cost of cash management and hence the cost of issuing legal tender
3	Maintain External Reserved to safeguard the international Value of Naira	Increased access to finance for MSMEs as a result of financial inclusion (credit made on the back of mobilized savings) will lead to greater productivity, increased non-oil exports, foreign exchange earnings and this will stabilize the value of the Naira
4	Promote a sound financial system in Nigeria	Financial inclusion will lead to the development of a stable financial system funded by non-volatile savings that are robust and provide cushion against external shocks
5	Provide Economic and financial advice to the Federal Government	The CBN will be better able to advise the government as increased participation in formal finance will produce a more complete picture of the country's economic performance

1.2 Background to the Revised NFIS

Given the positive effects of increased access to finance, building inclusive financial systems has become an important objective for policymakers around the world. In 2010, the G20 produced a set of recommendations known as “The Principles for Innovative Financial Inclusion”. The following year, the Alliance for Financial Inclusion (AFI), a global network of concerned policymakers and supervisors, issued the “Maya Declaration”, the first set of global and measurable commitments to financial inclusion. The declaration, which has been endorsed by over 80 countries, including Nigeria, commits to:

- Creating an enabling environment that increases access and lowers costs of financial services;
- Implementing a proportionate regulatory framework that balances financial inclusion, integrity and stability;
- Integrating consumer protection and empowerment as a pillar of financial inclusion; and
- Using data to inform policies and track results.

The rationale for reviewing the NFIS (2012) includes the following:

- The Strategy provided for a review at the mid-point of implementation period;
- There have been changes in the Nigerian socio-economic sphere since 2012 and there is the need to reflect the outcome of lessons learnt;
- Nigeria is a signatory to the Maya Declaration and has adopted some best practices in financial inclusion which calls for a review of NFIS to incorporate new ideas;
- Although Nigeria has made significant efforts in overcoming the inertia in the implementation of various initiatives in NFIS, more still needs to be done to (i) strengthen coordination with states; (ii) incorporate women, disadvantaged groups, MSMEs and geographical variations; and (iii) strengthen existing monitoring and evaluation (M&E) processes.

The objectives of the NFIS review are to:

- Assess the performance of the Strategy to determine whether interventions are on course to meet the stated goals.
- Develop a revised Strategy that covers the current state of financial inclusion, identifies new initiatives and updates existing implementation arrangement.

This NFIS provides revised objectives, priorities and principles for driving financial inclusion in Nigeria. The approach adopted involved:

- a. Guidance and direction from a “core team” of key stakeholders.
- b. Numerous group discussions, workshops and interviews.
- c. Experience sharing and insights from consumers.
- d. Assessment of existing financial products and services.
- e. Assessment of the regulatory framework for financial inclusion.
- f. Data gathering from published sources (EFInA Access to Financial Services in Nigeria Survey reports, World Bank Global Findex report, etc.).

1.3 Importance of financial inclusion

Financial sector development makes two mutually reinforcing contributions to poverty reduction. This is through its impact in accelerating economic growth and direct benefits to the poor. Evidence² shows that appropriate financial services can help improve household welfare and spur small enterprise activity. There is also macroeconomic evidence³ to demonstrate that economies with deeper financial intermediation tend to grow faster and reduce income inequality. There is therefore the need to act swiftly and collaboratively in pursuit of financial inclusion objectives in Nigeria.

² Beck, Thorsten; Demirgüç-Kunt, Asli and Levine, Ross, “Finance, Inequality and the Poor”, 26 January, 2007.

³ Cull, Robert; Ehrbeck, Tilman; Holle, Nina, “Financial Inclusion and Development: Recent Impact Evidence”, 29 April, 2014 – as published by CGAP.

According to a research conducted by McKinsey in 2016, the potential economic benefits of digital financial services alone as an essential component of financial inclusion include⁴:

- Bringing 46 million new individuals into the formal financial system
- Boosting GDP growth by 12.4% by 2025 (USD 88 billion)
- Attracting new deposits worth USD 36 billion
- Providing new credit worth USD 57 billion
- Creating 3 million new jobs
- Reducing leakages in government's financial management annually by USD 2 billion

The goal of this strategy therefore, is to promote a financial system that is accessible to all Nigerian adults, at an inclusion rate of 80% by 2020.

⁴ McKinsey Global Institute, "Digital Finance for All", Nigeria, 2016

2.0. NFIS STAKEHOLDERS

The stakeholders involved in NFIS implementation are: public sector institutions, regulatory institutions, financial services providers, distribution actors, development partners and users (see Figure 1):

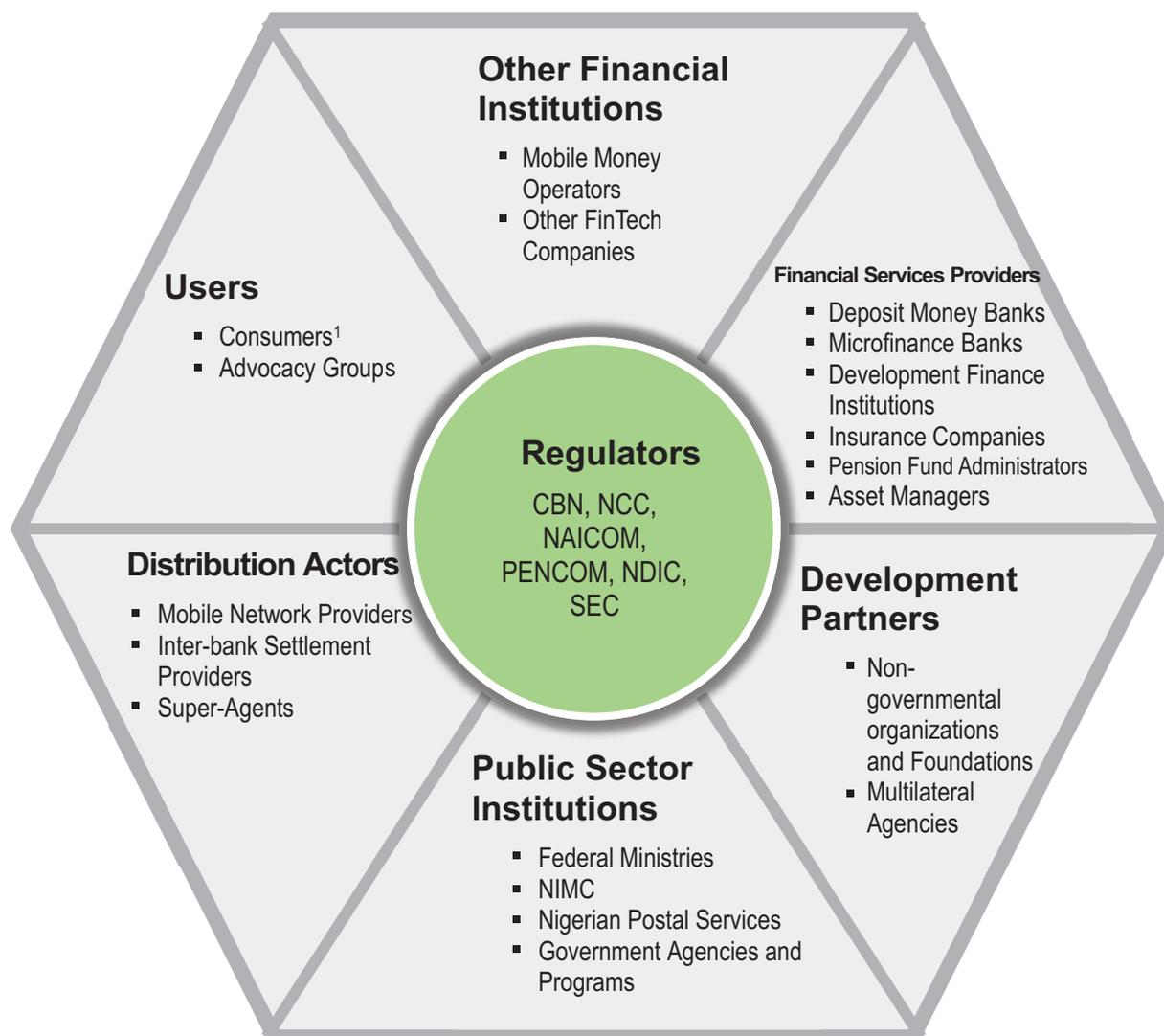


Figure 1: NFIS Stakeholders in Nigeria

The broad roles and responsibilities of the above identified stakeholder categories in NFIS implementation are as follows:

I. Public Institutions

Participation in the Financial Inclusion Strategy would help relevant public institutions achieve their mandates. They shall be expected to provide an enabling environment for digitizing government financial responsibilities and supporting other initiatives that increase access to finance by excluded populations.

II. Regulators

Financial inclusion will support regulatory institutions to achieve effective and efficient systems that enhance sustainable real sector growth and development. They will be expected to develop and implement appropriate policies, guidelines and frameworks for financial services providers, other financial institutions and distribution actors.

III. Financial Services Providers (FSPs)

Financial inclusion provides a favourable environment that supports business development, encourages innovation, product offerings and enhances profitability of FSPs. Financial institutions are to provide financial services that are accessible, affordable, meet consumer needs and are in consonance with established consumer protection principles.

IV. Distribution Actors

Distribution actors could earn more income from services provided and other collaborative activities in the financial inclusion ecosystem. They are to provide efficient, timely and reliable services in support of financial inclusion objectives.

V. Development Partners

Financial Inclusion provides opportunity for Development partners to properly channel their assistance to achieve the sustainable development goals such as equality, welfare improvement, empowerment, poverty reduction amongst others. They are encouraged to implement their programmes in line with the provision of the NFIS and other financial sector policies.

VI. Users

The users would have the opportunity to access and manage their finances, engage in economic activities, smoothen consumption, increase income and achieve sustainable economic resilience. They are to use financial services responsibly and advocate for public policy implementation, monitoring and evaluation.

3.0 CURRENT OUTLOOK AND PROSPECTS FOR FINANCIAL INCLUSION

The NFIS was launched in 2012 with 70 strategic recommendations, targets for overall financial inclusion as well as targets for products, channels and enablers. Six years after the release of the NFIS, progress in financial inclusion had been adversely affected by unforeseen socioeconomic factors such as the economic recession and security situation in parts of Northern Nigeria. Slow uptake of DFS and the limited rollout of national identity numbers which restricted the ability of financial service providers to meet KYC requirements equally contributed to the sub-optimal progress recorded.

Despite the fact that Nigeria is yet to attain its financial inclusion goals, some recent developments may help drive inclusion over the next two years. These include:

- Governance arrangement for NFIS implementation: The Financial Inclusion Secretariat has been established and fully functional. Furthermore, the governance arrangement for implementing NFIS at Federal and State levels to provide the needed push for increased stakeholders actions in the next few years have been put in place.
- Memorandum of Understanding (MoU) on payments systems: The CBN and the Nigerian Communications Commission (NCC) signed an MoU, with both parties agreeing to jointly implement a payment systems framework.
- Regulatory sandbox for fintech: The CBN, in collaboration with the Nigeria Inter-Bank Settlement System (NIBSS) is in the process of introducing a regulatory sandbox that will allow fintechs to test solutions/products in a controlled environment.
- Shared Agent Network Expansion Facility (SANEF) Initiative: The CBN, in collaboration with Deposit Money Banks (DMBs), Mobile Money Operators (MMOs) and Super-Agents have designed a programme for aggressive rollout of a network of 500,000 Agents. They will offer basic financial services including cash-in/cash-out (CICO), funds transfer, bill payments, airtime sales, Bank Verification Number (BVN) enrolment services and government payments among others.

Similarly, several private sector players have introduced new products and services aimed at the unserved and underserved. These include “no-frills” savings accounts, Unstructured Supplementary Service Data (USSD) for account opening and funds transfer service among others, non-interest banking products and financial instruments, multifunctional ATMs and micro-insurance. Also, other partnerships in the industry are driving uptake in digital financial services (DFS), and programmes have been launched to boost access to finance for excluded groups such as women and MSMEs.

Specifically, Table 2 presents financial inclusion activities of stakeholders.

Table 2: Financial Inclusion Activities of Stakeholders

Regulators	Key FI related activities	Achievements
 <p>Central Bank of Nigeria</p>	<ul style="list-style-type: none"> • Formulation and implementation of policies, innovation of appropriate products and creation of enabling environment for financial institutions to deliver services in an effective, efficient and sustainable manner • Supply of finance to different sectors of the economy • Financial inclusion target setting for financial institutions 	<ul style="list-style-type: none"> • Inauguration of National Financial Inclusion Secretariat, Steering Committee, Technical Committee and working groups. • Geospatial Mapping Survey of financial access points in Nigeria. • Revision of (i) microfinance policy; (ii) bank charges; (iii) 3-tiered KYC; and (iv) mobile money owner wallet transactions and BVN requirements.
		<ul style="list-style-type: none"> • Policy development/approvals: (i) Regulatory framework for licensing super agents in Nigeria; (ii) Financial Literacy framework; (iii) Cashless Nigeria Project (6 states); (iv) National Collateral Registry; (v) Consumer Protection framework; (vi) Non-interest banking; and (viii) tiered- KYC requirements. • Agriculture and SME finance schemes
	<ul style="list-style-type: none"> • Awareness/sensitization and literacy programmes. • Creation of guidelines for inclusive financial products – takaful (Halal insurance) and microinsurance. • Liberalization of product delivery – permitting alternate channels • Customer protection 	<ul style="list-style-type: none"> • Guidelines led to creation of 3 Takaful window operators and 2 stand-alone players. • MFBs enabled to act as insurance agents – providing bundled products. • Bancassurance makes insurance available at bank branches. • Complaints bureau resolved 260 complaints amounting to ₦5.5b
	<ul style="list-style-type: none"> • Utilization of mobile network to drive financial inclusion - through approval of telcos to operate Special Purpose Vehicles (SPVs) as super agents and release of exposure draft on utilization of USSD for banking 	<ul style="list-style-type: none"> • One mobile network operator seeking super-agent license.
	<ul style="list-style-type: none"> • Customer protection through insurance cover for deposits. • Awareness/sensitization and financial literacy programmes 	<ul style="list-style-type: none"> • Extension of deposit insurance to include MFBs and NBFIs, and introducing pass-through insurance for MMOs. • Facilitating recovery of lost deposits, thereby creating ambassadors of beneficiaries. • Grass root media awareness campaign through radio and TV programmes on local stations in local dialects



National Pension Commission

- Awareness/literacy programmes.
- Introduction and revision of regulation to drive adoption of pension schemes
- 11% of the working population is included.
- Micro pension scheme introduced to cater for informal workers– i.e. 70% of the population.
- Pension regulation revised to accommodate small business with fewer than 5 staff.



- Awareness/literacy programmes – capital market journal, school curriculum.
- Non-interest instruments issuance.
- Formalization of informal community based cooperatives/savings programmes.
- E-dividend introduction to reduce unclaimed dividend and increase investor confidence.
- Creation of own financial inclusion strategy
- Reached over 100 artisans with awareness programme in North Central; plans to expand to North West and North East.
- First sovereign sukuk (Sharia-compliant bond) was oversubscribed by 6%

Government Agencies	Key FI Related Activities	Achievements
---------------------	---------------------------	--------------



- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ Data collection and research support for determining financial inclusion state of play | <ul style="list-style-type: none"> ▪ Provided Support to EFInA on HH/respondent selection for EFInA A2F 2016 Survey ▪ One-off Financial Literacy Survey, in collaboration with CBN ▪ Survey on PoS usage for NIBSS (can request results from NIBSS) |
|--|--|



- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Creation of national identity database and unique identifier for all ▪ Provision of pay enabled cards to all, including the financially excluded ▪ Provision of verifiable ID, enabling access to financial services | <ul style="list-style-type: none"> ▪ Harmonization of existing database data exchange with BVN database completed and exchange with NCC in discussion ▪ NIMC card payment feature has been enabled by Access Bank and MasterCard ▪ National Identity number is sufficient documentation for tier 1 account KYC |
|--|---|



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| <ul style="list-style-type: none"> ▪ Utilization of post office and postal outlets as agents for financial services provider, given wide branch network–all 774 LGAs have a post office | <ul style="list-style-type: none"> ▪ Partnership with One Network (Super Agent) to use post offices as agents ▪ MFB agent arrangement in Osun, with 20 post offices purportedly facilitating inclusion of 500,000 previously unbanked residents, with over 50,000 users accessing loans of NGN5m daily |
|--|--|

Government Agencies	Key FI Related Activities	Achievements
	<ul style="list-style-type: none"> Data collection to determine SME ease of access to financial services SME access to finance facilitation 	<ul style="list-style-type: none"> MSME surveys Revising SMEDAN law to allow SMEDAN to become a financier Secure NGN2.5m conditional grant from Federal Government Planned development of farm business school and provision of farming machinery through MFBs at 1-3% interest rate

3.1 State of financial inclusion in Nigeria

Overall inclusion rates

The Nigerian Financial Inclusion trend is depicted in Figure 2. It shows how the rates of formal and informal financial inclusion have changed since 2010.

Nigeria financial inclusion rates over time, share of adult population (18+)



Formal inclusion has increased from 36.3% in 2010 to 48.6% in 2016

Total inclusion rose from 53.7% in 2010 to 58.4% in 2016.

Notes: Precise definitions for each category are not available for all years. Differences in data definitions may partially explain these findings.

