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POLICY TRACKER

A Monthly Bulletin of Financial Inclusion Policy Developments

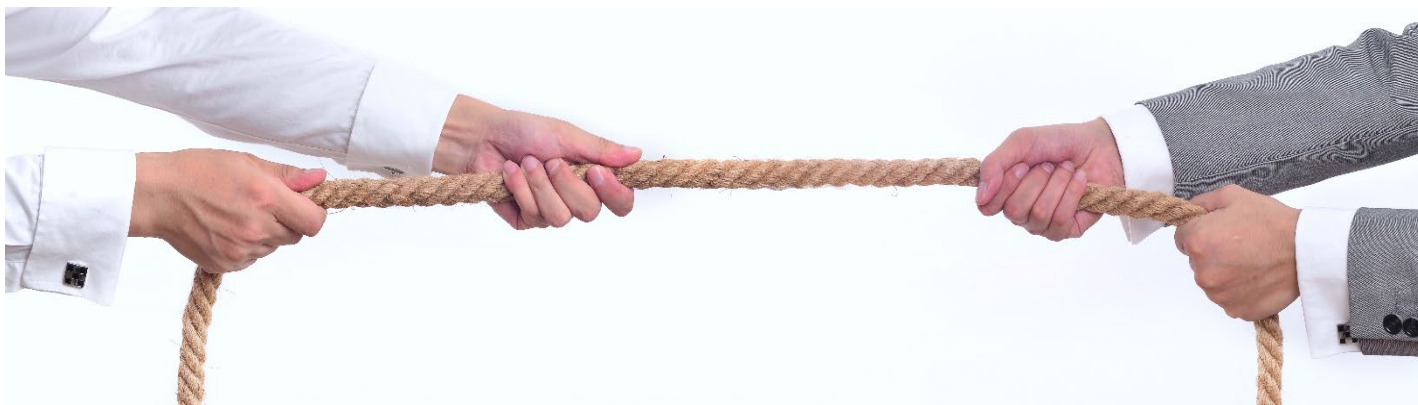


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Editor's Note

The Conflict on Pricing of USSD Services: A disturbing epitome for strategic alliances in financial inclusion?



The Tracker reports on the brokering of an amicable resolution of the dispute between key stakeholders in the telecommunication and banking industry on the pricing of Unstructured Supplementary Service Data (USSD) that could have severely disrupted banking services and the economy. The policy on USSD services¹ was designed to promote “cost effective, more user-friendly, and handset agnostic”² low-value financial transactions. Incidentally, it promotes inclusion, as it enables use of feature phones for financial transactions, does not require data or internet to operate and is easily accessible anytime and anywhere.³ However, as the Association of Licenced Telecommunications Operators of Nigeria (ALTON) points out: “the USSD has become very important in Nigeria’s financial sector, as millions of Nigerians are only able to access financial services through the USSD infrastructure.”⁴ The major objective of the USSD Code was about managing systemic and consumer protection risks.⁵

The conflict between the mobile network operators (MNOs) and the deposit money banks (DMBs) turned majorly on pricing of the service, incidence of payment (DMBs or ultimate consumer) and quantum of compensation for the value created for the banks.

Apparently, “... the Nigerian Communications Commission (NCC)..., the CBN and the Mobile operators came up with an understanding to help the banks take services to even remote, unbanked environments. NCC gave the banks USSD free of charge.”⁶ In October 2019, Telco’s sought to charge banks for USSD services as their service providers, whilst the banks preferred that Telco’s should charge customers directly. Banks charged consumers between N53 and N70 for individual USSD sessions.⁷ In August 2020, the NCC stated that Nigerian banks owed the Telco’s ₦17 billion (\$41.4 million) for USSD services and revised a Determination on USSD pricing to allow mobile operators to charge subscribers for USSD services. This was overruled by the Minister of Communications and Digital Economy who maintained that the service was provided to the banks. Meanwhile, Central Bank of Nigeria (CBN) gave cover to the banks, proffering that it was concerned about DMB’s cost minimization and financial system stability.⁸ The resolution of the conflict is positive and a good example of amicable dispute resolution. However, some salient issues about stakeholder collaboration and regulatory governance of industry strategic alliances in financial inclusion arise. Snippets of the SIDFS Policy Stream research may yield some useful data on these issues.

