



POLICY TRACKER

A Monthly Bulletin of Financial Inclusion Policy Developments



**LAGOS
BUSINESS
SCHOOL**

PAN-ATLANTIC UNIVERSITY

Editor's Note



Our 2017 State of Market Report presented a consensus with recommendations by key stakeholders on the directions for closing the gap in financial inclusion through effective policy implementation, policy reforms and stakeholder collaboration. This would help create an enabling environment for quicker innovation and introduction of inclusive products by financial service providers (FSP's).

This was soon followed by the 2018 refresh of the National Financial Inclusion Strategy (NFIS 2018), a journey plan to increase the rate and scope of inclusion. Monitoring of policy implementation and developments in the market and critical feedback to regulators, FSP's and other stakeholders for attainment of the financial inclusion milestones is important. This is exactly what the Policy Tracker seeks to do.

It shall provide objective monthly updates and periodical evaluative summaries. The timely and useful insights derived by stakeholders should facilitate ongoing market collaborations, policy communication, contestation and consensus to help close the inclusion gap in good time.

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Global Identity Management / Know-Your Customer

Setbacks in NIN Registration



Achieving universal coverage and accessibility of the national identity system continues to experience difficulties due to technical issues, lack of capacity, inadequate infrastructure and extortion at registration centers. The NIMC Director confirmed these drawbacks¹ that led JAMB to suspend NIN requirement for examination registration.²

Consumer Protection, Privacy and Data Protection

New Consumer Protection Regulations



On 20 December 2019, CBN issued [consumer protection regulations](#), providing requirements for fair treatment of consumers; information disclosure and transparency; and complaints handling and redress. Also issued on 6 January 2020, was the [Payment risk framework](#).³ which in part protects consumer data.

DFS Environment: Interoperability, Collaboration & Competition

SANEF and Interoperability Challenge



Contrary to the promise by SANEF that interoperability would be achieved by November 2019, mobile money and bank agents are still unable to open and make transactions in all banks from a single unit⁴. Some bank's actively discourage interoperability or lack sufficient infrastructure to handle inflows from large scale instant transactions seamlessly.

Innovation Sandboxes

On Monday, 9 December 2019, the Financial Services Innovators Association (FSI) with the support of EFInA, Flourish, Central Bank of Nigeria and Nigeria Inter-Bank Settlement System (NIBBS), launched an innovation sandbox to connect innovators to regulators for the development of new financial service products.⁵

Also, Ecobank Group on Monday, January 27, 2020 launched a Pan-African Banking Sandbox, allowing partners and Fintechs across 33 African countries access to its Application Programming Interface (API) to develop innovative financial solutions.⁶

¹ This was confirmed by the Director at a news conference on the 11th of January 2020

² Tyessi, Kuni (2020). Amid Difficulties, JAMB Suspends NIN for 2020 UTME, Direct Entry Registrations. Available at <https://www.thisdaylive.com/index.php/2020/01/12/amid-difficulties-jamb-suspends-nin-for-2020-utme-direct-entry-registrations/>

³ See Article 6.7

⁴ Onwuegbuchi, C., Financial Inclusion Agents Groan as SANEF Fails to Achieve Interoperability, Nigeria Communications Week, January 27, 2020. Available at <https://www.nigeriacommunicationsweek.com.ng/financial-inclusion-agents-groan-as-sanef-fails-to-achieve-interoperability/>

⁵ Nwankwo, Joy (2019). Financial Services Innovators Launch Nigerian Industry Innovation Sandbox. Available at <https://techeconomy.ng/2019/12/financial-services-innovators-launch-nigerian-industry-innovation-sandbox/>

⁶ Paul, Emmanuel (2020). Ecobank Launches a Pan-African banking Sandbox that will feature Flutterwave, Africa's Talking, and other Fintechs. Available at <https://techpoint.africa/2020/01/28/ecobank-fintechs-sandbox/>

Collaboration

Expansion of Mobile Transfer Services

To provide reliable mobile money services, Airtel partnered with Western Union to enable customers now send and receive money anywhere in the world using the Airtel Africa Mobile Money Wallet on their phone⁷.

Digital Platform Training for SMEs

In Partnership with Facebook, on the 29th and 30th of January 2020, Zenith Bank trained SME's on the use of digital platforms for business growth⁸. This is useful in bridging vocational/digital skills gap and financial literacy challenging the excluded (especially women).⁹

Enabling Financial Inclusion at the Last Mile

NIPOST: Cash Transactions/Banking Services

Despite the FGN's directive on 6 November 2019, through the Minister of Communication and Digital Economy to terminate cash transactions in postal outlets, media reports on Thursday December 12, revealed continued cash payments for NIPOST services.¹⁰ NIPOST should evolve measures to drive down cash transactions at registration centers.

NIPOST and Fidelity Bank Plc have entered into a collaboration to deploy modern banking services to Nigerians in 266 rural communities¹¹.