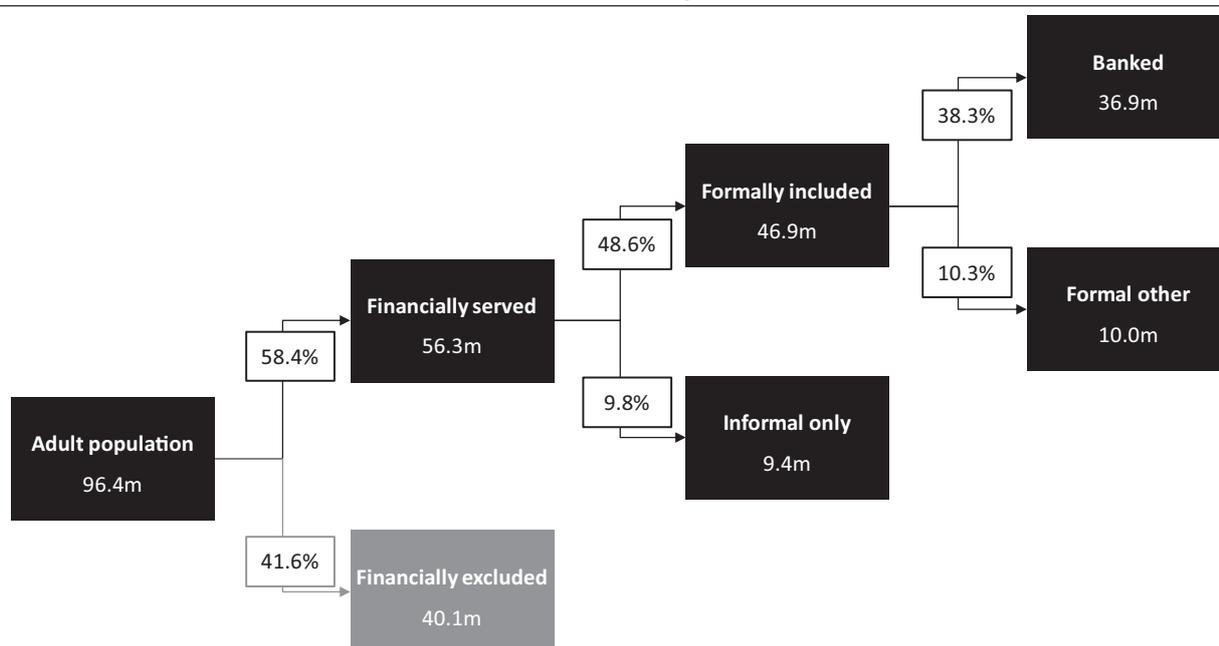
Source: EFINA Access to Financial Services in Nigeria Surveys: 2010, 2012, 2014, 2016

Figure 2: Nigeria Financial Inclusion rate over time

The percentage of Nigerian adults that were served by formal sector service providers increased from 36.3% in 2010 to 43% in 2012, 48.6% in 2014 and remained at that level in 2016. The population that is banked grew consistently from 30% in 2010 to 32.5%, 36% and 38.3% in 2012, 2014 and 2016 respectively. The formal other including the microfinance banks, insurance companies, pension funds and similar service providers grew between 2010 (6.3%) and 2016 (10.3%). The informal sector (Non-Governmental Organizations (NGOs) and financial cooperatives) declined from 17.4% in 2010 to 9.8% in 2016. This showed that more Nigerians are now using formal financial services as envisioned in the Strategy.

In 2016, 58.4% of Nigeria's 96.4 million adults were financially served leaving 41.6% financially excluded. The proportion of those who were banked was 38.3%, those in the formal other category was 10.3% and those served by informal sector 9.8% (see Figure 3). This shows that only 48.6% used formal services compared with 70% that is targeted in 2020.

Overview of the Financial Inclusion situation in Nigeria, 2016



Source: EFinA Access to Financial Services in Nigeria Survey, 2016

Figure 3: Overview of financial inclusion situation in Nigeria, 2016

3.2 Financial Inclusion progress across Geopolitical zones

An analysis of financial inclusion status as at 2016 (Figure 4) showed that the South West Geopolitical zone had reached 18% exclusion rate while South East and South South recorded 28% and 31%, respectively. The exclusion rate for North Central geopolitical zone stood at 39% while that of North East and North West were 62% and 70%, respectively.

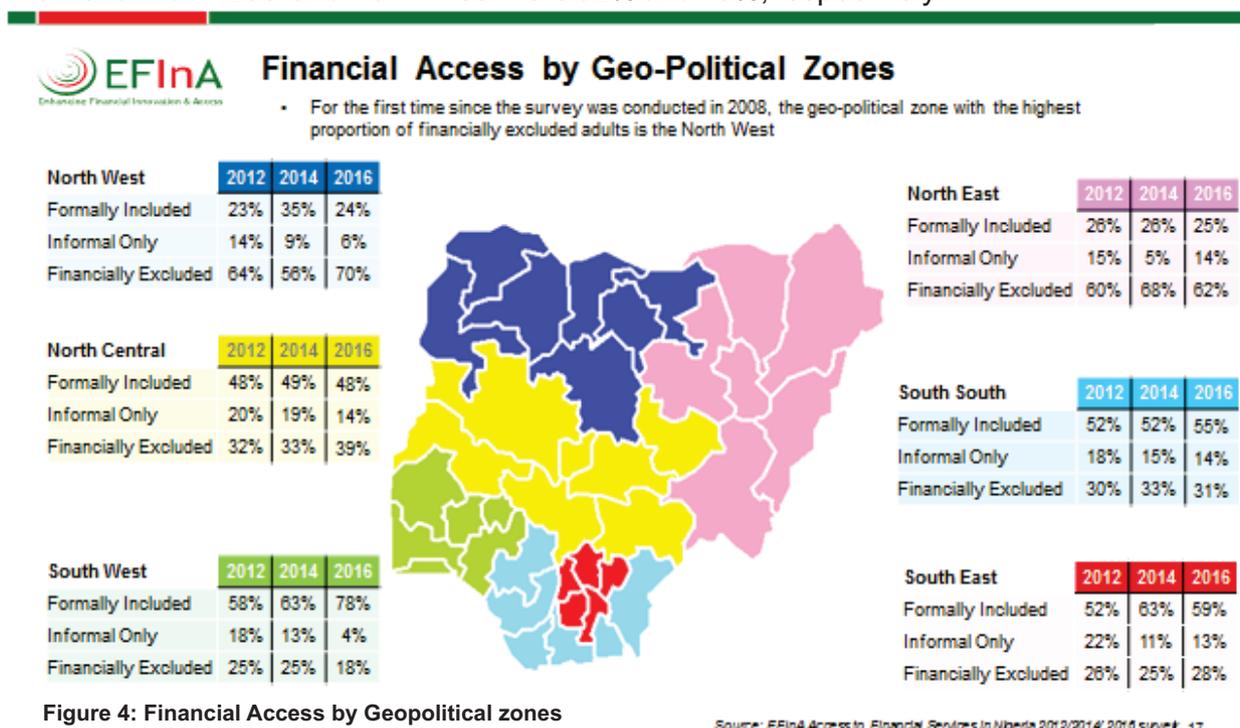


Figure 4: Financial Access by Geopolitical zones

Source: EFinA Access to Financial Services in Nigeria 2012/2014/2016 survey | 17

- 53.5% of the 18 to 25 age bracket are financially excluded
- The highest level of formally included are in the 36 to 45 age bracket

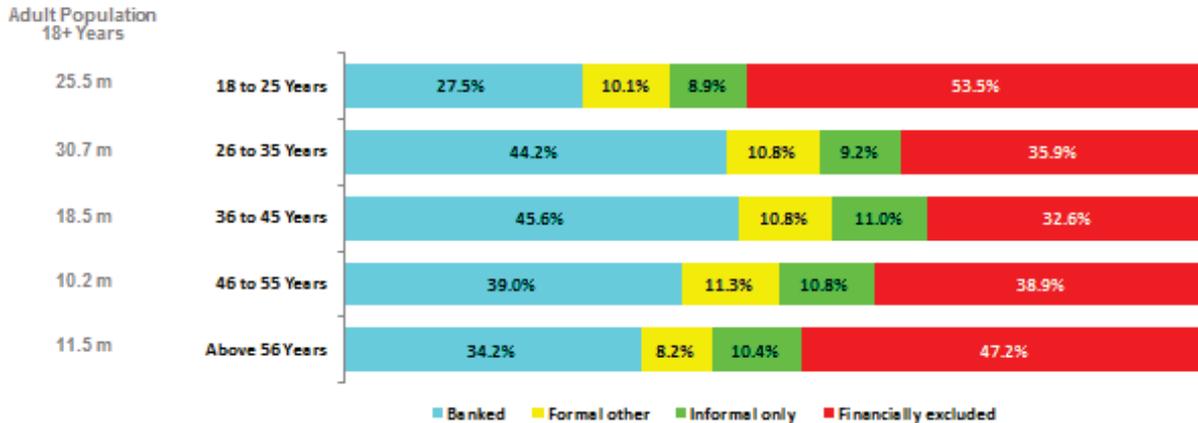


Figure 5: Financial Inclusion status by Age group

Source: EFInA Access to Financial Services in Nigeria 2016 survey | 19

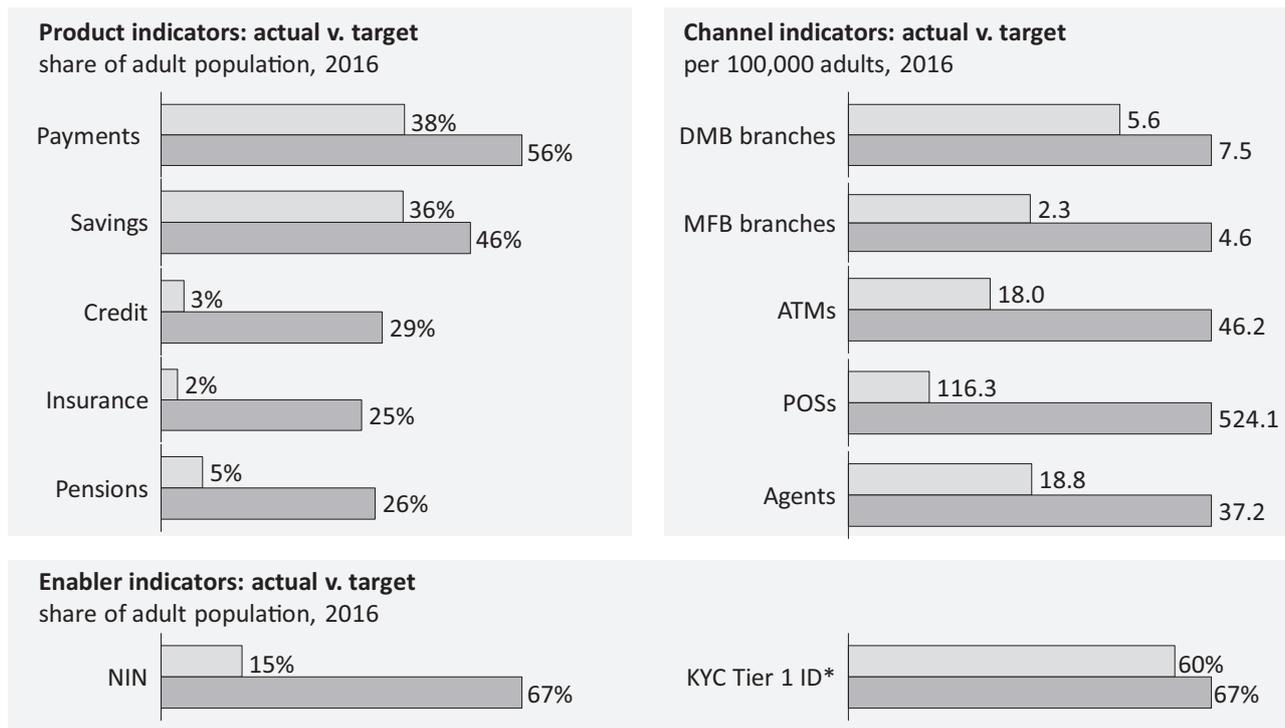
The age dimension to financial inclusion in the country indicates that the most banked brackets are ages 26 to 35 and 36 to 45 as the percentage of banked stood at 44.2% and 45.6% respectively. Conversely, the least banked age bracket were 18 to 25 years followed by 56 years and above as they recorded 27.5% and 34.2% banked rate respectively (see Figure 5).

Performance by Products, Channels and Enablers (2016)

The percentage of adult Nigerians that had access to payments, savings, credit, insurance and pension services stood at 38%, 36%, 3%, 2% and 5% respectively as against the targeted figures of 56%, 46%, 29%, 25% and 26%, respectively (Figure 6). In the channels category (measured per 100,000 adults), DMB branches, MFB branches, ATMs, PoS terminals and Agents were 5.6, 2.3, 18.0, 116.3 and 18.8 in 2016 as against the targets of 7.5, 4.6, 46.2, 524.1 and 37.2, respectively. Furthermore, in the enabler category, the share of adult population that registered under the National Identity Number (NIN) scheme peaked at 15% as against the target of 67% in 2016 while the proportion of adult population that had KYC Tier 1 ID leaped to 60% compared to the targeted 67%.

More broadly, the NFIS review found that setting specific targets per channel may limit innovation, especially as technological advancements emerge. For example, with the spread of banking applications and mobile wallets and accounts, PoS terminals are no longer considered an essential channel for allowing underserved people to transact digitally. To expand channels that allow for cash transactions, the NFIS mandated that banks extend branch networks to reach underserved customers. However, this approach requires a heavy capital outlay and in some cases may not make business sense. As proven in other countries, the use of agent networks can offer the core services (with a focus on CICO) to allow underserved customers to transition between cash and digital money at a much lower cost to financial service providers.

Actual financial inclusion performance versus 2016 interim targets □ Actual performance ■ Target

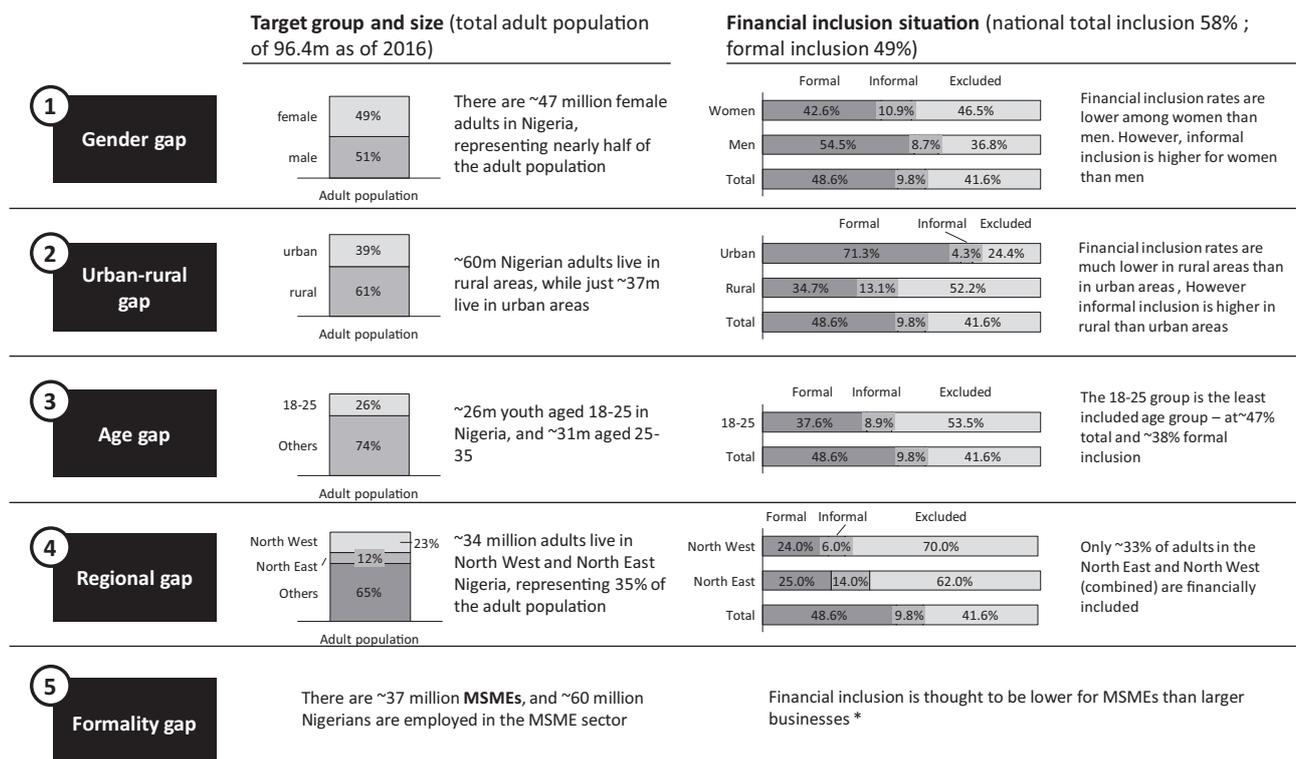


Though no targets were met, relative successes were recorded in savings, and the KYC Tier 1 ID

Figure 6: Progress on financial inclusion targets

Demographic Assessment of Excluded Groups

The gender gap showed that 46.5% of adult female Nigerians were financially excluded as against 36.8% of adult males. The rural financial exclusion rate stood at 52.2% as against 24.4% for the urban areas. Adult Nigerians aged between 18 and 25 years had financial exclusion rate of 53.5% relative to the national exclusion rate of 41.6%. The North West had 70.0% financial exclusion rate while North East had 62.0% exclusion rate. Furthermore, findings indicated that MSMEs were more financially excluded than large corporate businesses. While data is not readily available on access to financial services for persons with disabilities, available information suggested that they were also highly excluded.