¹ Central Bank of Nigeria, Regulatory Framework for the Use of Unstructured Supplementary Service Data (USSD) for Financial Services in Nigeria, issued on 17 April 2018 and effective on 1 June 2018. Available at: <https://www.cbn.gov.ng/out/2018/bpsd/ussd%20regulatory%20framework.pdfhttps://www.cbn.gov.ng/out/2018/bpsd/ussd%20regulatory%20framework.pdf>

² See [n. 1 above](#): Art. 2.0, at page 4.

³ C.f., Okoh Aihe, USSD CODE, CBN, Banks, Telcos and the coming of anarchy, Vanguard Newspapers, 12 March 2021. Available at: <https://www.vanguardngr.com/2021/03/ussd-code-cbn-banks-telcos-and-the-coming-of-anarchy/>

⁴ Emmanuel Paul, UPDATED: You may no longer be able to use your bank’s USSD service in Nigeria, Techpoint Africa, 15 March 2021. Available at: <https://techpoint.africa/2021/03/14/ussd-nigeria-stops-march-15-2021/>

⁵ See [n. 1 above](#), Art. 3.0., page 4; Nwabueze Ohia, The New CBN Regulation on USSD: Balancing Security and Thriving Innovation, Oxley. Available at: <https://oxleyconsults.com.ng/article/new-cbn-regulation-on-ussd-balancing-security-and-thriving-innovation/>

⁶ Per Okoh Aihe, see [n. 3 above](#).

⁷ Per Okoh Aihe, See [n. 3 above](#).

⁸ Olumuyiwa Olowogboyega, CBN’s mandatory ₦6.98 USSD fee is a step back for financial inclusion, Techcabal, 17 March 2021. Available at: <https://techcabal.com/2021/03/17/new-ussd-fee/>

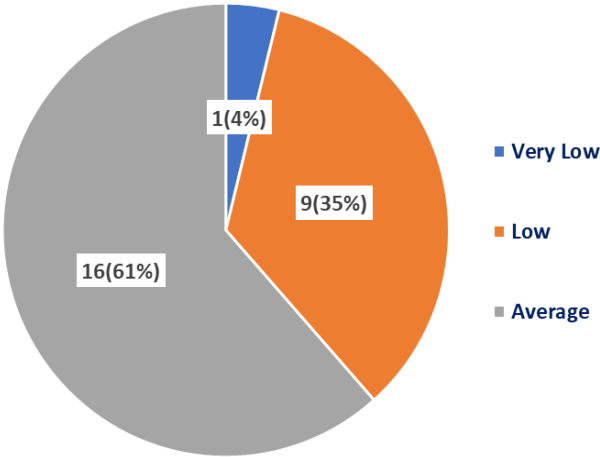


In mid-2020 the SIDFS Policy work stream surveyed mainly Financial Service Providers (FSPs) and Regulators to inter alia: record their perception on the level of synergy among Regulators and between Regulators and other ecosystem stakeholders.

Methodology: Approach: Quantitative and Qualitative; Population: Financial Service Providers; Sample: 50 (contacts with valid e-mail addresses); Data collection: Instrument: Questionnaire; Collection method: self-completed questionnaire; Response Rate: 26 respondents (66%); Data analysis: Descriptive & Thematic analysis.

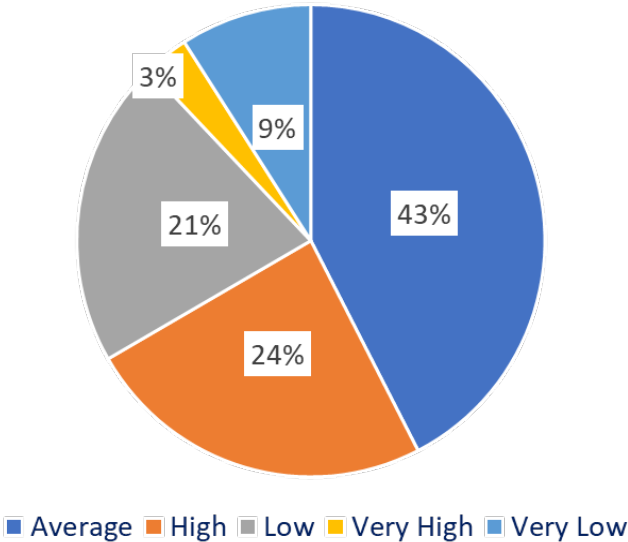
The perception was that synergy and collaboration between regulators and FSPs and among all stakeholders was predominantly average as demonstrated by Data from FSPs as shown in the figures below.

