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Editor's Note

Covid-19 and Financial Inclusion in Nigeria: Effects and Implications on Agent Banking



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Agent banking

Agent Banking "...is the provision of financial services to customers by a third party (agent) on behalf of a licensed deposit taking financial institution and/or mobile money operator (principal)."¹

An agent's location could be the High Street supermarket or corner side shop. It brings banking and financial services next door, its convenient and promotes financial inclusion, particularly in places without bank branches. Agent channels deliver digital financial services to digitally excluded customers.

Covid-19 and financial services regulatory intervention

Some of the measures issued by the Central Bank to minimize the risk of infection from banking and financial services addressed the following concerns:

1. Minimizing risks of transmission of infection in banking halls.
2. Minimize cash transactions.
3. Designation of banking and financial services as "Essential services."

Anecdotal evidence of impact of Covid-19

Secondary data may suffice, as no empirical study is readily available.

Elvis Eromosele reports: "...agent banking is emerging an unlikely winner...proving an effective way to improve financial inclusion... the lockdown has reinforced the position of agent banking as an important and maybe even indispensable part of the financial service ecosystem...agents are becoming the channel of choice for many; they are close, convenient and cost-effective. The number one proof of the growing acceptance of the agent banking model, particularly during the lockdown is the queue of people waiting to either collect cash or transfer fund..."²

Henry Chukwu reported that: "...financial services agents are also being affected as they are experiencing diminishing transactions and income due to the closure of a significant number of businesses and low economic activity. Other challenges ...include limited support from the financial service providers that hired them... Agents now rely on rebalancing through ATMs ...increasing their cost to serve...agents are faced with more threat of harassment by law enforcement agents ..."³

¹The CBN Agent Banking Guidelines:

<https://www.cbn.gov.ng/out/2013/ccd/guidelines%20for%20the%20regulation%20of%20agent%20banking%20and%20agent%20banking%20relationships%20in>

²Elvis Eromosele, Is Covid-19 about to Reinvent Payment in Nigeria?, Brandcrunch website, 28/4/2020 :

<https://www.cbn.gov.ng/out/2013/ccd/guidelines%20for%20the%20regulation%20of%20agent%20banking%20and%20agent%20banking%20relationships%20in>

³Henry Chukwu, COVID 19: Impact and Opportunities for Financial Services Agents in Nigeria, Naira Metrics website, 24/4/2020:

<https://www.cbn.gov.ng/out/2013/ccd/guidelines%20for%20the%20regulation%20of%20agent%20banking%20and%20agent%20banking%20relationships%20in>

Key Insights

Agent locations ensure continuity of financial services in a lock down or crisis and provide a useful measure of redundancy in the financial system. Agent recruitment should be sensitive to location-specific requirements, prioritizing existing businesses that could offer synergies to the CICO business.

The report that some FSPs did not sufficiently support their agents and of harassment by law enforcement agents suggests that there was an oversight in integrating them as an essential service. The ugly scenes of desperate depositors crowding bank branches after the lock down, almost totally unmindful of the risk of cross infection, illustrates the urgent need to prioritize and give more support to agent banking.

Financial palliatives should have been majorly channeled through agents to support the “Cashless policy”, improve agent economics, promote opening of accounts for beneficiaries, as well as accountability and transparency.

Telecommunications is critical for efficient agent services; rural telephony and other roll-out of infrastructure and equipment to the hinterlands is obviously urgently required. Innovations, such as e-KYC may allow helicopter injection of finance direct to poor households and should be enabled by regulatory flexibility. It may be the avenue for achieving the 2020 inclusion target.

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Global Identity Management/Know Your Customer

NIN registration and Data Base Harmonisation



Mr Aliyu Aziz, the Director-General of NIMC disclosed that the National Identity Management Commission (NIMC) has recorded about 42 million unique records (which represents about 20% of Nigerians) in the National Identity Database.¹ He also announced that the commission has successfully harmonised 14 million Bank Verification Numbers (BVN) with National Identity Numbers (NIN) and that the process was ongoing.²

Consumer Protection, Privacy and Data Protection, Cybercrime and Fraud

Data management guidelines for public institutions

The National Information Technology Development Agency (NITDA) issued [The Guideline for Management of Personal Data by Public Institutions in Nigeria, 2020](https://nitda.gov.ng/press-release-guidelines-for-the-management-of-personal-data-by-public-institutions-in-nigeria/), as supplementary regulation to the [Nigerian Data Protection Regulation \(NDPR\) 2019](https://nbs.ntu.edu.sg/Research/ResearchCentres/CAS/Publications/Documents/NTU-SBF%20CAS%20ACI%20Vol.%202020-21.pdf).