Note: *Quantitative data about SME inclusion is not readily available
Source: EFinA Access to Financial Services in Nigeria 2016 Survey.

Figure 7: Exclusion Rates of Five targeted demographic groups.

The high exclusion rates are attributable to cultural/religious barriers, difficulties in profitably serving excluded groups, high levels of unemployment, security challenges and continuing high levels of informality in the economy.

Coordination

The 2012 strategy provided a mechanism to support internal (at the CBN) and external coordination with regulators, government, private sector actors, donors and others. The creation of the FIS is a critical component of the 2012 strategy, and the FIS is consistently praised for leading a highly inclusive coordination process. However, the stakeholder coordination process needs to be strengthened, with key issues prioritised and elevated across government.

The FIS was created according to the plan laid out in the 2012 NFIS. As a dedicated body focusing on and driving financial inclusion, the FIS is in line with international best practices for financial inclusion. However, the FIS was not fully established until 2014, which slowed momentum in the execution of the strategy for a timeline of FIS activities (Figure 8).

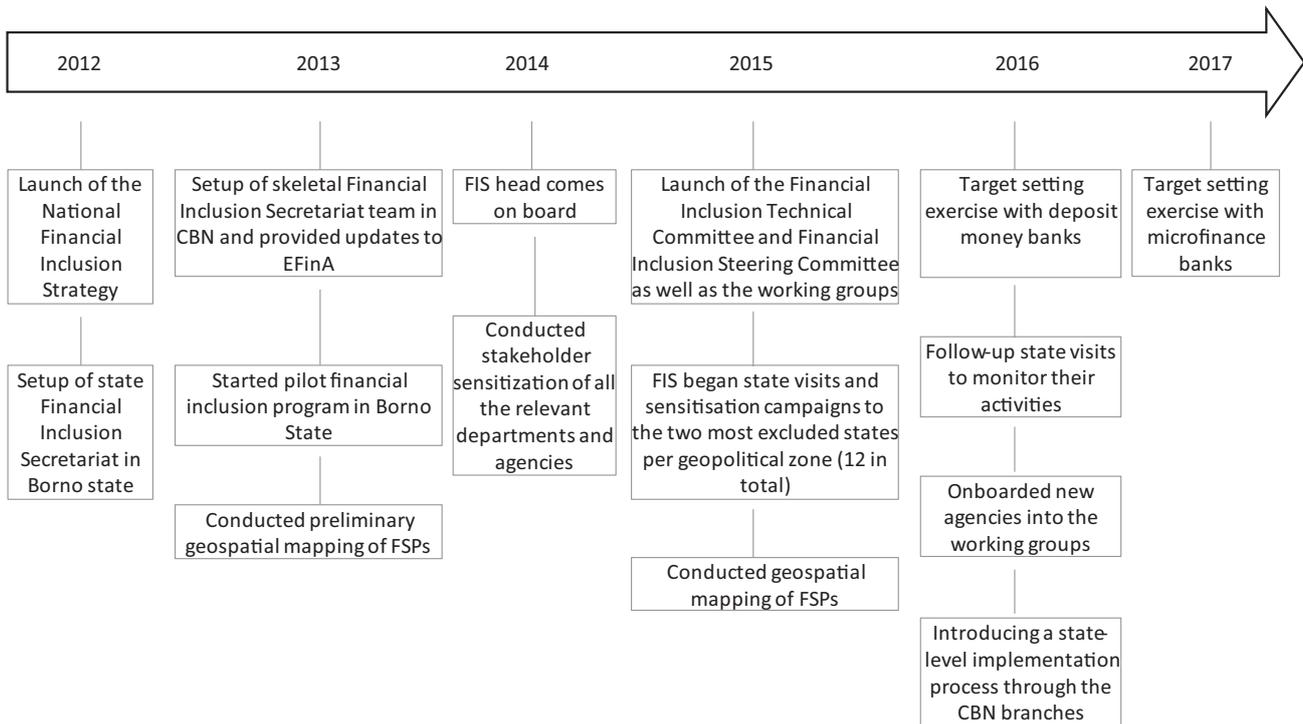


Figure 8: Overview of the Financial Inclusion Secretariat Activities in Nigeria since the launch of the NFIS

Three challenges were identified in the review process with the current coordination structure:

- i. There is an absence of specific legislation or overarching regulation underpinning the NFIS as a priority public policy and this undermines its effective implementation.
- ii. Regular reporting on financial inclusion activities is yet to feature prominently in the agenda of National Economic Council (NEC) meetings. Thus, there is a need for the National Financial Inclusion Steering Committee to provide periodic updates to NEC.
- iii. Efforts to achieve financial system stability tend to be at cross-purposes with financial inclusion objectives. Financial system stability is driven by regulatory and supervisory policies, such as the requirements for establishing and operating bank branches, which limit innovation in flexible, low-cost, no-frills branch operations in highly underserved areas. There is need for stakeholders to develop a process for identifying and managing trade-offs in order to carefully balance interests and take into account implications across all objectives.

3.3 Critical barriers to Financial Inclusion in Nigeria

The review of the NFIS identified a range of barriers to increased financial inclusion. Table 3 presents a thematic listing of the barriers and stakeholders best suited to address them.

Table 3: Critical Barriers to Financial Inclusion

Critical Barriers that only government can address			Barriers that others can address
Theme areas	Regulatory barriers	Other barriers that only Government can address	Barriers that private and civil society players can address
<p>Agent networks: Agent networks are insufficient to allow for expansion of financial services, especially in rural areas</p>	<ul style="list-style-type: none"> • Low cash in/cash out commission schedule weakens agent incentives. • Rules against exclusivity discourage MMO/bank investment in agents. • MNOs cannot use agent networks for DFS (except via the super agents' license). • New super agents' framework is not yet trusted or fully understood, causing key players to hesitate. 	<ul style="list-style-type: none"> • NIPOST plans to build a super-agent framework which could drive rural access, but progress has been slow. 	<ul style="list-style-type: none"> • Banks lack capital incentives to invest in recruiting, training and retention for potential direct and third party networks. • People in rural areas may lack trust in agents, in particular when they are recruited from outside of the community's language and culture.
<p>National Identity: Many Nigerians lack national identity cards- limiting them to tier 1 accounts</p>	<p>NIMC is not yet allowed to use 3rd party licensing to drive NIN registration. Restrictive tier 1 requirements limit the number of individuals that can access a full range of financial services.</p>	<p>NIMC is not able to roll out the NIN at the desired pace and is still in the process of harmonizing IDs to create a consolidated national database.</p>	<p>FSPs see a case to drive identity registration, but need capital for equipment</p>
<p>Digital financial services: Digital financial services has not realized its full potential in Nigeria</p>	<p>Mobile Network Operators (MNOs) are only allowed to offer digital financial services with a Special Purpose Vehicle (SPV)</p> <p>High capital requirements limit the ability on Mobile Money Operators (MMOs) to invest. MMOs cannot offer microsavings or microcredit.</p>	<p>There is an opportunity for greater coordination across the value chain and among regulators, especially in light of new super-agent guidelines.</p>	<p>MFBS lack the funds and know -how to build Digital Financial Services infrastructure.</p> <p>Banks see a very limited business case for investment in Digital Financial Services at the base of the pyramid.</p>

	There is an opportunity for regulatory sandbox or other ways to test innovative solutions		MMO restrictions and uncertainties impact investor interest in fintech.
Community lending (FI/MFB): There is opportunity to capitalize on the potential of microfinance especially to serve women, rural people and youth.	Lack of MFIs regulation results in occasional bad customer experiences and lack of trust. While basic entry requirements are low, MFBs are constrained by stringent regulatory requirements, that limit their ability to expand their footprints and make a broader national impact.	MFBs are not connected to the national switch	Most MFBs are not connected to a switch, raising processing time and costs. Operations are expensive – high cost of customer acquisition. Systems such as data management are poor and inefficient. MFBs struggle to manage liquidity as loans exceed deposits.
Tailored product design: Few products are tailored to key excluded groups: Women, youth, people in the North, rural people, and SMEs.		Access to CBN intervention funds is limited, due to restrictions and complexities. CBN intervention funds do not have (sufficient) non-interest windows.	FSPs lack understanding of the needs of target group segments: women, youth, farmers, SMEs, the North. FSPs, especially in light of short term pressure for returns are unwilling to make long term investments required to capture the excluded groups.
G2P, P2G & digital payment: Many G2P and P2G payments are not yet digitized.		Approval timelines are delayed. Interest and willingness to support digital payments is limited by some officials' vested interest in some settings. FSPs see digital payments as a low priority because of the delays and complexity of the process. Roll-out varies by state.	Customers prefer to immediately withdraw funds, limiting FSP incentives to invest. Digital Financial Services is perceived to be costly. Limited branch footprints and agent networks mean fewer customers can access digital payments.

In order to address the identified critical barrier, five priority actions are to be pursued as follows:

- 1. Create an enabling environment for the expansion of DFS.** DFS has proven to be a low-cost approach to reaching unserved and underserved customers.
- 2. Enable the rapid growth of agent networks with nationwide reach.** Agents—particularly cash-in / cash-out (CICO) agents—act as the entry point for financial inclusion and facilitate the crucial conversion between cash and digital money.
- 3. Harmonise KYC requirements for opening and operating accounts/mobile wallets on all financial services platforms.**
- 4. Create an enabling environment to serving the most excluded,** so that inclusion efforts do not focus solely on the 'lowest hanging fruit' (and thereby increase inequality).
- 5. Improve the adoption of cashless payment channels, particularly in government-to-person and person-to-government payments,** in order to: (a) establish trust by leading by example, (b) provide a sufficient load volume to drive the business case for building and growing distribution networks and (c) put in place a compelling mechanism to include large numbers of unserved and underserved people.

4.0 PRINCIPLES FOR ACCELERATING GREATER FINANCIAL INCLUSION

The revised NFIS is anchored on a set of principles that can drive rapid financial inclusion progress in the 2018-2020 period and beyond. Two sets of overarching principles govern the strategic principles to be adopted as the core of the Strategy:

i. An appropriately regulated level playing field that focuses on the activity and the actors but adopting risk-based approach.

Regulations to support inclusion should focus on the activity and the actor while adopting a risk-based approach. It should prescribe the eligibility conditions that operators need to meet to provide a particular service while at the same time creating room for new innovation. Specifically, regulations should:

- Ensure that the same set of requirements and conditions apply to all potential providers of a given service, regardless of their background or type of operation. Similar requirements for different actors for a given activity should provide a level playing field and promote competition.
- Take into account that the playing field may sometimes be uneven and reflect this in targeted activity-focused requirements. For instance, if fintechs were to have the same capitalisation requirements as banks, this might be prohibitive.
- Ensure that regulations are balanced across various licensing requirements to sustain financial system stability and create incentives to drive financial inclusion. The three-tiered KYC regulation is an example of a graduated set of requirements that promote stability, appropriate anti-money laundering protections and combating of terrorism financing while enhancing inclusion.

ii. Stakeholders should play in their areas of core strength or comparative advantage to engender high impact.

The three specific implications for stakeholders are that:

- They should continuously focus on impact for particularly excluded groups such as women, youth, MSMEs, and people living in the rural areas with emphasis on North East and North West Geo-political Zones.
- Government Agencies should provide appropriate, innovative and stable regulatory environment such as a “regulatory sandbox” that allows experimentation and rapid cycles of adjustment whilst avoiding unintended consequences.
- The deployment of financial and non-financial resources from public and philanthropic sources should focus on the following among others:
 - Creating public services which may not be a viable investment for the private sector but strengthen future business cases. This may include research on excluded groups, new

business cases for inclusion, accelerating the pace of national ID or creating shared assets (such as telecommunications coverage and infrastructure for shared agent network).

- Providing incentives that encourages private sector investment to promote financial inclusion such as tax holidays, guaranteed investment repatriation etc.

Table 4 shows how the above principles apply to each of the priority areas for promoting financial inclusion in Nigeria.

Table 4: Mapping of design principles by priority area

Priority Area	Application of first overarching principle (An appropriately regulated level playing field that focuses on the activity and the actors but adopting risk-based approach)	Application of second overarching principle (Stakeholders should play in their areas of core strength or comparative advantage to engender high impact)
1. Create a conducive environment for the expansion of DFS	<ul style="list-style-type: none"> • Create a level playing field in which the financial services and providers are appropriately regulated, while ensuring uniform application of regulatory requirements and balancing different interest. • Ensure that regulation fosters healthy competition with each actor deploying its competitive strength whilst avoiding monopolistic or oligopolistic tendencies. <ul style="list-style-type: none"> • Implementation of appropriate Anti-trust laws/rules • Enforcement of regulatory compliance 	<ul style="list-style-type: none"> • Encourage Telecom companies to achieve universal telecommunications access through: <ul style="list-style-type: none"> • Targeted investment to fund installation of connectivity infrastructure • Promote specialization along the telecom value chains to engender efficiency in service provision. • Exploration of special licensing regime to open up provision of telecom services to various sizes of players.
2. Enable the rapid growth of agent networks with nationwide reach	<ul style="list-style-type: none"> • Lower entry requirements for all players • Allow market forces to determine price of services without jeopardizing consumer protection 	<ul style="list-style-type: none"> • Companies that have extensive distribution network (FMCGs⁵ and GSM providers) to either act as super-agents or partner with the existing ones to roll out agent networks • Super-agents should identify and partner with institutions with extensive outlets in rural areas (e.g. non-bank microfinance institutions).
3. Harmonise KYC requirements to increase access to financial services	<ul style="list-style-type: none"> • Harmonise KYC requirements for accessing financial services on all platforms • Ensure that KYC requirements are appropriate with the risk exposure 	<ul style="list-style-type: none"> • The relevant agency should achieve universal coverage and accessibility of national ID system by: <ul style="list-style-type: none"> • Outsourcing data capturing to agencies and institutions that have competence to do so on their behalf to enhance issuance of NIN • Securing government pronouncement to make NIN mandatory for all government related and business transactions in the country

⁵ Fast Moving Consumer Goods (FMCGs)

<p>4. Create an environment conducive to serving the most excluded</p>	<ul style="list-style-type: none"> Promote the development of specialised products e.g. non-interest financial services for the excluded groups: North East and North West, Women, Rural, Youth, MSME etc. 	<ul style="list-style-type: none"> Use regulatory and supervisory powers to strengthen existing institutional arrangements that serve the excluded groups. Use of regulatory powers to create specialized institutions (e.g. non-interest) to deliver effective financial services to excluded groups Use public and donor resources to strengthen the business case for private actors to deliver services to the excluded groups.
<p>5. Drive adoption of cashless payment channels</p>	<ul style="list-style-type: none"> Social safety programs of government should be implemented through formal financial channels. Government should adopt E-payment for goods and services. Such as payment of contractors and Tax remittances. Moderate the requirements and incentivise mobile money operators to deliver financial services to rural areas and other excluded groups. 	<ul style="list-style-type: none"> Identify the value chain in cashless transactions and provide incentives for actors to participate along the chain for which they have highest competence. Increase access to minimize transaction cost for users. Obtain 100% digitisation of G2P/P2G payments, ensuring that the government leads by example and reaches large numbers of the unserved and underserved.

In pursuing the above objectives, it is critical to note that the principles are to be adopted in an inseparable set, as the principles are designed to mutually reinforce in some places and to balance in others.

4.1 Create a conducive environment for the expansion of DFS

Digital channels can facilitate the scope and reach of financial services to the excluded groups, by leveraging technologies to offer low-cost and sustainable financial services. The recent Memorandum of Understanding (MOU) between CBN and NCC will ensure that the banking and telecommunication stakeholders collaborate to improve the penetration of DFS and its adoption amongst the underserved population⁶.

Strategic design principles

- **An appropriately regulated level playing field that focuses on the activity and the actors while adopting risk-based approach.**

Government Agencies shall clearly articulate conditions for actors to engage in DFS to optimise financial inclusion whilst maintaining financial sector stability and protecting consumer interests as well as to achieve broader and deeper product and service offering for the consumers. Regulation should allow credible promoters who meet requisite requirements to offer DFS regardless of type of player.

Telecommunications and other regulators shall pursue universal access to provide the necessary infrastructure for DFS providers to deploy their services. To achieve this, the following shall be employed:

- Deployment of targeted investment to fund installation of connectivity infrastructure.
 - Pursuit of a special incentives/licensing regime (such as tax holidays and lower licensing requirement) for connectivity infrastructure companies to expand access to unserved and underserved communities.
 - Collaboration of relevant government agencies to drive the resolution of issues faced by telecommunication companies in searching to achieve universal access⁷.
- **Stakeholders should play in their areas of core strength or comparative advantage to engender high impact.**

Regulators shall provide anti-trust policies and ensure compliance to prevent anti-competitive activities, such as deliberate delivery of poor connectivity service to third parties whilst maintaining good connectivity on a provider's own platform. Also penalties of material consequence shall be applied to violators.

In order to boost consumer confidence and usage of DFS, regulators and service providers shall ensure that service failures are minimized and customer's complaints, treated promptly. Investigation followed by immediate resolution will encourage users, particularly low value customers.

⁶ See appendix 1 for a case study on India

⁷ Early stakeholder engagement has surfaced issues such as multiple taxation and regulations, unreliable power supply, poor road network and infrastructure, vandalization of infrastructure and difficulty in accessing foreign exchange. As the focus of the review and refresh of the NFIS was not to find all barriers to universal access of telecommunication services, it is recommended this is researched further and a strategy is developed to tackle this.