BVN Lite

CBN introduced BVN Lite to accommodate customers with Tier 1 KYC¹². This will enable customers at the base of the pyramid access to banking services, insurance, e-payment and services that can be accessed on a mobile phone.¹³

POS Charge Continues

Stamp duty charge of N50 on transfers of N1,000¹⁴ impeded inclusion and POS transactions in favour of cash.¹⁵ The directive by the Federal Competition and Consumer Protection Commission (FCCPC) on 24th December 2019¹⁶ forbidding merchants from passing on the cost to consumers has predictably proven abortive. Reduction of stamp duty to N10 for deposits/transfers into up to N10,000 by the Finance Act would likely ameliorate the situation.

Bike-hailing Riders and Tricycles banned



Photo Credit: ORide

Lagos State Government banned the operation of Okada and tricycles, including bike-hailing rides such as Gokada, MaxNG, ORide (OPay), on 40 bridges and flyovers and 10 major highways in six Local Government Areas (LGAs), and nine Local Council Development Areas (LCDAs) across the State with effect from February 1, 2020.¹⁷ ORide combined ride-hailing with digital payments and agent banking, recruiting substantial number of drivers into the digital space and carrying out Cash-in-Cash-out (CICO) transactions, thereby increasing financial inclusion.¹⁸

Inclusive Product Development

First Bank commenced a partnership with Azuri Technologies Limited, an off-grid power distribution firm. This makes access to off-grid power easy, especially in rural communities, as well as other

⁷ Benson, Emmanuel Abara (2020). Airtel partners Western Union to expand its own mobile money service. Available at <https://nairametrics.com/2020/01/22/airtel-partners-western-union-to-expand-its-own-mobile-money-service/>

⁸ NM Partners (2020). Zenith Bank empowers Nigerian SMEs, partners Facebook on SME Digital Workshop. Available at <https://nairametrics.com/2020/01/27/zenith-bank-empowers-nigerian-smes-partners-facebook-on-sme-digital-workshop/>

⁹ Okocha, Nkem (2019). What women (at the bottom of the pyramid) want – and need. Available at <https://businessday.ng/life/article/what-women-at-the-bottom-of-the-pyramid-want-and-need/>

¹⁰ Media reports reveal NIPOST management defense to be inability to force customers to use POS machines available at its outlets.

¹¹ Nweze, C., First Bank Reinforces Retail Banking Dominance: Creates 150,000 Jobs, The Citizens.com, February 5, 2020. Available at <https://thecitizenng.com/kpmg-report-firstbank-reinforces-retail-banking-dominance-creates-150000-indirect-jobs/>

¹² This was introduced in December 2019 at the 11th Banker's Committee retreat held in Ogun State.

¹³ Odutola, Abiola (2019). What you need to know about new BVN 2.0. Available at <https://nairametrics.com/2019/12/16/what-you-need-to-know-about-new-bvn-2-0/>

¹⁴ The CBN issued a circular mandating the unbundling and charge in September 17, 2019. Available at

<https://www.cbn.gov.ng/Out/2019/PSMD/Review%20of%20Process%20for%20Merchants%20Collection%20on%20Electronic%20Transactions.pdf>

¹⁵ Media continues to reveal complaints from key players and consumers in different economic sectors. Available at <https://nairametrics.com/2019/11/25/merchants-upgrade-pos-machines-to-automatically-charge-n50-stamp-duty/>

¹⁶ The Federal Competition and Consumer Protection Commission directed that the N50 charge should not be transferred to consumers

¹⁷ Olalekan, Fakoyejo (2020). Lagos bans Gokada, ORide, others from 15 local governments. Available at <https://nairametrics.com/2020/01/27/lagos-bans-gokada-oride-others-from-15-local-governments/>

¹⁸ Olayinka, Wole (2019). Remember the last mile: How OPay's motorcycles are increasing financial inclusion. Available at <https://techcabal.com/2019/08/23/remember-the-last-mile-how-opays-motorcycles-are-increasing-financial-inclusion/>

institutions that seek to provide resources to cushion the effects of economic and social shocks on low income individuals.¹⁹ Pay-as-you-go customers will pay for their solar photovoltaic (PV) system through its Firstmonie agents, hopefully deepening financial inclusion.

Call for Increased Access to Finance for Women

In its attempt to advance financial inclusion for women, the African Development Bank (AfDB) announced that it shall be grading African Financial Institutions on how well they support women.²⁰

Enabling Environment for DFS Ecosystem

Improved Lending to SMEs

In a [circular](#) dated 7th January 2020, the CBN retained the minimum 65% Loan to Deposit Ratio (LDR) for Banks to encourage lending to SMEs, Retail, Mortgage and Consumer credit. Also retained is the incentive which assigns a weight of 150% for lending to these sectors when computing the LDR.²¹

Charges for Digital Financial Transactions Revised

Bank Transfers

All Transfers – N50

New Electronic Bank Transfer Charges

TRANSACTION AMOUNT	CHARGE
₦5,000 & below	₦10
₦5,001 - ₦50,000	₦25
Above ₦50,000	₦50

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The CBN in its [revised Guide](#) to Charges by Banks and Other Financial Institutions released on December 20, 2019 slashed charges for electronic banking:

- Funds transfer below N5,000; N10 charge instead of N50.
- Funds transfer between N5,001 and N50,000; N25 charge instead of N50.
- Funds transfer above N50,000; retained at N50.
- New hardware token replacement - maximum of N2,500 charge instead of 3,500.