Synergy and collaboration among regulators, FSPs and other ecosystem stakeholders

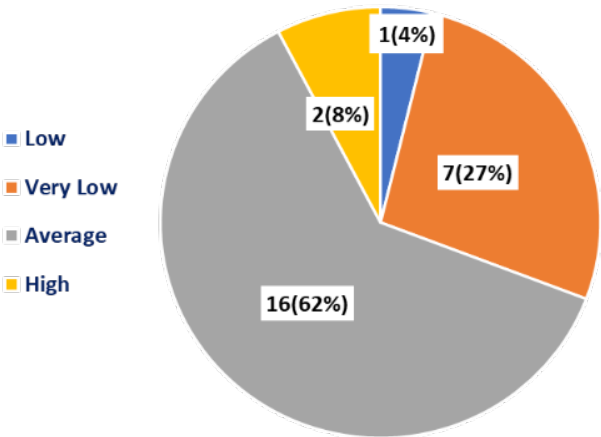


The perception among regulators was that synergy and collaboration between regulators and among all stakeholders was predominantly less than average as demonstrated by the Data from Regulators as shown in the figures below.

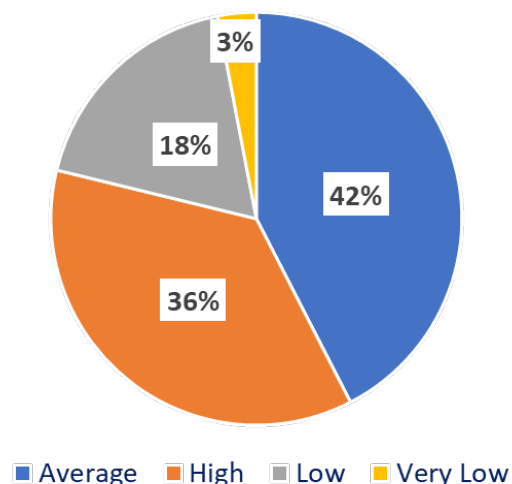
Level of Synergy among Regulators



Synergy and Collaboration between regulators and FSPs



Synergy and Collaboration between Regulators and Ecosystem Stakeholders



The saga of the conflict over the pricing of USSD services apparently confirms the data, as it was surprising that the matter acrimoniously festered for so long and had to go to the brink.

What is even more surprising was the fact that some banks may have been charging consumers apparently unconscionable rates for USSD sessions. Some commentators infer that the regulator may have tacitly “looked away” from poor market conduct and consumer protection behavior⁹.

Secondly, the saga yields very poor example and portents for building a culture of constructive strategic alliances in financial services and inclusion in Nigeria. Apparently, some in the banking industry may have viewed the relationship with Telco’s not as a strategic alliance, nor as strategic contracting, but as a business environmental infrastructural externality chargeable to the society through crony regulation. This raises parallels to the epithet of neoliberal unheroic capitalism used by some commentators against USA banks since the 19th century of “privatizing profits and socializing their losses.”¹⁰ The CBN Governor was reported to have said that:

“I have told the banks that they have to move their business, move their traffic to a telecom company that is ready to provide it at the lowest possible, if not zero cost. And that is where we stand, and we must achieve it.”¹¹

How absolute or near charity by Telco’s will be achieved is baffling. However, the sustainable financial health of the

Telco’s is as important to the national economy as that of the banks. The saga may therefore, eventually require anti-monopoly investigation if either side is deemed to be trying to wield excessive and negative market power injurious to open markets and society.

Apparently, therefore we may infer that more significant strategic and governance issues for strategic alliances in the financial inclusion ecosystem and perhaps also the larger national business environment are dependent on regulatory incentives and culture rather than mere contracting and negotiation dynamics among industry operators. We respectfully proffer that only a win-win, ethical, rational and national interest oriented stance and values in contracting, stakeholder and regulatory collaboration will optimally incentivize constructive stakeholder engagement and industry strategic alliances beneficial to financial inclusion and customer protection. The collaborative amicable settlement of the pricing conflict is commendable and should be the epitome of stakeholder and regulatory engagement going forward. But will the settlement harm financial inclusion? Opinions are divided on the matter.¹²



Professor Olawale Ajai

*Professor of Legal, Social & Political Environment of Business,
Lagos Business School*

⁹ C.f., n. 3 above.