4.2 Promote rapid growth of agent networks

Across the world, agents play a vital role in offering many low-income people access to financial services and providing alternatives to bank branches or other physical financial access points like ATMs. Consequently, functional agent network is imperative for extending financial services to the unbanked.

In order to attain the financial inclusion target by 2020, the NFIS targets 476 agents for every 100,000 Nigerian adults. A deliberate effort shall be undertaken by stakeholders to address policy related bottlenecks and rapidly deploy agents. The current Shared Agent Network Expansion Facility (SANEF) plan between the Committee of Bank CEOs, Mobile Money Operators, Super Agents and the CBN shall be leveraged on to enable the rapid growth nationwide.

Strategic design principles

To effectively drive expansion of the agent network across the country, the following principles shall be pursued:

- Limit the degree to which government requirements (Signage fees and multiple taxation) increase cost of doing business in order to facilitate agent viability.
- Lower barriers to entry to attract more players into the agent network expansion program, while ensuring appropriate consumer protection and financial system stability.
- Promote competition by eliminating restrictive pricing regulations and allow market forces to determine the best pricing models⁸.

4.3 Harmonise KYC requirements to increase access to financial services⁹.

A verifiable ID is a prerequisite for accessing formal financial services. As at December, 2017, 27.6 million adults had been issued with a National Identity Number (NIN) out of 96.4 million Adult Nigerians. In 2013, the Three-tiered Know Your Customer (T-KYC) Regulation was introduced to address the identity challenge in the banking sector and improve financial inclusion in Nigeria. The three-tiered KYC regulation has helped to increase the number of accounts. However, there is need to harmonise the T-KYC requirements across platforms and providers to further improve access and usage of various types of financial services.

Strategic design principles

To reduce the KYC hurdles to inclusion, the following principles shall be applied:

- **Harmonise KYC requirements per activity regardless of service types:** The regulators shall enforce the implementation of T-KYC requirements for opening and operating tier 1 bank accounts and mobile money wallets. In this regards, it should be noted that the transaction thresholds for tier 1 bank accounts and mobile money wallets are the same and both do not require a verifiable ID to open and operate.
- **Ensure that KYC requirements are appropriate with the risk exposure:** The regulators shall continue to ensure that the implementation of KYC requirements are risk-based.

⁸ See appendix 2 for a case study on flexibility in agent exclusivity and pricing Bangladesh

⁹ See appendix on Nationwide simplified and inclusive ID enrolment in India (Aadhaar)

- **Achieve universal coverage and accessibility of national ID system:** The National ID has proven to be an excellent means for financially including the unserved and underserved. Therefore, in order to achieve the objective of National ID program in Nigeria, the following shall be implemented:
 - Harmonize and simplify national ID requirements to enhance universal access. The ongoing national ID harmonization process should be accelerated to ultimately improve accessibility to all citizens regardless of location, age, gender, or income level.
 - Adopt a scalable and inclusive national ID enrolment system. To achieve universal coverage, effort shall be made to ensure that enrolment centres are spread across the country. Where government is unable to establish such centres, licences should be granted to third parties.
 - Ensure security / data privacy. Information provided must be regarded as public asset and therefore the cyber-security policy shall be strengthened to engender trust and uniqueness.

4.4 Create an environment conducive to serving the most excluded¹⁰

MSMEs, vulnerable groups and people living in the North West and North East geo-political zones of Nigeria have particularly high exclusion rates. Therefore, it becomes necessary to tailor financial product characteristics and distribution methods to better meet their needs. The peculiarities of the excluded groups are as follows:

- North West and North East Nigeria face a particularly difficult safety and security situations that makes the provision of financial services more expensive and unprofitable to financial service providers. The security issues have also adversely affected livelihoods in the region, the majority of which are smallholder farmers.
- Women are often excluded from formal financial services because they are unable to meet the account opening and loan requirements. Though contrary to the law, land ownership is predominantly patriarchal, and women are disadvantaged in accessing loans because they cannot independently enter into contract due to adverse cultural practices.
- MSMEs often face a mix of challenges including constrained access to markets and poor skills which impacts the viability of their businesses. Also, low financial literacy affect their ability to make bankable proposal and access finance on favourable terms.
- As at 3rd quarter 2017, 53.3% of youth in Nigeria (age 15 - 35)¹¹ are unemployed and this account partly for their high financial exclusion rate.

Strategic design principles

To create an environment conducive to serving the most excluded, the following principles shall be pursued:

- **The deployment of financial and non-financial resources from public and**

¹⁰ See Appendix 4 on Donor-supported on-lending programs by microfinance institutions (MFIs) in Bangladesh

¹¹ National Bureau of Statistics: Labour Force Statistics, volume 1, 2017.

philanthropic sources towards creating environment for providing financial services for the unserved and underserved:

- Data gathering and analysis to understand the demographics of the excluded group in order to encourage financial service providers to develop tailored products suited to their preferences and needs.
- Implementation of expansive financial literacy programmes to the excluded groups shall be pursued to facilitate their uptake of needed financial services.
- **Provide a framework that enable community-based financial institutions to play more effective role in serving the most unserved and underserved.** Community-based financial institutions such as savings and credit cooperative organisations (SACCOs), farmer societies or non-bank microfinance institutions can play a greater role in reaching the most underserved, both by geography and demographic characteristics. A framework shall be developed to enhance greater access to capital in order to increase their ability to extend more financial services to the excluded groups.
- **Provide a level playing field and incentives to promote the participation of non-interest financial institutions in the provision of financial services to excluded groups and region.** For instance, the implementation of the non-interest product under the CBN special intervention funds such as MSMEDF or Anchor Borrowers Program and regulatory incentives for non-interest based financial institutions.
- **Use public and donor resources to create enabling environment and strengthen the business case for the private sector participation.** For some groups, such as people with disabilities and MSMEs, relatively high cost to serve means that the business case will remain weak for the foreseeable future. Where the business case is insufficient, incentives can be put in place to encourage them to participate. For instance:
 - Support the development and delivery of micro savings, credit, pensions, micro and agricultural insurance products for excluded groups.
 - Implement integrated interventions including business development services, linkage to supply chains, markets and access to finance.
 - Deploy resources to improve the security situation in Nigeria.

4.5 Drive adoption of cashless payment channels.

Adoption of digital payments platforms cost up to 85-95% less than serving the unserved and underserved in a banking hall¹². Government transfers in Nigeria amount up to about USD 227 million per annum. The demographic includes people who are typically unserved and underserved. Government to People (G2P) and People to Government (P2G) payments present an opportunity to drive financial inclusion if the transactions are done on Digital platforms that are linked to bank accounts or mobile wallets.

¹² International Finance Corporation, *Mobile Financial Services: Its role in banks and markets* 2014

Strategic design principles

To drive adoption of digitised G2P/P2G payments, the following strategies shall apply:

- **Ensuring that government achieves 70% digitization of G2P/P2G payments at all levels:** Currently, only 60% of federal government flows have been digitised. This rate is lower at the state government levels and lowest at the level of local government. Local governments have the strongest interface with the financially unserved and underserved. If they lead in the adoption of digital payment, the potential for a trickle-down effect is high. One way to achieve this is to push for compulsory digitisation of all state and local government payments, including all social benefit transfers.
- **Improve access to minimise transaction costs for users:** Government payments should be made and received close to people's homes and places of work to reduce transportation cost and to provide the needed convenience for people to use digital channels. Universal access can, for instance, be achieved by setting up G2P/P2G payment service kiosks at every local government office. The kiosks can eventually become centres for non-government transactions. This may require government and donor funding where the business case for private sector involvement is insufficiently strong.

5.0 KEY FINANCIAL INCLUSION TARGETS

The overall target of Nigeria's National Financial Inclusion Strategy is to reduce the percentage of adults excluded from financial services from 46.3% in 2010 to 20% in 2020. It is proposed that 70% will be served by formal financial institutions while 10% will be served by informal service providers. However, the 2020 target set in the old strategy has been retained in this revised document.

The Financial Inclusion Picture In 2016

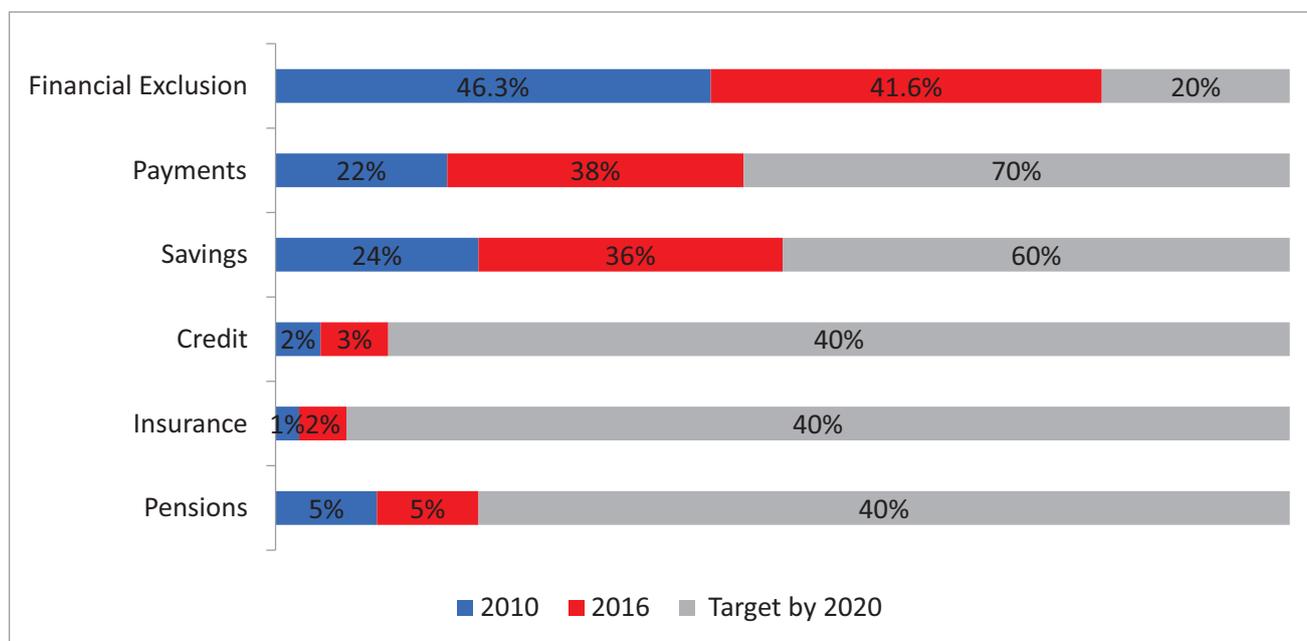


Figure 9: The Financial Inclusion Picture in 2016:

Source: EFINA access to Finance Survey 2016;

5.1 Product Targets

Product target as set for payments, savings, credit, insurance and the capital market

Payments – a key focus of this revised strategy is electronic payments (E payments) through Digital Financial Services. As at 2016, about 38% of adult Nigerians made use of E payment platforms. The target is that by 2020, this target would have increased to 70% of adult population.



Figure 10: Payments targets

Savings – opening and operating a bank account is considered as the entry level into financial inclusion. Therefore, this strategy will focus on initiatives and interventions that would enable more adult Nigerians to own a bank account. As at 2010, 24.2% owned a savings account. This figure increased to 36% in 2016. The target is that 60% of adult Nigerians would own a savings account by 2020.

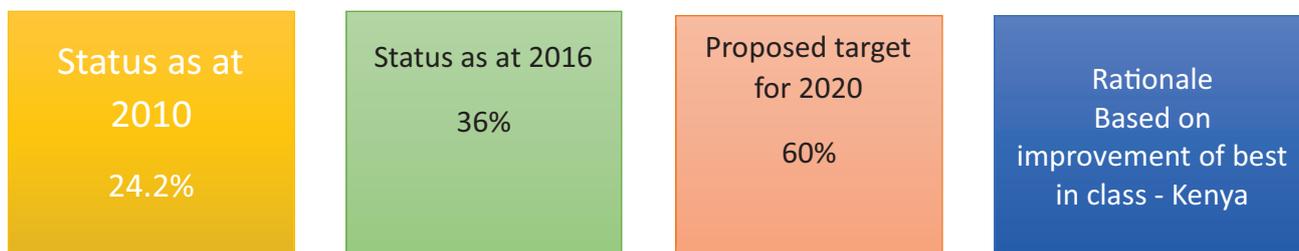


Figure 11: Savings targets

Credit – The credit target is retained at 40% by the year 2020. This was arrived at based on the credit penetration level of South Africa (32%) and Uganda (37%). The target requires 40% CAGR between 2011 and 2020. The target is to grow the 1.5 Million borrowers in 2010 to 24 Million in 2016 and 42 Million by 2020.



Figure 12: Credit targets

Insurance – the 2020 target for insurance is set at 40%. This was set based on South Africa's penetration level of 36%. This target requires 48% CAGR between 2011 and 2020 and to grow the approximately 800,000 Nigerians insured in 2010 to 24 million in 2016 and 42 million by 2020.



Figure 13: Insurance targets

Pensions – Nigeria's pension scheme is based on the Chilean model and can therefore benefit from Chile's experience. The target requires 25% CAGR between 2011 and 2020 and the 4.1 million pension contributors in 2010 to increase to 20.6million by 2016 and 41.9 million by 2020.

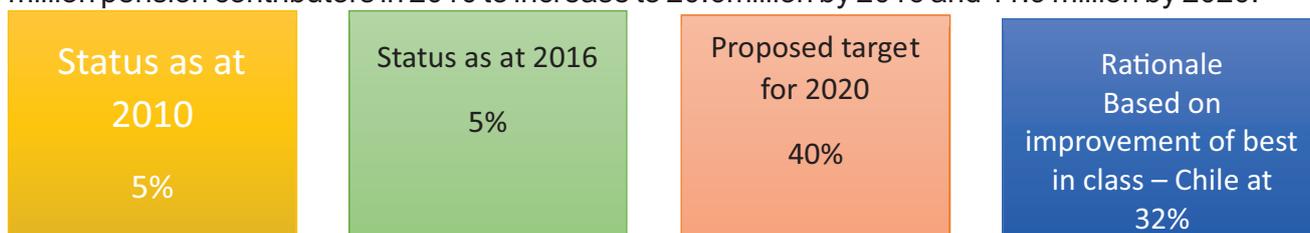


Figure 14: Pensions targets

5.2 Channels Targets.

Deposit Money Bank branches (DMBs) – The target for 2020 is 7.6 branches per 100,000 people (currently 5.5 per 100,000 people). The number of bank branches has maintained a slow growth since 2011. This slowdown is the result of less focus on branch growth due to increased use of non-branch channels.

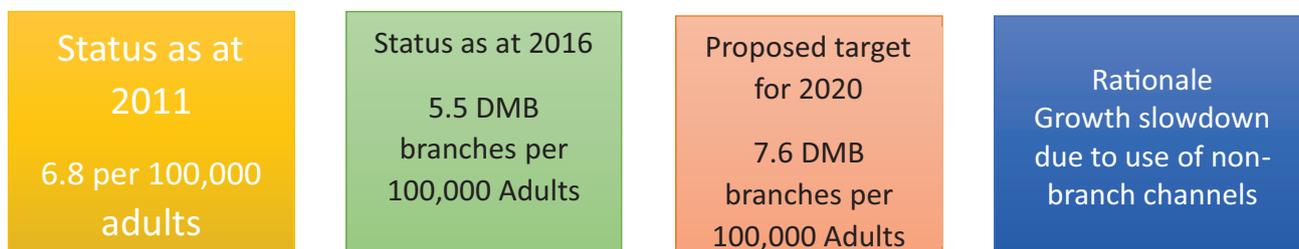


Figure 15: DMB branch targets

Microfinance Bank Branches (MFBs) – In the microfinance banking subsector, growth in bank branches has remained flat just as for DMBs. The 2020 target is set at 5 MFB branches per 100,000 adults. The old target was retained because of a shift in emphasis to branchless banking platforms.



Figure 16 : MFB branch targets

ATMs – The proposed 2020 target for ATM deployment is to achieve 203 ATMs per 100,000 adults. The proposed target is aligned with that defined for Cash-less Nigeria in 2015. The target proposed here requires 60% CAGR between 2016 and 2020.

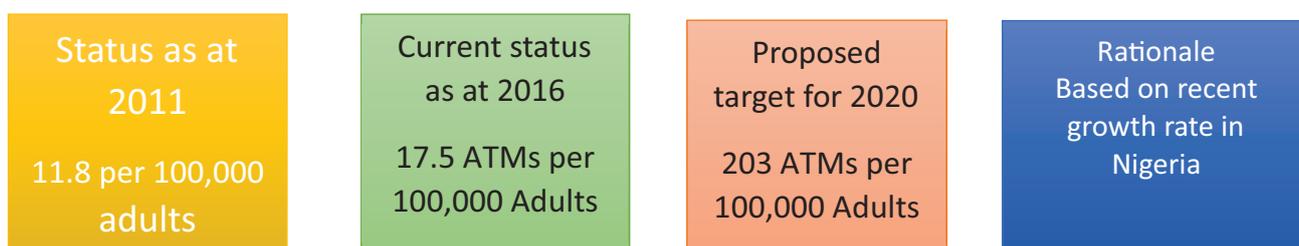


Figure 17 : ATM targets

POS - The target for POS and mPOS is set at 200 POS devices per 100,000 adults by year 2020. The geographical distribution of the devices is expected to cover the regions with the highest exclusion rates which are the North East and North West.