- Debit/credit card maintenance fee; N50 quarterly instead of monthly.
- Not on-us ATM withdrawals charge; N35 after the third withdrawal within same month instead of N65.

VAT, CIT and Stamp Duty Charges Revised

The Finance Act 2019²² amended Value Added Tax (VAT), Companies Income Tax (CIT), Stamp Duties Act and other federal tax statutes:

- VAT rate increased from 5% to 7.5%
- Tax Identification Number (TIN) mandatory for business accounts
- elimination of CIT of 30% for companies with less than 25m turnover
- reduction of CIT to 20% for companies with N25m - N100m turnover
- 30% CIT retained for companies with turnover above N100m
- early payment bonus of 2% of tax payable for medium-sized companies and 1% large companies for CIT
- insurance companies can now carry forward tax losses indefinitely, deduct reserve for unexpired risks on time apportionment bases while special minimum tax for insurance has been abolished
- taxation of foreign entities involved in digital transactions with significant economic presence in Nigeria introduced

This legislation advances the principle of cross subsidization on payment of charges across customer segments, seeks to grow and formalize SMEs.

STAMP DUTY
ON ALL TRANSACTIONS

N10,000 & above.

Transfers between any of your accounts within the same bank are exempted from stamp duty charges.

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¹⁹ See FN 8 above.

²⁰ This was stated by the president of AfDB, Akinwumi Adesina, at the Global Gender Summit held in Kigali from November 25th – 27th.

²¹ This refresh was based on [data](#) published by the apex bank revealing that bank's loan offered to the private sector rose by 15% (N3.47 trillion), from N22.94 trillion in January 2019 to N26.41 trillion as of November 2019.

²² Signed into law by the President on the 13th of January 2020

Downward Review of Data Prices



On 5 November 2019, the Minister of Communications and Digital Economy, Dr. Isa Pantami gave a directive to Nigerian Communications Commission (NCC) for a downward review of data prices²³. This directive was criticized by both operators and the NCC. NCC insisted that tariff was fixed on the basis of studies rather than arbitrarily, observing that most operators are struggling and finding it difficult to pay the Annual Operating Levy and other regulatory fees.²⁴

Hike in Right of Way (RoW) charges for Telecoms Infrastructure:

Arbitrary increase in RoW cost for Telcos by State government persists²⁵ despite pleas by the Minister of Communication and Digital Economy for the implementation of the NEC resolution of March 21, 2013²⁶

The increased charge can result in higher cost for internet operations, delayed and slow expansion of network infrastructure to rural areas. However, developments will continue to be monitored.

Fee Payment Digitized

In order to promote cashless payments channels particularly Government-to-Person (G2P) payments, fee payments for commercial exports was digitized by the CBN, effective 31 October 2019.²⁷

DFS Infrastructure

Development of Broadband Infrastructure



NCC and an association of infrastructural companies are set to raise a total of N265 billion for the development of broadband infrastructure, across the country in the next four years. N200 billion would be raised by the infrastructural companies while N65 billion (subject to the approval of the Federal Executive Council) would be raised by NCC as counterpart funding.²⁸

²³ The Minister of Communications and Digital Economy gave this directive on 5 November 2019. Available at <https://www.thisdaylive.com/index.php/2019/11/10/as-fg-forces-telcos-to-cut-subscribers-data-cost/>

²⁴ Adepetun, Adeyemi (2020). Data Price: Why communications Ministry is not winning the battle. Available at <https://guardian.ng/saturday-magazine/cover/data-price-why-communications-ministry-is-not-winning-the-battle/>

²⁵ 14 states have increased the cost of Right of Way (RoW) for Telecommunication companies from the initial fee of between N300 to N500 per linear meter to between N3,000 and N6,000 per linear meter. Available at <https://www.thisdaylive.com/index.php/2020/01/06/lagos-13-others-hike-cost-of-row-for-telecoms-infrastructure/>

²⁶ Nwagbara, Chidinma (2020). FG Queries states over RoW charge increase. Available at <https://nairametrics.com/2020/01/16/fg-queries-states-over-row-charge-increase/>

²⁷ Automation of Form "NXP" on the Trade Monitoring System. Available at <https://www.cbn.gov.ng/Out/2019/TED/TED.FEM.FPC.GEN.01.003.pdf>

²⁸ Nwagbara, Chidinma (2020). NCC, Infracos to boost broadband infrastructure with N265 billion. Available at <https://nairametrics.com/2020/01/10/ncc-infracos-to-boost-broadband-infrastructure-with-n265-billion/>

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