¹⁰ Joseph E. Stiglitz, US Does Not Have Capitalism Now: Stiglitz, CNBC.com, 19 January 2010. Available at: <https://www.cnbc.com/id/34921639>

¹¹ See [note 8 above](#).

¹² E.g. see [n. 8 above](#).

Global Identity Management / Know Your Customer

FHC orders extension of NIN registration deadline



A Federal High Court in Lagos has ordered that the National Identification Number (NIN) integration with SIM cards should be extended by another two months consequent on an application by a human rights lawyer, Monday Ubani.¹³ Ubani had argued that the deadline would abridge the fundamental human rights of citizens, as many will be unable to register for NIN by the deadline of April 6 2021.

Extortion at NIN registration centers

Investigation by The Guardian revealed that whilst numbers are swelling at NIN registration centers, enrollment officers were taking advantage of the situation to extort money from enrollees.¹⁴ Some of the enrollees said they had been extorted by about N5, 000 to N10,000 by enrollment workers or forced to buy application forms. NIMC officials stated that some staff have been suspended and others terminated for extortion.

¹³ Ifeoluwa Adediran, Court orders extension of NIN registration, Premium Times, March 24 2021. Available at: <https://www.premiumtimesng.com/regional/south-west/450883-court-orders-extension-of-nin-registration.html>

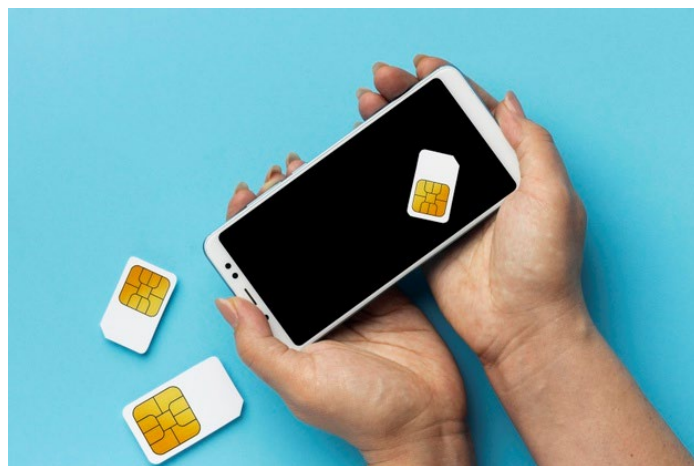
¹⁴ The Guardian, Enrollees decry extortions, queues return to NIN centre, 12 March 2021. Available at: <https://guardian.ng/news/enrollees-decry-extortions-queues-return-to-nin-centres/>

¹⁵ Ayang Macdonald, Nigerian State makes digital ID numbers mandatory to access government services, Biometricupdate.com, March 2 2021. Available at:

Digital ID mandatory in Kaduna State

As from May 1, 2021, it will be compulsory for all residents of Kaduna State to present either their state Residents Card or National Identification Number (NIN) in order to have access to certain public services at Government offices in the State.¹⁵ Residents are required to visit any enrolment center to update their NIN with their current Kaduna address to obtain a State Residents Card. However, cards will be issued only residents with a valid residential address in the State. This new policy is being implemented with a view to further improve service delivery at all MDAs, the State's digital economy and e-governance initiatives, as well as social and financial inclusion.