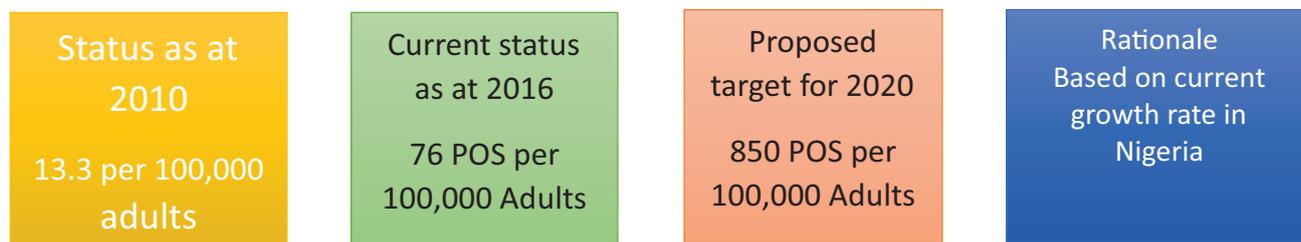


Figure 18 : POS devices targets

Agents: This strategy seeks to grow the Agent network from 10 Agents per 100,000 Adults in 2016 to 476 Agents per 100,000 Adults in 2020. This is expected to be driven by several initiatives in the financial sector aimed at bringing financial services closer to the unserved and underserved using non-physical branch platforms.

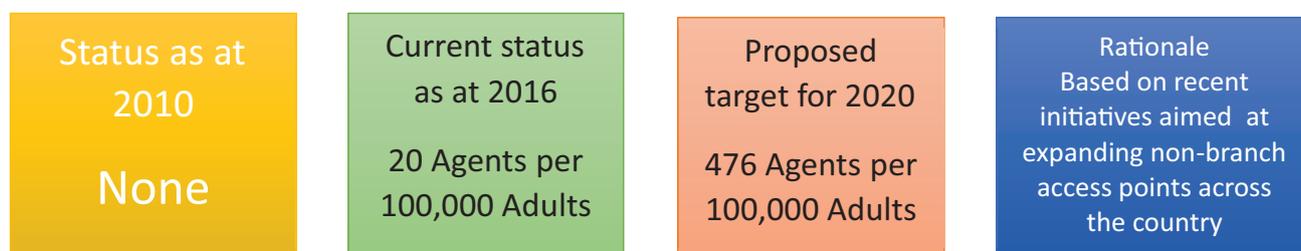


Figure 19 : Agent banking targets

5.3 Enabler Targets

Enablers are elements that lower barriers to access to financial services. The targets for key enablers are as follows:

- **KYC** – This strategy recommends that the tiered KYC requirements put in place by the CBN to lower barriers of access to low-transaction clients opening bank accounts, should be further strengthened. In addition, the NIMC must meet its target of rolling out a unique national ID for all Nigerians by 2020, which will be an acceptable identity document for accessing financial services.
- **Consumer protection** – Consumer protection is critical to ensuring transparency in product pricing, preventing exploitation by service providers, monitoring levels of consumer confidence, and ensuring the soundness of the financial sector. The target is to strengthen implementation of the Consumer Protection Framework of the CBN. This framework is aimed specifically at financial services and defines precise methods for consumer protection and conflict resolution.
- **Financial literacy** – Government institutions and development partners have made some efforts to address the low levels of financial literacy in Nigeria. These efforts would be scaled up in the next 2 years. The target is to include financial literacy in school curricula. The curricula

will incorporate financial products, services, and markets in 20% of primary schools, 50% of secondary schools, and 100% of tertiary institutions by 2020. Another target is to reach 50% awareness of financial products, services, and markets among adults by 2020.

5.4 Key Performance Indicators (KPIs)

To achieve defined targets for financial inclusion, Nigeria needs key performance indicators (KPIs) to monitor the impact of initiatives and the progress of the Financial Inclusion Strategy. The KPIs were defined based on the various dimensions of financial inclusion, including access, usage, affordability, appropriateness, financial literacy and consumer protection (as defined by the Alliance for Financial Inclusion Data Working Group).

5.5 Measurement framework

The monitoring and evaluation (M&E) of the refreshed strategy focuses on key metrics in order to check progress against the action plan. The complete framework will consist of:

1. Overall outcome indicator (total inclusion)
2. Dashboard indicators which are *leading indicators* for the state of financial inclusion. The dashboard indicators track key drivers for inclusion frequently, to allow for course correction if need be. This is necessary because the outcome indicator is constrained by lack of available data: for example, nationally representative state of financial inclusion surveys are conducted only every two years. Targets for these dashboard indicators are set to track progress towards the outcome indicator – but are not to be treated as objectives in and of themselves.
3. A detailed list of indicators and targets which will be used to track further progress across the principles are outlined on table 6.

Overall, this set of indicators and targets will replace those outlined in the 2012 strategy and any individual institutional targets, given the new approach to financial inclusion outlined in this refreshed strategy, and given the focus on creating a level playing field (e.g., rather than mandating which channels are used to achieve financial inclusion).

The indicators have been selected based on identification of the crucial metrics to track progress whilst being realistic on whether data is available. In a limited set of crucial cases, proxy indicators won't be sufficient and new data will be collected in order to track a metric that was not previously tracked – or not with the necessary frequency.

To determine targets for the indicators, the method as recommended by AFI (and deployed in the NFIS of multiple AFI members) is used:

Table 5: Summary of 2012 National Financial Inclusion Strategy targets and strategic recommendations

The 2012 NFIS sets out two overall targets, 15 product / channel / enabler targets, 22 KPIs and ~70 strategic recommendations. These targets are retained but updated.

Products	Channels	Enablers
<p>Payments: Target 70% penetration</p> <ul style="list-style-type: none"> ➢ Implementation of agent banking regulations ➢ Promotion of MFB-DMB links for on-lending ➢ Development of guidelines for promoting mini branches ➢ Rollout of cashless Nigeria project in all states ➢ Provision of NIMIC to all Nigerians by 2025 ➢ Implementation of MSMEDF 	<p>DMB branches Target 7.6 per 100,000 adults</p> <ul style="list-style-type: none"> ➢ Development of guidelines for mini branches 	<p>KYC 1 Target: implementation of tiered KYC frame by 2012 and National ID / Unique numbers for all Nigerians</p> <ul style="list-style-type: none"> ➢ Provision of National ID for all Nigerians by NIMC ➢ Implantation of tiered KYC regulation ➢ Awareness campaign on tiered KYC requirement
<p>Savings: Target 60% penetration</p> <ul style="list-style-type: none"> ➢ Implementation of national savings programme ➢ Promotion of basic no frills savings account ➢ Implementation of tiered KYC requirements ➢ Implementation of a financial literacy framework ➢ Policies to support linkages to informal savings groups 	<p>Microfinance branches Target 5.0 per 100,000 adults</p> <ul style="list-style-type: none"> ➢ Implementation of the revised MFI policy ➢ Implementation of the MSMEDF ➢ Creation of incentives for rural branch expansion ➢ Increase promotion of shared services initiatives ➢ Holding of investor fora at state level to encourage ➢ HNWIs to float MFBs 	<p>Financial Literacy Target: Financial Literacy curriculum in 20% of primary Schools, 50% of Secondary School and 100% of Tertiary School by the 2020</p> <ul style="list-style-type: none"> ➢ Implementation of the Financial Literacy framework ➢ Collaboration with Federal and State Ministries Education to implement financial literacy curricula in Schools ➢ Collaboration between CBN and financial Service providers to implement financial literacy campaigns
<p>Credit : Target 40% penetration</p> <ul style="list-style-type: none"> ➢ Removal of credit bureau minimum reporting balance ➢ Initiation of land reform act ➢ Development of collateral registry for movable assets ➢ Implementation of tiered KYC requirements ➢ Implementation of entrepreneurship training ➢ Introduction of credit awareness programmes ➢ Implementation of the MSMEDF and NIRSAL ➢ Provision of National ID to all Nigerians via NIMC 	<p>ATMs Target 59.6 per 100,000 adults</p> <ul style="list-style-type: none"> ➢ Implementation of financial literacy framework ➢ Deployment of multifunctional ATMs ➢ Revision of the offline ATM policy ➢ Rollout of the cashless Nigeria project across states ➢ Deployment of low cost ATMs in rural areas 	<p>Consumer protection Target: Defined consumer framework implemented by 2020</p> <ul style="list-style-type: none"> ➢ Implementation of the consumer protection framework by 2020
<p>Insurance: Target 40% penetration</p> <ul style="list-style-type: none"> ➢ Regulatory enforcement of compulsory insurance ➢ Use of banking agents as a distribution for insurance ➢ Diversification of insurance products incl. micro ➢ Implementation of insurance component of NIRSAL ➢ Introduction of insurance literacy programmes ➢ Develop consumer protection framework in insurance 	<p>POS Target 850.0 per 100,000 adults</p> <ul style="list-style-type: none"> ➢ Implementation of financial literacy framework ➢ Requiring MNOs to give priority to transactions to ensure instant crediting and debating ➢ Development of a framework for agent banking ➢ Rollout of the cashless Nigeria project across states ➢ Expansion of the evidence Act allowing e-payments as evidence ➢ Increase in public awareness of mobile payments 	<p>Women initiatives no target specified</p> <ul style="list-style-type: none"> ➢ Targeting 60% of the MSMEDF women ➢ Targeting 30% of Staff at MFBs to be women ➢ Requiring minimum 30% of female staff at MFBs ➢ Encouraging women to become agents ➢ Offering tailored women entrepreneurship development and financial linkage programmes ➢ Introduction of specialized financial literacy framework for cultural issues contributing to exclusion for women ➢ Interest drawback schemes targeting women
<p>Pension: Target 40% penetration</p> <ul style="list-style-type: none"> ➢ Implementation of Pension Reform Act ➢ Pension scheme compulsory for all states ➢ Inclusion of a small firms/coops/ asc in pension scheme ➢ Pension awareness and literacy programmes ➢ Consumer protection framework in pensions 	<p>Agent Banking Target 476 per 100,000 adults</p> <ul style="list-style-type: none"> ➢ Implementation of agent banking regulations ➢ Implementation of the financial literacy framework ➢ Implementation of tiered KYC requirements ➢ Implementation of SANEF 	<p>Children and Youth initiatives Target: Ensure 50% of 4 million new adult every year are financially excluded</p> <ul style="list-style-type: none"> ➢ Development and implementation of a framework for child and youth finance ➢ Implementation of children and youth financial literacy initiatives in Nigerian educational institutions

Table 6: Key Performance Indicators

Focus	Indicators
Dashboard	% of adult population with financial access
	% of adult population with formal financial access
	% of adults in NE Nigeria with financial access
	% of adults in NW Nigeria with financial access
	% of women with financial access
	% of population with unique IDs
	% of MSME with loans
	% of MSME portfolio to total loans
	% of MSME female loans to total MSME loans
	% of MSMEs with formal financial access
	% of Women-owned MSMEs with formal financial access
	Create a conducive environment for the expansion of DFS¹⁵
Value of Mobile money transactions (% of total payments)	
% population that own a mobile phone	
Number of registered mobile money accounts - National	
Number of registered mobile money accounts - Rural	
% of mobile money accounts - active (90 days)	
% of adults using DFS - National	
% of adults using DFS - Rural	
Number of active DFS access points - National	
Number of active DFS access points in North East	
Number of active DFS access points in North West	
Reduce KYC hurdles to operating an account	% of population with unique IDs
	Number of unique IDs issued (millions)
	Number of unique ID enrolment centers
	Total number of unique ID enrolers
	% of female unique ID enrolers
Drive adoption of cashless payment channels, particularly in G2P and P2G payments	% of government payment done digitally - National
	% of government payment done digitally - State
	% of government payment done digitally - LGA
	% cost savings on G2P/P2G digitisation
Create a conducive environment to serve the most excluded	% awareness of mobile money
	Number of tier 1 accounts
	% of non-interest intervention funds

¹⁵ Note: This Strategy views DFS indicators as an ecosystem approach. Under this approach, it is assumed that all MMO or Bank Agents are equipped with DFS devices (including mPOS/POS, M-cash enabled devices etc.) with which a customer can consummate financial transaction. It is also assumed that there is infrastructure support like mobile network availability, and the consumer protection framework is well implemented and supervised.

FIGURE 20: NATIONAL FINANCIAL INCLUSION STRATEGY (REVISED) 2018 - 2020

ROADMAP

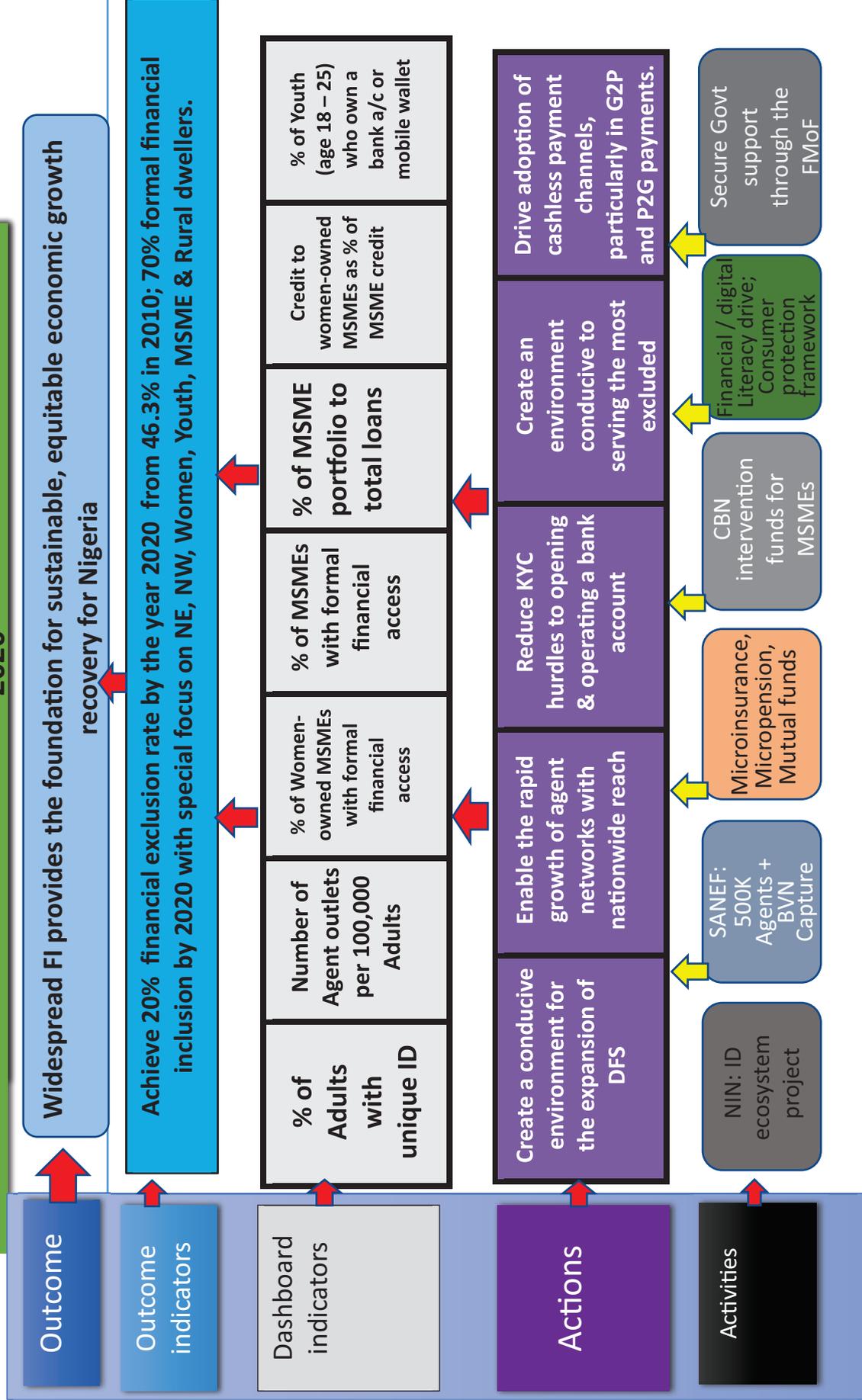


Figure 20 : NFIS Roadmap

6.0 IMPLEMENTATION APPROACH AND PLAN

This section presents the structure adopted for effective coordination of stakeholder activities geared at implementing the revised NFIS.

6.1 Structure for coordination and organisation

In order to squarely address the needed coordination in the implementation of this revised NFIS, a structure that shall achieve the following shall be put in place: (1) Optimal engagement with stakeholders to ensure that competing interests are pursued with the overall objective of financial inclusion in mind, (2) Effective engagement with a wide range of institutions to ensure top level representation and decision making at governing committee meetings (3) speedy approval for implementation of key resolutions taken at governing committee meetings. (4) Harmonious resolution of un-intended conflicts that might arise among institutions and stakeholders in the implementation of the revised NFIS.

In order to achieve the above objectives, the following shall apply:

A. *Appropriate convening power at the required seniority levels:* Financial inclusion should be elevated to the National Economic Council (NEC) level, for example by making it an agenda item at *all* NEC meetings¹⁶. In this regards, the outcome of the Steering Committee meeting shall be presented to NEC at its next meeting for information and/or necessary action. There is also a need for all stakeholder agencies to have financial inclusion structures with appropriate convening power to give attention to their own financial inclusion implementation activities and ensure top level representation at financial inclusion governing committee meetings.

B. *Continuous issue-based engagement fora:*

- a. FIS shall convene smaller (targeted) meetings with relevant stakeholders in order to speedily resolve issues that might arise in the course of implementation of this revised NFIS.
- b. In the course of NFIS implementation, the FIS might explore the possibility of alternating governing committee meeting venues between Abuja and Lagos in order to carry most private sector stakeholders along.