The Guideline requires all public institutions and any entity co-owned by the government to process all personal data of Nigerians and Data Subjects in Nigeria in line with best practices and conformity with the

highest standards. It also mandates the use of secure technology and automated processes for personal data by Public Institutions, in line with the requirements of the National Digital Economy Policy and Strategy.³

Fake NIMC Accounts

The commission on 2 May 2020, warned citizens not to give out their NIN or sensitive details, nor use the contact details provided by fake social media accounts masquerading as National Identity Management Commission (NIMC) accounts.⁴ Links to the official NIMC social media profiles and contact information are available on www.nimc.gov.ng

DFS Environment: Interoperability, Collaboration and Competition

PSB's and Financial Inclusion



An analytical study has predicted that Payment Service Banks may not succeed in driving financial inclusion due to constraints of high rate of poverty and tilting of the scales of competition in favor of banks⁵. They would need to differentiate significantly from Banks, focus on customers without bank accounts and offer loans, among other possible additional value.

¹Nicholas Ibekwe, 42 million unique ID records captured in Nigeria's database – NIMC, Premium Times, 15 May 2020. Available at <https://www.premiumtimesng.com/news/top-news/392929-42-million-unique-id-records-captured-in-nigerias-database-nimc.html>

²Nicholas Ibekwe, 42 million unique ID records captured in Nigeria's database – NIMC, Premium Times, 15 May 2020. Available at <https://www.premiumtimesng.com/news/top-news/392929-42-million-unique-id-records-captured-in-nigerias-database-nimc.html>

³NITDA Issues Guidelines for the Management of Personal Data by Public Institutions in Nigeria, NITDA Website – Press Release, 17 May 2020. Available at: <https://nitda.gov.ng/press-release-guidelines-for-the-management-of-personal-data-by-public-institutions-in-nigeria/>

⁴Public Notice: Beware of Fake 'NIMC' Social media Accounts, National Identity Management Commission Website, 2 May 2020. Available at: <https://www.nimc.gov.ng/public-notice-beware-of-fake-nimc-social-media-accounts/>

⁵Rafiq Raji, Digital Financial Inclusion in Africa, Business Day, May 12 2020. Available at: <https://businessday.ng/columnist/article/digital-financial-inclusion-in-africa-1/>. For the full article, see R. Raji, Digital Financial Inclusion in Africa: An analytical assessment of Kenya and Nigeria, Africa Current Issues, NTU-SBF Centre for African Studies, Vol. 2020 -21, 1 – 10. Available at: <https://nbs.ntu.edu.sg/Research/ResearchCentres/CAS/Publications/Documents/NTU-SBF%20CAS%20ACI%20Vol.%202020-21.pdf>

Enabling Financial Inclusion at the Last Mile

Covid-19 Support for Agents



The Divisional CEO, Interswitch Financial Inclusion Services (IFIS), Titilola Shogaolu has informed that Quickteller Paypoint was co-funding relief programmes to provide personal protection equipment and wares for Quickteller Paypoint Agents, to ensure that they are in compliance with COVID-19 expert advisory, while they render services to the public.⁶ Agents were advised to diversify their services by having an excellent product mix and exploring the introduction of cash deposit machines in the light of skeletal operations by Banks.

Revised Timelines for Dispense Errors and Refund Complaints

The CBN on 31 May 2020 released a [statement](#) revising the timelines for the resolutions of all failed online transfers, POS transactions, and ATM withdrawals. These revisions according to the statement are to take effect from June 8, 2020. Details of the revision include:

1. Failed “On-Us” ATM transactions (when customers use their cards on their bank’s ATMs) shall be instantly reversed from the current timeline of three (3) days. Where instant reversal fails due to any technical issue or system glitch, the timeline for manual reversal

shall not exceed 24 hours.

2. Refunds for failed “Not-on-Us” ATM transactions (where customers use their cards on other banks’ ATMs) shall not exceed 48 hours from the current 3-5 days.

3. Resolution of disputed/failed PoS or Web transactions shall be concluded within 72 hours from the current five (5) days.

4. All banks are directed to resolve backlog of all ATM, POS and Web customer refunds within two weeks starting June 8, 2020

Enabling Environment for DFS Ecosystem

Restructuring of credit facilities by OFI’s



On 27 May 2020, as part of measures for mitigating the impact of Covid-19, the Central Bank of Nigeria (CBN) released a [circular](#), approving regulatory forbearance for the restructuring of credit facilities in the Other Financial Institutions (OFI) sub-sector as follows:

1. CBN intervention facilities - granted a further one-year moratorium on all principal repayments, effective March 1, 2020
2. Interest rates - reduced from 9% to 5% per annum for 1-year effective March 1, 2020
3. OFIs are granted leave to consider temporary and time limited restructuring of the tenor and loan terms for households and businesses affected by COVID 19.