Establishment of SIM Swap Centres by MNOs

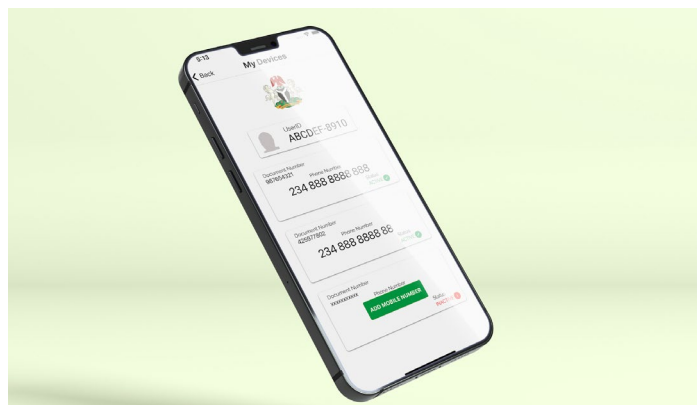


The Ministerial Task Force on the NIN-SIM registration gave approval to mobile network operators (MNOs) to establish dedicated SIM Swap Centres across the Local Government Areas (LGAs) in Nigeria.¹⁶ MNOs that already have Service Centres in important and critical locations in LGAs, shall upgrade these Centres so they can qualify as SIM Swap Centres. Likewise, the extension of the tenure of NIN Enrolment Agent Licenses for MNOs was raised from 1 to 5 years in view of their satisfactory performance. This is a deliberate effort of the Federal Government to simplify the enrolment process for Nigerians and legal residents.

<https://www.biometricupdate.com/202103/nigerian-state-makes-digital-id-numbers-mandatory-to-access-government-services>

¹⁶ Ikechukwu Adinde & Kayode Adegoke, PRESS STATEMENT: FG Approves Establishment of SIM Swap Centres by MNOs, Extension of Enrolment Licence Tenure, <https://www.ncc.gov.ng/media-centre/news-headlines/962-press-statement-fg-approves-establishment-of-sim-swap-centres-by-mnos-extension-of-enrolment-licence-tenure>, NCC Website, 3 March 2021. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/962-press-statement-fg-approves-establishment-of-sim-swap-centres-by-mnos-extension-of-enrolment-licence-tenure>

NIMC App & Slip



National Identity Management Commission (NIMC), on 29 March 2021, launched a mobile app and Identification Number (NIN) Slip that offers a secure channel for Nigerians and legal residents to verify and authenticate their identities using their smartphones.¹⁷ It offers a built-in harmonization process to enable its use for services at the National Communications Commission, Federal Inland Revenue Service, Federal Road Safety Commission and National Health Insurance Scheme and others.

An improved NIN slip was also introduced. It is a portable tool that can be accessed through a self-service portal and can be printed out in color by those who already have the NIN.

Kaduna State opens more SIM Reg. Centres



More digital ID enrollment centers will be opened in all the 255 wards of Kaduna State.¹⁸

About 3.1 million people, around one-third of the States population were enrolled in the biometric database by mid-February, apparently the second highest number of enrollments into the National Identity Database (NIDB).

¹⁷ Emmanuel Elebeke, Authentication: FG unveils Mobile App, improved NIN slip, Vanguard Newspaper, March 31 2021. Available at: <https://www.vanguardngr.com/2021/03/authentication-fg-unveils-mobile-app-improved-nin-slip/>

¹⁸ See p. 15 above.

Consumer Protection, Privacy and Data Protection, Cybercrime and Fraud

NCC's Consumer Handbook

A new Consumer Handbook, produced by the National Communications Commission (NCC) in collaboration with the Industry Consumers Advisory Forum (ICAF), was launched at the commemoration of the 2021 World Consumer Rights Day (WCRD) held virtually in Abuja on Monday, March 15, 2021.¹⁹ It is a compendium of consumer information materials put together to enhance consumer education and protection.

Mobile Devices Management Systems



NCC, the Office of the National Security Adviser (ONSA) and other relevant government agencies are collaborating to inaugurate a committee to implement a Mobile Devices Management Systems (DMS) to combat the proliferation of fake, counterfeit, substandard and cloned communication devices in the telecommunications industry.²⁰ So far, the Commission had been implementing a strict approval process meant to assure that all equipment meet acceptable standards for consumer and environment protection.

Pricing of USSD Services

On March 15, 2021 key stakeholders in the telecommunication and banking industry and the sector regulators – Central Bank of Nigeria (CBN) and Nigerian Communications Commission (NCC), reached an amicable

¹⁹ Media Team, Press Statement: WCRD: NCC Unveils Consumer Handbook, as Danbatta Assures on E-Waste Regulation, 18 March 2021. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/972-press-statement-wcrd-ncc-unveils-consumer-handbook-as-danbatta-assures-on-e-waste-regulation>

²⁰ See p. 17 above.

resolution on the pricing of Unstructured Supplementary Service Data (USSD).²¹

1. Effective March 16, 2021, USSD services will be charged at a flat fee of N6.98k per transaction. This replaces the current per session billing structure and will ensure the amount remains the same, regardless of the number of sessions per transaction.
2. The new USSD charges will be collected directly from customers' bank accounts. Banks shall not impose additional charges on customers for use of the USSD channel.
3. The CBN and NCC shall continue to engage relevant operators and stakeholders to promote cheaper, seamless access to mobile and financial services for all Nigerians.