6.2 Action plan

Table 7, below, highlights a set of critical activities necessary for the implementation of the strategic principles, prioritizes these actions, and assigns roles and responsibilities in the period 2018 - 2020.

In implementing the roles and responsibility, the RACI framework shall apply as follows:

- **Responsible:** The responsibility for achievement of any major task should be assigned to a lead stakeholder, although others can be delegated to assist in the work required.

¹⁶ A coordinating structure outside of the CBN could also work. However, adjustments to the current structure may be able to achieve the objectives without getting distracted by an organisational change process that would take away attention and resources from progress on financial inclusion – all subject to further consideration of management

- **Accountable:** The Head of the responsible stakeholder shall be required to sign-off and regularly account for deliverables on the task. For example, if the responsible actor is within the CBN, the accountable actor is the Governor of the CBN.
- **Consulted:** Those whose opinions are sought, typically subject matter experts, and with whom there is two-way communication.
- **Informed:** Those who are kept up-to-date on progress, often only on completion of the task or deliverable; and with whom there is just one-way communication.

Actions are assigned high, medium or low priority status based on the following:

- **High:** Must be urgently executed and has a high number of dependencies (i.e., other actions relying on its implementation);
- **Medium:** Not urgent but important action, with few dependencies; and
- **Low:** Relatively low importance, with very few dependencies.

This plan contains actions to achieve the proposed structure for effective coordination and implementation of the overarching design principles. In addition, each stakeholder would be expected to articulate its own financial inclusion implementation activities in the period 2018 - 2020 with guidance from the FIS.

Table 7: Refreshed NFIS action plan, 2018-2020

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
Overall	After approval of the Strategy, define: <ol style="list-style-type: none"> 1. A communication strategy 2. An integrated budget and resourcing plan 	Responsible: Central Bank of Nigeria : Financial Inclusion Secretariat (FIS) Consult: All relevant stakeholders	High			
Create an appropriate structure for effective and efficient coordination and implementation	<p>(1) Put in place, an effective and efficient structure:</p> <ul style="list-style-type: none"> • Work with key senior stakeholders to confirm desired structure and reporting lines. • Propose organisational structure and reporting lines that provide optimal coordination and enhance speedy and effective decision making in view of the limited time available to achieve the 20% exclusion rate by 2020. • Determine the scope, responsibilities, mandate (decision rights), composition and meeting frequency of each of the elements of the structure. • Staff key positions (if new/ adjusted roles if the need arises). <p>(2) Undertake the following changes to enhance an effective governance structure:</p> <ul style="list-style-type: none"> • Elevate financial inclusion to the national economic level such as making financial inclusion an agenda item at National Economic Council meetings. • Incorporate <i>N-1</i> or <i>higher</i> attendance at quarterly Financial Inclusion Steering Committee meetings as an indicator. <i>N-1</i> or <i>higher</i> refers to attendance by the most senior representative (“N” being, for example, the Managing Director /CEO/Governor) or a representative at the organisational level immediately below (“N minus one”) • Focus working groups and the FITC activities on resolving regulatory issues that impede provision of financial services and directing public and philanthropic capital towards the most excluded groups. 	Responsible: Committee of Governors (CBN) Consult: National Economic Council; FITC and FISC Responsible: FIS Consult: various stakeholders from public, private, social sector	High			

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
Create an appropriately regulated level playing field	<ul style="list-style-type: none"> Ensure a broad range stakeholder engagement, including lawmakers and relevant state and local government officials. Enlist the support of the Financial Services Regulation Coordination Committee (FSRCC) to engage of financial system regulators. Determine list of activities (savings, credit, insurance, pension, group-based products, digital products) for which an appropriately regulated level playing field needs to be created. Determine an appropriate grouping of the activities and define eligibility/regulation criteria taking into account the need to make them understandable for customers/ consumers and practically feasible to regulate¹⁷. Allocate responsibilities to make action plans for each of the identified groups of activities <p><i>Per identified group of activities:</i></p> <p>Determine regulatory and licensing regimes that create an appropriate level playing field for various actors to provide needed services.</p> <p>A. Determine implications for current licensing regime and whether or not a new class of licenses are required</p> <p>B. Engage with stakeholders to ensure that trade-offs between financial system stability and financial inclusion are properly aligned and balanced in the process of changing/introducing new or more flexible licences/requirements/ bars.</p> <p>C. Based on outcome of A and B:</p> <ol style="list-style-type: none"> Develop specific requirements (capital, coverage/reach, governance, information systems) for actors to engage in the activity. Determine specific changes to existing regulations where that is the case to create the needed level playing field. <p>D. Determine necessary changes to statutory frameworks to guarantee fair competition while ensuring compliance with set guidelines and regulations.</p>	<p>Responsible: All regulators E.g., NAICOM and CBN would review regulations and policies related to Bancassurance.</p> <p>Consult: Relevant private sector providers, apex bodies and related public sector agencies.</p> <p><i>Roles will vary per activity. For DFS, this is highlighted in the topic-specific articulation. For other activities, it will depend on the group of activities</i></p>	High			
			High			

¹⁷To keep this manageable, one wouldn't want to regulate each activity with separate licences

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline	
				2018	2019 2020
	<ul style="list-style-type: none"> Engage all stakeholders (e.g., for DFS this would be DMBs, MFBs, MMOs, MNOs and other connectivity infrastructure providers) to develop inventory of anti-competitive risks/concerns Develop necessary anti-competitive regulations and ensure compliance/enforcement. Determine monitoring and reporting mechanism Determine sanctions and sanctioning regime <p>E. Secure necessary approvals and translate same to appropriate set of policies and regulations.</p> <p>F. Communicate new/ revised policies and regulations.</p>				
Ensure that each actor focuses on activities that best suit its capacity whilst all maintain an inclusive lens as much as possible ¹⁸	<p>Government:</p> <ul style="list-style-type: none"> Review <i>government-led and government-financed activities</i> to ensure that they are those they have comparative advantage over other stakeholders to play: (1) creating an appropriate regulatory context in which innovations can take place, (2) Creating public goods (in a pre-competitive setting) which may not be viable to invest in by the private sector actor but which strengthen the business case for subsequent investments (3) address obstacles that hinder the business case for private sector actors. Where government focuses on things that are better executed, financed or both by other actors, engage with those actors to transfer activities¹⁹ and vice versa <p>Philanthropic resources: Review the set of activities to which <i>philanthropic resources are deployed</i> to ensure that they are focused solely on those areas where they are uniquely needed: (1) Creating public goods (in a pre-competitive setting) which may not be viable to invest in by private sector but which strengthen the business case for</p>	Responsible: FIS, CBN Consult: Relevant private sector actors, related public sector agencies across different activities	High		
		Responsible: FIS, CBN Consult: Relevant private sector actors, related public sector agencies across different activities	Medium		

¹⁸ This general focus on inclusivity is a 'call to action' rather than a specific action. The action in this category focuses on targeting government and donor interventions

¹⁹ An example could be the enrolment of NIN which various private sector actors have volunteered to take part in – probably resulting in lower overall cost, bigger reach and more rapid uptake

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
	<p>subsequent investments and (2) Overcoming obstacles that hinder the business case for private sector actors.</p> <ul style="list-style-type: none"> If the review shows that philanthropic resources are deployed to activities that are better executed, financed or both by other actors, engage with those actors to transfer activities and vice versa. <p>Monitoring and Evaluation:</p> <ul style="list-style-type: none"> As part of ongoing M&E, trace which activities and deliverables lag behind. Explore, in case of delays in achievement, whether there's a need for a public good and/ or a need to overcome obstacles that hinder the business case for private sector actors²⁰ Identify activities to be undertaken/ financed with public/ philanthropic resources, <i>taking care that this is done in the spirit of a level playing field</i> <p>Implement a regulatory sandbox:</p> <ul style="list-style-type: none"> Compile list of interventions for which a regulatory sandbox is necessary. Research into the requirements of regulatory sandbox (learning from other countries). Design set-up of regulatory sandbox in Nigerian context including the interaction with the regular regulatory regime and the transition of innovations upon successful pilot from sandbox to regular regime. For other areas, determine which department will drive the process, determine whether regulatory sandbox is appropriate and can be properly implemented, and then implement the sandbox. Define eligibility/ selection criteria for interventions to be allowed to run in the 'sandbox' set-up. Communicate sandbox set-up and design. 					
		<p>Responsible: FIS, CBN</p> <p>Consult: Relevant private sector actors, related public sector agencies across different activities</p>	Medium			
		<p><i>For banking and payments</i></p> <p>Responsible: CBN Banking & Payment System Department (BPSD)</p> <p>Consult: Relevant private sector actors, related public sector agencies across different activities</p>	High			

²⁰ This will need to be done carefully to avoid that private sector actors 'wait' for public/ philanthropic resources to be deployed as subsidy where this may not be necessary

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
Create a conducive environment for the expansion of DFS	Apply the same steps to determine a level playing field as articulated under the overarching principle, on DFS.	Responsible: CBN Banking & Payments System Department (BPSD) Consult: CBN Financial Policy & Regulation Department (FPRD), CBN Financial Inclusion Secretariat (FIS), Nigerian Communications Commission (NCC), Association of Licensed Mobile Payment Operators (ALMPO), Bankers' Committee	High			
	Enforce compliance with all revised regulations and policies	<i>For banking and payments</i> Responsible: CBN Banking & Payments System Department (BPSD) For other activities Responsible: relevant regulators as called for by the revised regulations and/or policies Consult: CBN Financial Inclusion Secretariat (FIS), Nigeria Communications Commission (NCC), Association of Licensed Mobile Payment Operators (ALMPO), Bankers' Committee,	High			
	Identify areas with poor infrastructure coverage in financially underserved geographies, determine and prioritize constraints and encourage actors to deploy funding, targeting those areas, towards achieving national coverage:	Responsible : Nigerian Communications Commission (NCC)	High			

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
	<p>A. Determine and publish current network infrastructure availability in Nigeria</p> <p>B. Determine and prioritize actions for relevant constraints</p> <p>C. Determine which areas need additional funding / incentives because the business case for private sector investment in infrastructure is insufficient</p> <p>D. Estimate the investment required to achieve national GSM coverage and share in a public document</p> <p>E. Deploy funds in those areas, sourcing additional funds if necessary²¹</p>	<p>Consult: Mobile network operators, InfraCos (infrastructure companies), Federal Ministry of Communications, donor organisations, CBN Financial Inclusion Secretariat</p>				
	<p>[To be implemented only if viable business case is not attained with other interventions] Design special licence for connectivity infrastructure providers to improve viability of offering telecommunications services in un/underserved regions:</p> <p>A. Assess the viability of existing business models to serve un/underserved communities.</p> <p>B. If viability is low, determine what can be done to “close the gap” (e.g., offering financial incentives, funding basic infrastructure, providing armed security officers).</p> <p>C. Anchor these incentives in a special licensing regime open to connectivity infrastructure providers who will expand access to un/underserved communities.</p>	<p>Responsible: Nigerian Communications Commission (NCC)</p> <p>Consult: Federal Ministry of Communications, Federal Ministry of Finance, donor institutions</p>	Medium			
	<p>Identify and address cause of DFS transaction errors.</p> <p>A. Understand nature, frequency and drivers of transaction errors</p> <p>B. Determine what needs to be done to eliminate/address causes of transaction errors.</p> <p>C. Design system/programme for resolution and execute.</p> <ul style="list-style-type: none"> • Determine budgetary and other resource requirements. • Source budget and implement new system. 	<p>Responsible: CBN Consumer Protection Department (CPD)</p> <p>Consult: Nigeria Inter-Bank Settlement System (NIBSS); Nigeria Communications Commission (NCC); all DFS actors; BN Other Financial Institutions Supervision</p>	Medium			

²¹ The Universal Services Provision Fund (USPF) could be one of the fund sources looked into

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
	<p>Design customer complaint treatment system for DFS</p> <ul style="list-style-type: none"> A. Identify nature, cause and frequency of errors. B. Identify existing avenues for complaint/recourse. C. Determine inefficiencies in addressing complaints such as delays, wrongful treatment etc. D. Determine what a new efficient model would look like. E. Determine budgetary requirements to implement the new system. 	<p>Department (OFIS)</p> <p>Responsible: CBN Consumer Protection Department (CPD)</p> <p>Consult: Association of Licensed Mobile Payment Operators (ALMPO), Nigeria Inter-Bank Settlement System (NIBSS), Bankers' Committee; CBN Other Financial Institutions Supervision Department (OFISD)</p>	Medium			
	<p>Determine relevant regulatory framework or policy required to operationalise the recommended model for complaint treatment.</p> <ul style="list-style-type: none"> A. Determine whether new policies / regulations are required. B. Prepare new policy/regulation for prompt DFS complaint. resolution in order to foster increased trust in the system. C. Run approval process. D. Communicate new policy/regulation for complaint treatment. 	<p>Responsible: CBN Consumer Protection Department (CPD)</p> <p>Consult: CBN Financial Policy & Regulation Department (FPRD), CBN Banking & Payments System Department (BPSD), Association of Licensed Mobile Payment Operators (ALMPO), Nigeria Inter-Bank Settlement System (NIBSS), Bankers' Committee, CBN Corporate Communications Department (CCD), Nigeria Inter-Bank Settlement System (NIBSS)</p>	Medium			
Enable the rapid growth of agent networks with nationwide reach	<p>Determine relevant regulatory framework and licensing regime required to drive agent network expansion:</p> <ul style="list-style-type: none"> A. Determine agent network licensing framework that allows participation by a larger pool of players, while ensuring consumer protection and not jeopardising national security. <ul style="list-style-type: none"> • Identify minimum agent licensing requirements for 	<p>Responsible: CBN Banking & Payments System Department (BPSD)</p> <p>Consult: CBN Financial Inclusion Secretariat (FIS),</p>	High			

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
	<p>AML/CFT purposes.</p> <ul style="list-style-type: none"> Identify non-operational costs imposed by government and determine which can be eliminated or reduced (e.g., outdoor advertising fees). <p>B. Review licensing and operation standards to reflect minimum requirements for AML/CFT, so that licence protects national security and allows a wider pool of players.</p> <p>C. Design framework for agent network reporting to ensure compliance with AML/CFT requirements.</p> <p>D. Revise the agent banking guidelines/regulations to: (i) eliminate fixed agent fees; and (ii) adjust agent and agent network licensing requirements to the minimum needed to meet various objectives.</p> <p>E. Secure approvals.</p> <p>F. Communicate the new regulation/policy.</p>	<p>CBN Banking Supervision Department, CBN Financial Policy & Regulation Department (FPRD), Financial Inclusion Steering Committee (FISC), CBN Corporate Communications Department (CCD)</p>				
Reduce KYC hurdles to operating an account	<p>Design requirements for KYC that are appropriate to exposure:</p> <p>A. Determine minimum identification requirement for AML/CFT purposes, given limited risk exposure for tier 1 accounts.</p> <p>B. Understand reasoning behind difference in requirement for tier 1 and 3 bank accounts and tier 1 and 3 mobile money accounts, and address issue(s) in design where necessary/possible.</p>	<p>Responsible: CBN/Banking & Payments Systems Department (BPSD)</p> <p>Consult: CBN Financial Inclusion Secretariat (FIS), CBN Banking Supervision Department (BSD), CBN Other Financial Institutions Supervision Department (OFISD), CBN Financial Policy & Regulation Department (FPRD), Association of Licensed Mobile Payment Operators (ALMPO), Financial Inclusion Steering Committee (FISC), CBN Corporate Communications Department (CCD).</p>	High			

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
	Anchor requirements in appropriate set of policies and regulation: A. Harmonise identification/KYC requirements across all tiers. B. Communicate new policy/regulation.	Responsible: CBN/Banking & Payments Systems Department (PSMD) Consult: CBN Other Financial Institutions Supervision Department (OFISD), Association of Licensed Mobile Payment Operators (ALMPO), Financial Inclusion Secretariat (FIS), CBN Corporate Communications Department (CCD)	High			
	Design national ID system for speedy nationwide enrolment A. Determine minimum required identity fields for issuance of unique ID. B. Determine level of ID verification feasible in geographies with marginalised populations. C. Identify enrolment practices necessary for conformity with cultural practices/religious dispositions in each geography e.g. both male and female enrollers in conservative communities or the importance of enrollers that speak a local dialect. D. Determine ToR and business model to attract third-party enrollers.	Responsible: National Identity Management Commission (NIMC) Consult: Nigeria Inter-Bank Settlement Systems (NIBSS), Nigerian Communication Commission (NCC), National Pension Commission (PenCom), Independent National Election Commission (INEC), Federal Road Safety Commission (FRSC), CBN Financial Inclusion Secretariat (FIS)	High			
	Determine appropriate regulatory or licensing changes to support widespread, universal national ID enrolment and validate the extent to which NIMC's recently gazetted Front-End Licensing Regulations (2017) addresses the proposed revisions. Communicate new policy/regulation for national ID enrolment		High			
	Design system for securing unique national ID database <ul style="list-style-type: none"> Determine system requirements for securing identity data. Build necessary infrastructure and policies to secure identity data. Enforce policy compliance. 		High Medium			