⁶Modupe Abidoy, COVID-19: Quickteller Paypoint to provide support for mobile money agents, TechEconomy.ng, 5 May 2020: Available at: https://techeconomy.ng/2020/05/covid-19-quickteller-paypoint-to-provide-support-for-mobile-money-agents/?utm_source=rss&utm_medium=rss&utm_campaign=rss

National Digital Economy Policy

Dr Isa Pantami, Minister of Communications and Digital Economy has directed all agencies under the supervision of the Ministry to work on providing research grants for innovative technological solutions that will help in the health and economic fight against COVID-19. He stated that this is geared at expediting the implementation of the National Digital Economy Policy, as ICT plays a significant role in supporting contact tracing, financial transactions and physical distancing during and post COVID-19.⁷

NAFDACs MSMEs Palliatives



The Federal Government through the Vice President, Professor Yemi Osibanjo announced on 15 May 2020 that new Micro Small and Medium Enterprises (MSMEs) that produce foods, drugs and related consumables will access National Agency for Food and Drugs Administration and Control (NAFDAC) registration of their products at an 80% discount rate for six (6) months.⁸

Additional palliatives, includes zero tariffs for the first 200 MSMEs to register on [NAFDAC's e-platform](#) and waiver on administrative charges for overdue/late renewal of expired licenses of products for a period of 90 days (3 months).⁹

Guidelines on Operations of Electronic Payment Channels in Nigeria

The CBN on 31 May 2020, released a revised [guidelines on operations of electronic payment channels in](#)

[Nigeria](#). This guideline supersedes that issued in 2016. The guideline specifies standards for operations, security, maintenance, fees and dispute resolution for the deployment and use of AATM Operations, Point of Sale (PoS) Card Acceptance Service, Mobile Point of Sale (MPOS) Acceptance service and Web Acceptance Service.

DFS Infrastructure

RoW Charges



Katsina, Ekiti, Plateau and Imo State implemented the National Executive Council's Right-of-Way (RoW) charge resolution of 2013 by pegging their RoW charge at a maximum of N145 per linear metre. Kaduna State completely waived RoW charges for Telecommunication operators.¹⁰ Also, Kwara State slashed RoW charges for telecommunications and broadband infrastructure firms from N5,500 to N1 per kilometre of fibre.¹¹

Broadband - Ekiti State

Kayode Fayemi, Ekiti State Governor, has signed a Memorandum of Understanding (MoU) with O'odua Infracore Resources Limited to instal a 606-km broadband infrastructure across the State. The Governor opined that his executive order of 14 May 2020, reducing the cost of laying fibre in the State, has already generated healthy competition within the ICT sector and laid a platform for the development of Ekiti State into a digital economy.¹²

⁷Modupe Abidoye, Pantami directs NITDA, NCC, others to jointly institute startups grants, TechEconomy, 7 May 2020. Available at: <https://techeconomy.ng/2020/05/pantami-directs-nitda-ncc-others-to-jointly-institute-startups-grants/>

⁸Ruth Okwumbu, FG grants new MSMEs 80% discount on NAFDAC registration, Nairametrics, 16 May 2020. Available at <https://nairametrics.com/2020/05/16/fg-grants-new-msmes-80-discount-on-nafdac-registration/>

⁹How FG is backing MSMEs through COVID-19 pandemic – Osinbajo, Vanguard Newspaper, 16 May 2020. Available at <https://www.vanguardngr.com/2020/05/how-fg-is-backing-msmes-through-covid-19-pandemic-osinbajo/>

¹⁰Modupe Abidoye, Pantami commends Governors El-Rufai, Uzodinma, Masari and Lalong for implementing RoW resolution, TechEconomy, 21 May 2020. Available at: <https://techeconomy.ng/2020/05/pantami-commends-governors-el-rufai-uzodinma-masari-and-lalong-for-implementing-row-resolution/>

¹¹Ruth Okwumbu, Kwara slashes RoW charges from N5,500 to N1 per km for telecoms, TechEconomy, 31 May 2020. Available at: <https://nairametrics.com/2020/05/31/kwara-slashes-row-charges-from-n5500-to-n1-per-km-for-telecoms/>

¹²Ayodele Afolabi, Ekiti set to lay 606Km broadband infrastructure, TheGuardian Newspaper, 23 May 2020. Available at: <https://guardian.ng/news/ekiti-set-to-lay-606km-broadband-infrastructure/>

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