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
Create a conducive environment (for FSPs) to serve the most excluded	<p>Direct public donor funds towards building business cases for serving the underserved.</p> <ul style="list-style-type: none"> Determine the potential economic value to be derived from serving the underserved and underserved and support business models to do so (i.e., what models are best suited to profitably serve the underserved and underserved). Educate the underserved and underserved on the benefits and availability of financial products and services to increase market for FSPs. 	<p>Responsible: CBN Financial Inclusion Secretariat (FIS)</p> <p>Consult: CBN Development Finance Department (DFD), CBN Consumer Protection Department, Securities and Exchange Commission (SEC), Ministry of Youth and Sports, Federal Ministry of Education, National Educational Research & Development Council (NERDC), CBN Banking & Payments Systems Department (BPSD), donor organisations</p>	High			
	<p>Supplement/provide incentives for investment in serving the underserved and underserved: determine what is needed to bridge gaps in business model viability (e.g., initial capital to catalyse investment or tax/ fee holiday rather than ongoing subsidy, security support/ addressing security situation in Northern Nigeria , etc.).</p>	<p>Responsible: CBN Development Finance Department (DFD) and other relevant regulatory departments for non-bank interventions</p> <p>Consult: Financial Inclusion Secretariat, CBN Banking & Payments Systems Department (BPSD); CBN Other Financial Institutions Supervision Department (OFISD), donor organisations</p>	High			
	<p>Determine relevant regulatory framework and licensing regime to better enable community-based financial institutions to serve the most underserved:</p> <ul style="list-style-type: none"> Determine context-specific framework that foster robust 	<p>Responsible: CBN Financial Supervision Department (OFISD) Other Institutions Department</p>	Medium			

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline		
				2018	2019	2020
	<p>community-based financial institutions that are capable to serve the underserved (e.g., tailoring, entry and business operating requirements).</p> <ul style="list-style-type: none"> • Make sure the requirements reflect differences in geography and consequential profitability across institutions. • Review framework and operational requirements. • Revise existing community-based financial institution frameworks and regulations (e.g., Microfinance Banking regulations, etc.). • Secure approvals. • Communicate the new regulation/policy. 	<p>Consult: CBN Development Finance Department (DFD), CBN Financial Inclusion Secretariat (FIS), Federal Ministry of Agriculture and Rural Development, National Association of Microfinance Banks (NAMB), Association of Non-Bank Microfinance Institutions of Nigeria (ANMFIN), Financial Inclusion Secretariat (FIS)</p>				
	<p>Create level playing fields for noninterest players, to expand reach to unserved and underserved communities with preference for non-interest products.</p> <ul style="list-style-type: none"> • Develop non-interest intervention funds and windows specifically for non-interest FSPs access for on-lending to unserved and underserved groups. • Communicate availability of these fund to the target demographic 	<p>Responsible: CBN Development Finance Department (DFD)</p>	Medium			
Drive adoption of cashless payment channels, particularly in G2P/P2G	<p>Understand obstacles to digitisation of G2P/P2G payments.</p> <ul style="list-style-type: none"> • Determine requirements to drive buy-in of 100% G2P/P2G digitisation. • Engage stakeholders at the Federal Ministry of Finance and Office of the Auditor General as well as local/state/federal government finance officials to understand the obstacles to adoption of digitised payments. • Develop action plan for complete digitization of government transactions. 	<p>Consult: CBN Banking Supervision Department, CBN Consumer Protection Department (CPD), CBN Financial Inclusion Secretariat (FIS)</p> <p>Responsible: CBN Financial Inclusion Secretariat (FIS)</p> <p>Consult: National Social Safety Net Program (NSSNP), Governors Forum, State Ministries of Finance, State Ministries of Budget and Economic Planning, Local Government Council Chairs, donor organisations</p>	High			

Topic/ objective	Actions	Responsible Institution/Agency	Priority	Timeline	
				2018	2019 2020
	<p>Address obstacles to digitisation of G2P/P2G payments:</p> <ul style="list-style-type: none"> • Ensure availability of payment access points with at least one point in every local government area. • Estimate cost implication of and cost savings to digitisation and source funding from public/government or donor sources as required. • Determine appropriate reporting parties and build systems for reporting level of payment digitisation at state and local government levels. 	<p>Responsible: CBN Financial Inclusion Secretariat (FIS)</p> <p>Consult: National Social Safety Net Program (NSSNP), Governors Forum, State Ministries of Finance, State Ministries of Budget and Economic Planning, Local Government Council Chairs, donor organisations</p>	High		
	<p>Determine relevant regulatory requirements for digitisation of all social benefit payments and payment at the local government level (with planned progression, to eventually reach 100% digitisation of government payments).</p>	<p>Responsible: Federal Ministry of Finance</p> <p>Consult: Governors' Forum, State Ministries of Finance, State Ministries of Budget and Economic Planning, Local Government Council Chairs, CBN Financial Inclusion Secretariat (FIS)</p>	High		

7.0 PROPOSED ROLES AND RESPONSIBILITIES FOR KEY STAKEHOLDERS

➤ **Federal government**

- Invest in infrastructure, such as a fibre optic network for the telecommunications sector and solar panels to generate cheap electricity for rural areas
- Contribute to the MSMEDF
- Maintain adequate security in the country, and for bank branches and agents
- Undertake necessary reforms e.g. collateral reforms, consumer protection act.
- Set aside part of the national budget for social pensions and a minimum guaranteed pension
- Institutionalise a data protection act and a new land reform act.

➤ **Federal Ministry of Finance**

- Digitize all Government Payments especially P2G and G2P
- Advocacy to the Federal Government to make ownership of an account a mandatory step for citizens to benefit from Government's Social safety net programmes

➤ **Central Bank of Nigeria (CBN)**

- Implement the Agent banking framework
- Define and implement a tiered KYC framework
- Commission pilots to demonstrate the business case for financial inclusion initiatives, for example, tiered KYC, no-frills accounts
- Educate stakeholders on regulatory changes
- Promote shared services initiatives to reduce channel costs
- Incentivise providers to deploy ATMs and POS in rural communities
- Create incentives for MFBs to focus on serving rural communities
- Increase funding available to MSME businesses through the MFB sector
- Expand financial literacy programmes and activities (including in local languages) that raise awareness about the availability and benefits of products
- Establish automated financial reporting for MFBs
- Promote the child and youth finance framework
- Enforce the deadline for terminal interoperability
- Propose expansion of the Evidence Act to make e-payments acceptable as evidence in court
- Review the framework for off-site ATMs to better align with Financial Inclusion initiatives.

➤ **Deposit Money Banks (DMBs)**

- Support and implement the Shared Agent Network Expansion Facility (SANEF) initiative
- Participate in shared service initiatives to reduce channel costs
- Leverage (multifunctional) ATM and POS channels to expand reach and reduce costs
- Implement mini-branch models for low-cost service in rural areas
- Establish linkages for wholesale lending to MFBs
- Implement the agent banking model to extend outreach
- Implement a no-frills (zero balance) account
- Implement the tiered KYC framework

- Leverage cash management initiatives e.g Cash-less Lagos to reduce transaction costs
- Revise channel delivery costs to incentivise correct merchant behaviour
- **Development Finance Institutions (DFIs)**
 - Provide wholesale funding for lending to low-income clients
 - Provide capacity building to MSMEs to improve their financial literacy and credit worthiness
 - Implement targeted financial inclusion programmes, e.g. credit guarantees, refinancing
- **Bankers' Committee**
 - Monitor the implementation of financial inclusion in relation to Deposit Money Bank roles and responsibilities
 - Contribute to the review process of the Strategy document
- **Microfinance Banks (MFBs)**
 - Develop innovative products for serving low-income rural residents
 - Participate in shared service initiatives to reduce channel costs
 - Leverage (multifunctional) ATM and POS channels to expand reach and reduce costs
 - Implement the agent banking model to extend outreach
 - Implement a no-frills (zero balance) account
 - Implement the tiered KYC framework
 - Take advantage of the social and commercial components of the MSMEDF
 - Focus on profitably delivering financial services to the poor and informal segments, to prevent mission drift
- **Committee of Microfinance Banks in Nigeria (COMBIN)**
 - Monitor the implementation of financial inclusion in relation to microfinance banks
 - Contribute to the review process of the Strategy document
- **National Insurance Commission (NAICOM)**
 - Define and implement a micro-insurance framework
 - Define and implement insurance literacy programmes
 - Enforce quick settlement of claims and sanctions for infractions
 - Enforce compulsory insurance products
 - Incentivise insurance companies to develop microinsurance products, Islamic insurance (Takaful), and index-based insurance products to serve low income/rural individuals
 - Leverage ongoing work by NIMC to identify individuals and strengthen the integrity of insurance systems
 - Define initiatives for insurance agents to increase outreach in rural areas
- **Insurance companies**
 - Expand the current portfolio of insurance products to better address consumer needs, for example, microinsurance, Islamic insurance (Takaful), and index-based

insurance

- Increase the focus on outreach and specific sectors, e.g. lower-income segments
- Process and pay claims in a timely manner

➤ **National Pension Commission (PenCom)**

- Define and implement a Micropension Framework to serve the low income end of the informal market
- Expand and communicate consumer protection initiatives
- Expand pension literacy programmes and activities to raise awareness of the availability and benefits of pension products
- Advocate for the compulsory inclusion of all states of the Federation in the current pension scheme
- Sustain the implementation of the provision of the Pension Reform Act which allows the inclusion of smaller firms (those with less than five employees) and cooperatives/associations in the current pension scheme

➤ **Pension Fund Administrators (PFAs)**

- Leverage technology and expand collection and disbursement methods, e.g. e-channel payments
- Engage cooperatives and associations in order to learn best methods for serving low-income clients

➤ **National Communication Commission (NCCs)**

- Define a plan for the Federal Government to invest in fibre optic cables for mobile network operators
- Mandate dedicated bandwidth for data services to give priority to payments and other e-channels as a temporary measure to drive mobile payments
- Institute and publish statistics on network downtime to incentivise operators to keep the network active.

➤ **Licensed Mobile Payments Operators (LMPOs)**

- Implement the Mobile Payments Framework
- Provide innovative mobile payments products to increase outreach
- Increase investment in infrastructure for the telecommunications sector, e.g. a dedicated percentage of earnings to go to infrastructure and investment in USSD to facilitate the inclusion of low-income people.

➤ **Nigeria Postal Service (NIPOST)**

- Acquire a Super Agent licence to be able to provide financial services in all Post Offices across the country
- Act as an agent for DMBs, MFBs, and/or mobile money service providers
- Act as distribution centres for financial literacy materials

➤ **Ministry of Education**

- Institutionalise financial literacy programmes within educational institutions through agencies such as the National Universities Commission and Universal Basic Education Commission
- Develop and implement curriculum for financial literacy in primary and secondary schools as well as tertiary institutions

➤ **National Bureau of Statistics**

- Include financial inclusion indicators in the annual House-hold surveys and publish financial inclusion indicators

➤ **Development partners**

- Provide technical and financial assistance to the implementation of the Financial Inclusion Strategy
- Monitor the implementation of the Financial Inclusion Strategy
- Facilitate peer learning on financial inclusion
- Provide a knowledge base for financial inclusion

➤ **Financial Services Regulation Coordination (FSRCC)**

- Coordinate initiatives across various regulatory bodies
- Give strategic direction on the implementation of the Strategy Secure buy-in from government at the highest levels
- Approve the review of targets for reporting and monitoring
- Take full responsibility for the implementation of the Strategy
- Approve the publication of an annual report on financial inclusion

➤ **Apex Associations (ALMPO, CFAN, FMAN, NIA, PENOP etc.)**

- Coordinate members activities to ensure support for the NFIS implementation

➤ **Nigeria Interbank Settlement System (NIBSS)**

- Nigeria Inter-Bank Settlement System (NIBSS) to create a regulatory sandbox for innovative financial services.
- Monitor and report progress in SANEF implementation
- Manage and coordinate Bank Verification Number registration

➤ **Financial Inclusion Secretariat (Unit or Divisional level)**

- Coordinate stakeholder activities aimed at increasing financial inclusion
- Review and revise the roles and responsibilities of stakeholders, as required
- Ensure that annual reports on the progress on financial inclusion are published
- Liaise with and ensure that all financial inclusion stakeholders perform their roles and responsibilities
- Ensure that appropriate arrangements are made for financial inclusion data gathering and publication
- Maintain a database of financial inclusion in Nigeria as well as global trends in financial inclusion

- Initiate necessary reviews on the Financial Inclusion Strategy and support evidence-based policy making
- Track and monitor progress on financial inclusion vis-à-vis the targets set for measuring financial inclusion
- Address capacity building initiatives on financial inclusion issues

8.0 POSSIBLE RISKS AND MITIGATION STRATEGIES

Risk	Mitigation
Timing delays in passing required regulation and legislation	Obtain support from the Governor's office to push important regulations and lobby for legislative changes
Inability of the Federal Government to meet the country's power needs	Use back-up power and batteries for ATMs, POS, and other electronic devices
Client apathy in adopting financial inclusion initiatives	Make a concerted effort to drive financial literacy and consumer protection
Poor security for agents	Use mobile wallets to reduce cash handling
Unanticipated regulatory gaps that threaten implementation	Address through circulars and reviews

9.0 Appendices

9.1 Case Study: Digital Financial Services (DFS) in India

Approach to strategic prioritisation

The case studies illustrate the process that led to the prioritised topics around which the refreshed strategy is based. All recommended actions were assessed along two dimensions: i) potential impact on inclusion and ii) feasibility of implementation. Assessment relied both on comparative studies of cases where such actions had been implemented in similar jurisdictions in the world and on supporting literature on developments around financial inclusion.

Background: Since 2008 the Reserve Bank of India (RBI) has made significant advances in regulation and infrastructure, paving the way for increased provision of digital and non-digital financial services. With the introduction of mobile banking and e-money regulations in 2008, the DFS space was opened to Mobile Network Operators (MNOs) and mobile payment providers, allowing them to offer banking services directly or indirectly.

Key drivers of the initiative

The DFS model in India has the following key features, which drove expansion of access to financial services:

- **DFS is provider neutral:** As in most other countries, deposit money banks offer DFS in India. In addition, the Reserve Bank of India introduced payment bank licences in 2015, which allow licence holders to provide limited financial services. The requirement stipulated a cap on the deposit volumes and no authorisation to offer credit or credit cards, but with the ability to offer debit cards, net-banking and mobile banking. Fintechs, MNOs, a pharmaceutical company and various business conglomerates applied and were granted payment bank licences. Airtel, a mobile network operator, launched the first payment bank in January 2017. Although payment banks have recorded only limited success, there are benefits of increased availability of access points as a result of the participation of non-bank players with expansive agent networks (MNOs, for instance can use their airtime vendor locations to provide financial services). In 2009, the Indian government launched the Prepaid Payment Instruments (PPIs), a payments system for the issuance and operations of prepaid instruments by licensed banks and non-banks. The PPI allows non-banks to offer prepaid or stored-wallet accounts but prohibits them from offering cash-out services, offering loans, loan interest and earning interest on floats (though they are required to invest 75% of deposits in government bonds with maturities of up to one year)²³.
- **Interoperability:** The introduction of Immediate Payments Service (IMPS) in 2010, which allows for interoperability between banks and MMOs, has been pivotal to the adoption of mobile wallets (such as PayTM) by customers in India. Mobile wallets became more functional and attractive with the facilitation of transactions across platforms —i.e., transfers being made from mobile wallets to bank accounts and vice versa.
- **Unique digital ID:** The successful introduction in 2009 of Aadhaar, a unique 12-digit individual ID, facilitated the adoption of financial services, including DFS channels. The provision of a unique ID to 1.1 billion²⁴ citizens (as of early 2018) has enabled more people to meet KYC requirements and access financial services.
- **Use of DFS for large-scale social payment disbursements:** The government has digitised payments for its large social benefit schemes, with over 100 million beneficiaries. This has brought a large number of households into the financial market.

²³ Note that stakeholders in the Indian payment space have noted that these restrictions limit the viability of the PPI business model.

²⁴ Goek Vindu "Big Brother" in India Requires Fingerprint Scans for Food, Phones and Finances" 2018 – as published by CGAP

Impact

- **The increased adoption of mobile money:** The five years following regulatory reforms have allowed for the entrance of new players and facilitated interoperability in the digital ecosystem. This led to extraordinary growth in mobile money transaction volumes. Following the introduction of the regulation that permitted MNOs and mobile payment operators to play in the DFS market, mobile wallet transactions grew by 4885% from 2013 to 2017. In the same period, mobile money transaction value grew from USD 181 million to USD 8.2 billion.²⁵

Risks

Whilst financial inclusion has accelerated strongly in India on the back of regulatory reforms that enabled DFS expansion, there have been some associated risks. These include:

- **Gaps in consumer protection:** India's rapid progress on financial inclusion could be hindered by weak consumer protection guidelines, including lack of a proper framework for securing personal information and contractual arrangements to ensure that merchants have adequate security measures in place. To address these gaps, the Government of India is in the process of enacting a data protection framework that will ensure robust data protection.
- **Operational disparities creating an uneven playing field:** Interoperability exists for interbank channels but not for wallet-to-wallet transactions, which require a stringent pre-approval procedure on the part of non-bank providers. This hurdle to inter-wallet transactions favours the bank channels.

Implication for Nigeria

The example from India, showcased steep growth in both the proportion of the population using mobile money and the number and value of mobile money transactions. In Ghana, the mobile money user population similarly increased by 72% within the first year of the provider-neutral regulation's release. Nigeria can also attain a significant increase in mobile money penetration if it opens the field to more players, particularly non-banks that can offer payment and other financial services while at the same time regulating healthy competition taking into account the Nigerian context and past performance.

9.2 Case study: Flexibility in Agent Exclusivity in Bangladesh

Background: Expanding financial inclusion has become a priority for the Government of Bangladesh. The Central Bank of Bangladesh implements extensive measures to promote a more inclusive financial system. An agent banking distribution model was introduced by the Bank in late 2011. This resulted in extensive roll out of the bank agent network in underserved and remote communities thereby providing access to DFS in areas where physical bank branches are largely unavailable.

Key drivers of the initiatives

The successful utilisation of agency banking to facilitate greater inclusion in Bangladesh can be attributed to the following factors:

- **Flexibility in agent network design and exclusivity:** Investors in agent banking networks are allowed to design their distribution networks to maximise their respective strengths. Investors can build exclusive networks or be part of shared (non-exclusive) network arrangements. Over

²⁵ Reserve Bank of India, Payment System Indicators 2016

50% of the agents are non-exclusive²⁶, this allows Banks and mobile money operators to select an agent network design that best suits their business model and assist this to deliver their financial services.

- **Market-based determination of rates:** Transaction fees for agents are not fixed in Bangladesh. The prudential banking guideline for agent banking operation in Bangladesh allows banks to establish cost-reflective fees, charges and commission structures for their agent banking services²⁷. Regulation does not limit the profit margin potential of agent banking in Bangladesh.
- **Leveraging the post office network:** Bangladesh has a large and far-reaching postal network of 2,000 post offices and 8,500 rural outlets. This network was leveraged upon for agent banking and delivery of both digital and non-digital financial services at the post offices and outlets. Following the launch of Mobile Money Order Service and Postal Cash Card in 2010, the Bangladesh post office recorded 11 million mobile money orders in the first three years²⁸.
- **Foreign investment in agent banking activities:** bKash controls nearly 90% of the market.

bKash started in 2011 and rapidly expanded its activities (gaining 11 million new users in 2.5 years)²⁹ partly due to the availability of funding provided by Money in Motion LLC (a company with financial inclusion investment interests, holding 49% of bKash shares), the International Finance Corporation and Bill and Melinda Gates Foundation.

Impact

- **Agent network expanded by over 300%**, from 189,000 in 2013 to 787,000 in 2017³⁰ within four years. This was due to the fact that there was a non-restrictive regulatory environment.
- The expansive agent network drove **wider uptake of mobile money wallets**, with penetration increasing from 5 million in 2013 to over 25 million in 2015³¹ (500%).

Risks

Despite the widespread growth of agent networks in Bangladesh, potential bottlenecks existed as follows:

- **Fraud and arbitrary charges:** The potential for fraud relating to over-the-counter (OTC) transactions via agent networks presents significant risks for consumers, agent operators and the regulators. Prominent among the fraud incidents were mobile phone scams such as fake transaction alerts, counterfeit money and PIN/SIM hacking. In many cases, agents run the biggest risk as they could find themselves paying out cash against a fake transaction. Customers have also been charged unauthorised fees, levied arbitrarily by agents, which could discourage usage of agent networks for financial services
- **Lack of clear definition:** The lack of a clear definition of "agent" translated to various entities, individuals and institutions, trying their hand at serving as banking agents, with patchy success. In early stages of a new channel, failures of providers can reduce trust.
- **Disproportionate agent demography:** As at 2017, 99% of Mobile Financial Services (MFS) agents in Bangladesh were male. Given cultural and religious sensitivities, women in Bangladesh are uncomfortable with sharing their personal details with male agents³². The low representation of female agents poses a significant roadblock to onboarding female customers, as well as the distribution of products that are tailored to the needs of women, as female customers are typically hesitant to interact with male agents due to religious or cultural reasons.

²⁶ Helix, Agent Network Accelerator Survey: Bangladesh Report 2016

²⁷ Bangladesh Bank, Prudential Guidelines for Agent Banking Operation in Bangladesh 2017

²⁸ Kachingwe, N. & Berthaud, A., Bangladesh "An unexpected source of branchless banking innovation"? 2013

²⁹ Greg Chen, CGAP, "bKash Bangladesh: What explains its fast start?" 2014 – as published by Universal Post Union

³⁰ Central Bank of Bangladesh, Mobile Financial Services (MFS) summary statement. This is not representative of actual active agents. Each agent has an average of 2/3 tills

³¹ USAID, Mobile Financial Services in Bangladesh

³² World Bank, Lessons from the Field: Bangladesh, Mobile Money and Financial Literacy for Women 2017

Implication for Nigeria

As seen in the case of Bangladesh, agent networks witnessed a marked increase, growing by over 300% in four years on the back of market changes that allowed flexible business models and pricing. Nigeria can also attain significant increase in penetration if it does the following:

- Permits flexible agent network models, allowing agent developers / aggregators to have exclusive or non-exclusive agents (as they deem suitable for their businesses);
- Allows cost-reflective pricing, thereby stimulating more investment in agent network expansion;
- Encourages and facilitates the growth of female agents to ensure greater participation of female customers, especially in Northern Nigeria;
- Develops mechanisms to assist agents in tackling fraud issues through specialised training on fraud typology, identification and mitigation.

9.3 Case study Nationwide simplified and Inclusive ID enrolment in India (Aadhaar)

Background: The Government of India established the Unique Identification Authority of India (UIDAI) in 2008. UIDAI is the official issuer of the Aadhaar number—a 12-digit unique identity number. The first Aadhaar number was issued in 2010 to a woman in a remote village, as proof of its inclusiveness. The Aadhaar has been lauded as the world’s most ambitious identity scheme. This scheme was driven by the government’s recognition of the fact that proof of identity is a key driver of socioeconomic development. Today, the Aadhaar/unique ID number is widely distributed and used to verify the identity of beneficiaries of government social benefit programmes and pension schemes.

Key drivers of inclusion of the initiatives

The national identity scheme Aadhaar has the following key features, which have driven the large enrolment numbers and relatively low cost of enrolment:

- **Use of third-party enrollers to maximise reach and improve citizen access to enrolment points:** Third parties (referred to as “agencies”) are licensed to set up centres and register residents for their Aadhaar numbers. The agencies are supervised by registrars, appointed by UIDAI. Over 400 SMEs serve as registrars, overseeing the activities of over 376,000 certified enrollers/agencies.
- **Less-formal proof of identity / identity verification:** Aadhaar allows informal proof of identity and verification by head of household. The Aadhaar registrars have been instructed to devise methods to confirm identification of people with little or no means of official ID documents to enrol.
- **Simplified Data collection and ID issuance:** Only five data fields and biometrics are required. The data fields are name, date of birth / age, gender, address and mobile number / email address. After enrolment, a letter with the Aadhaar number is issued within 10-12 days (sometimes as fast as 2-3 days). There is no actual card (which helps to maintain the low cost of issuance).
- **Use of Female enrollers:** Female enrollers are also employed, which provides convenience and comfort for female residents in conservative communities.

Impact

- **As of November 2017, over 90% of India's 1.3 billion residents had been registered:** Enrolment centres' have nationwide reach, achieving high levels of coverage in most states. Enrolment capacity is up to 1 million enrolments per day, at an average cost of USD 1 per enrolment. The enrolment centres also provide digital financial and other government services and this affords their several income streams and make running a centre an attractive business proposition.
- **Access to government issued identity:** Before Aadhaar was introduced, KYC requirements were a major hurdle to financial inclusion. Even when ID requirements were relaxed for low value accounts¹, up to 60% of the low-income population was unable to fulfil the requirements. Now, most of the population has an ID document to fulfil the KYC requirements¹.

Risks

Though the Aadhaar programme has successfully provided unique identity to over one billion Indians, some risks include:

- **Data privacy:** Identity fraud and security breaches of sensitive personal data pose the greatest risk for the programme. The dual use of Aadhaar as an identifier as well as an authenticator increases the probability of identity theft. Effectiveness of Aadhaar as means of identification depends on the openness of the system to verification, making the data vulnerable to exploitation and hacking. For instance, in April 2017, data of over a million pensioners were exposed due to a programming error.
Unhealthy business practices: Incidences of unmonitored and unregulated use of customers' biometric data by private sector players have raised significant concerns among the Indian populace. In early 2017, the licence of a prominent digital payment bank was revoked and the CEO sacked for violating the Aadhaar Act by opening accounts without explicit consent while carrying out Aadhaar verification of customers' mobile numbers. Over 2.3 million customers reportedly received as much as USD 7.4 million in total in mobile money accounts, which they were unaware even existed³³.

Implications for Nigeria

India has enrolled over one billion people since inception, enrolling an average of 143 million people per annum with a total of 376,000 agents. In order to accelerate the rollout of the unified nationwide ID system, and thereby reduce barriers to adoption of financial services, Nigeria needs to:

- Create an expansive nationwide network of enrolment agents and enrolment centres by licensing third-party enrollers;
- Adopt inclusive enrolment methods such as the acceptance of less formal proof of identity and the use of both male and female enrollers to encourage marginalised populations to participate;
- Simplify the ID enrolment process by reducing data collection (field) requirements to lower costs and achieve more with available funds.

³³ Quartz, India's biometric programme, is putting the identities of a billion people at risk.

9.4 Case study Donor-support on-lending programs by microfinance institution (MFIs) in Bangladesh

Background: Non-governmental organisation (NGO) MFIs are the largest providers of microfinance services in Bangladesh, serving 61% of all borrowers. Most MFIs in Bangladesh are unlicensed, are not allowed to mobilise deposits and have limited reach. Since its inception in 1990, Palli Karma Sahayak Foundation (PKSF) has delivered financial intermediation with a holistic solution for poverty alleviation, including capacity building, technical support and wholesale lending to 275 partner organisations operating in small and large communities. As MFIs grow and demonstrate creditworthiness, PKSF creates linkages to commercial banks, which allows MFIs to access more funding for on-lending to the mass market. These linkages include market-bridging instruments such as partial guarantees.

Key drivers of the initiative

The following features drove the extensive expansion of microfinance in Bangladesh:

Deliberate focus on poverty alleviation: Through a robust set of solutions, PKSF has helped reduce poverty by increasing the earning capacity of the most excluded groups.

Robust microcredit solutions: PKSF offers five categories of microcredit programmes, namely rural microcredit, urban microcredit, micro enterprise credit, ultra-poor credit and seasonal credit with varying pricing and tenures.

Cheaper cost of funds due to diverse sources: PKSF mobilises funds through grants; loans from a wide range of actors, including international donors; capital markets; sovereign wealth funds; private institutions and the government. As a result, the cost of funds is lower than the market rate.

Good governance: A dynamic governing body drawn from funding institutions manages PKSF and sets up policy guidelines and standards for its partner organisations to ensure low levels of delinquency. PKSF has successfully kept its loan loss expenses low and maintained a high repayment rate. Between 2012 and 2016, the loan repayment rate ranged from 98.4% to 99.2%. Although PKSF was established and partly funded by the Bangladesh government, it operates as an independent institution protected from government bureaucracy.

Impact

- **Expanded microcredit funding:** MFIs capital for microcredit programmes grew significantly due to the activities of PKSF. From inception in 1990 to 2016, PKSF has disbursed USD 2.9 billion cumulatively.
- **Female empowerment:** Microcredit programs have increased women's participation in the economic activities. Of the USD 349 million disbursed to 9.4 million members in fiscal year 2016, 91.5% beneficiaries were women³⁴.

Risks

Though PKSF has extended access to credit to a larger population, there are inherent risks to be considered:

- **Limited tailored products for the ultra-poor:** In the early years of PKSF, focus was largely on providing financing and technical support for those who were above or near the poverty line, not below, posing the risk of widening inequality gap in Bangladesh. Like other microcredit programs in Bangladesh, the ultra-poor have always been excluded from the benefits of microcredit services because of the perceived belief that they may

³⁴ Palli Karma-Sahayak Foundation (PKSF), Annual Report 2016

not repay this loans. Realising this gap, in 2002, PKSF launched an experimental program for the ultra poor with support from the World Bank. Leveraging learnings from the pilot program, PKSF had to develop a bespoke program in 2004 known as the Ultra Poor Program (UPP) with funding from the Government of Bangladesh.

Implications for Nigeria

Increasing the capacity of community-based finance institutions in Bangladesh helped MSMEs, women and other underserved groups in Bangladesh gain access to finance, deepening financial inclusion. In the Nigerian context, community-based financial institutions would benefit from tailored interventions. There should be investment capital and appropriate reporting of their activities to support their growth and focus on excluded groups. There should be a more systematic framework from their transformation from the formal to informal sectors through incentives for licensing and linkage banking. Introducing regulations aimed at tailoring licensing, market entry and business operating requirements to match specific financial inclusion goals of community-based financial institutions would further help expand access to finance to the most excluded groups.

The PKSF in Bangladesh has succeeded because of adequate management arrangement and ability of the institution to attract capital from desired sources such government development partners and multilateral institutions. Efforts should be made to restructure the operational, funding and management modalities of the MSMEDF for better focus and greater outreach to excluded poor groups as obtained in Bangladesh.

9.5 Case study of Digitised G2P/P2G Payment in India

Background: The Government of India has embarked on a large-scale digitisation of its social benefit payments and delivery of other public services at the local government level. As part of this drive, the government has pushed for demonetisation or increased usage of digital/cashless transactions both within and outside of the government system. It has made deliberate efforts to bank the poor and extend government services to remote areas through bank accounts. In 2014, the Pradhan Mantri Jan Dhan Yojana scheme (PMJDY) was launched with the goal of opening bank accounts for 75 million unbanked Indians.

Prior to that, in 2001, the first government service kiosks (called eSeva centres) were launched in the Twin Cities of Hyderabad and Secunderabad. eSeva is a programme for expanding the reach of government services through establishment centres / kiosks in communities. In each centre, citizens can make payments to the government and access a range of public services. The centres are now available in every municipality in the nation.

Key drivers of the initiatives

The following are key success factors in India's digitisation of government payments:

- **Political will:** The government was heavily invested in the process and garnered the support of the financial sector.
- **Financial support:** The government provided interest-free loans to SMEs and cooperatives to establish eSeva centres. Female eSeva owners in rural India were among the greatest beneficiaries of this support.

- **Support of the financial sector:** The financial sector's support was essential to meeting (and actually exceeding) in less than a year the target set for new accounts.

Impact

- **125 million bank accounts were opened in less than a year**, with 75 million accounts opened in rural areas and 50 million accounts opened in urban areas.
- ESeva centres were opened in every municipality in the country.

Risks

Although India has adopted a range of initiatives leading to significant increase in G2P and P2G transactions, a number of factors can have adverse effects on the continuous adoption of digital payment by consumers, including:

- **Fund diversion:** The risk of cyber-attacks leading to payment diversion is becoming increasingly prominent in India. Cyber criminals are gradually becoming sophisticated in their use of advanced tools. Hence, it is imperative for government to make concerted efforts towards fighting cyber-crime.
- **Mistrust:** The absence of a structured regulatory framework for redress of transaction failures has led to distrust or negative bias towards digital financial transaction channels.

Implication for Nigeria

As seen in the case of India, adoption of cashless payment channels increased due to cohesive efforts made by the government and private sector actors. As previously discussed, some level of government payment digitisation exists at federal and state levels. Nigeria can also achieve widespread digitisation of G2P and P2G payments if the following take place:

- Deliberate efforts are made to create an enabling infrastructure for end-to-end payments.
- A viable business case is presented to banks and agents to provide points of access in remote areas.
- There is political buy-in for payment digitisation across the three tiers of government.
- Adequate mechanisms are developed for complaint management and rapid resolution.

10 LIST OF ACRONYMS AND GLOSSARY OF TERMS.

AFI	Alliance For Financial Inclusion
ALMPO	Association of Licenced Mobile Payment Operators
AML/CFT	Anti-Money Laundering/Combating Financing of Terrorism
ANMFIN	Association Of Non-Bank Microfinance Institutions
ATM	Automated Teller Machines
BPSD	Banking And Payment System Department
BVN	Bank Verification Number
CBN	Central Bank of Nigeria
CFAN	Cooperative Financing Agency Of Nigeria
CICO	Cash in/Cash out
DFS	Digital Financial Services
DMBs	Deposit Money Banks
EFInA	Enhancing Financial Innovation and Access
FCT	Federal Capital Territory
FINTECH	Financial Technology Companies
FIS	Financial Inclusion Secretariat
FISC	Financial Inclusion Steering Committee
FITC	Financial Inclusion Technical Committee
FMCGS	Fast Moving Consumer Goods
FSP	Financial Services Provider
G2P	Government to Public Payments
GDP	Gross Domestic Product
GSM	Global System for Mobile Communication
KPI	Key Performance Indicator
KYC	Know Your Customer
MFBs	Microfinance Banks
MFI	Microfinance Institutions
MMOs	Mobile Money Operators
MNOs	Mobile Network Operators
MSME	Micro, Small and Medium Enterprises
MSMEDF	Micro Small Medium Enterprise Development Fund
NAICOM	National Insurance Commission
NCC	Nigerian Communications Commission
NDIC	Nigeria Deposit Insurance Corporation
NEC	National Economic Council
NFIS	National Financial Inclusion Strategy
NGOs	Non-Governmental Organization
NIA	Nigerian Insurance Association
NIBSS	Nigerian Inter-Bank Settlement System
NIMC	National Identity Management Commission
NIN	National Identity Numbers
NIPOST	Nigerian Postal Services
P2G	People to Government

PENCOM	National Pension Commission
PENOP	Pension Fund Operators Association
PoS	Point of Sale
SACCOs	Savings and Credit Cooperative Organizations
SANEF	Shared Agent Network Expansion Facility
SEC	Securities And Exchange Commission
SMEDAN	Small And Medium Enterprise Development Agency
SPV	Special Purpose Vehicle
USSD	Unstructured Supplementary Service Data