The stakeholders reminded the general public that the USSD channel is optional, as several alternative channels such as mobile apps, internet banking and ATMs may be used for financial transactions.

NITDA's Data Protection Audit (DPA) Report



The National Information Technology Development Agency (NITDA) has extended the deadline for filing the Data Protection Audit (DPA) Report for the 2020 audit cycle from 15 March 2021 to 30 June 2021, in view of the impact of the COVID-19 pandemic on business operations.²²

²¹ Media Team, Joint Statement by Central Bank of Nigeria & Nigerian Communications Commission on Pricing of Unstructured Supplementary Service Data (USSD) Services, 16 March 2021. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/969-joint-statement-by-central-bank-of-nigeria-nigerian-communications-commission-on-pricing-of-unstructured-supplementary-service-data-ussd-services>

²² Wole Obayomi, NITDA Extends Deadline for Filing Data Protection Audit Report to June 30, 2021, Proshare, March 23, 2021. Available at: <https://www.proshareng.com/news/BUSINESS%20REGULATIONS,%20LAW%20&%20PRAC/TICE/NITDA-Extends-Deadline-for-Filing-Data-Protection-Audit-Report-to-June-30--2021/56444>

AfDB Grant for Cybersecurity



The African Development Bank (AfDB) has awarded a \$2 million grant to establish the African Cybersecurity Resource Center (ACRC) for Financial Inclusion that will tackle cybercrime across Africa and strengthen the resilience of digital financial ecosystems.²³ The project will: create an affordable shared platform to monitor cyber-attacks against financial service providers and individual customers; rollout individualized advisory services to enable organisations to bolster their cybersecurity; and enhance cybersecurity talent development for Africa's manpower requirements. The project will potentially benefit 250 million vulnerable customers, 2,000-3,000 financial institutions and 20-25 million women in five years across Africa.

DFS Environment: Interoperability, Collaboration and Competition

NIBSS NQR payment solution

On March 16, 2021, Nigeria Inter-Bank Settlement System Plc (NIBSS) launched its NQR payment solution that enables P2B and P2P transactions shoppers to scan with their smartphone a QR code generated by a seller to pay for an item.²⁴ According to the Deputy Governor, Financial System Stability, CBN, Mrs. Aishah Ahmad, this would hopefully reduce the cost of financial services, deepen financial inclusion and grow economic and business activities to increase payment activities and merchant outlets.

²³ The African Development Bank extends a grant of \$2 million to strengthen cybersecurity and boost financial inclusion in Africa, African Development Bank Group, 05 March 2021. Available at: <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-extends-grant-2-million-strengthen-cybersecurity-and-boost-financial-inclusion-africa-42526>

²⁴ NM Partners, NQR Code payment system launches in Nigeria, Nairametrics, 16 March 2021. Available at: <https://nairametrics.com/2021/03/16/nqr-code-payment-system-launches-in-nigeria/>

Enabling Financial Inclusion at the Last Mile

CBN disburses N149.21bn COVID-19 Relief



The CBN governor, at the opening of the 30th CBN seminar for finance correspondents and business editors on March 21 2021, reported that the bank had disbursed a total of N149.21 billion to 316,869 beneficiaries through the NIRSAL Microfinance Bank, as COVID-19 pandemic relief to households and business owners and to boost the economy.²⁵ He said the application process is completed largely online and the presence of digital channels, along with various mobile and web-based channels, helped to support households and the business continuity and in mitigating the negative economic effect of the pandemic. The disbursement was part of the N150 billion Targeted Credit Facility (TCF) for affected poor households and small and medium enterprises. The fund had been increased to about N300 billion in order to reach many more beneficiaries, boost consumer expenditure and economic activities.

Bankly raises \$2M

[Bankly](#), a Nigerian fintech startup announced that it has closed a \$2 million seed round.²⁶ Bankly digitizes the informal thrift collections system known with different names such as [esusu](#) or [ajo](#), thereby allowing unbanked people to save using online and offline methods. It aims to grow its customer base to 2 million unbanked Nigerians

over the next three years. It also provides “data-as-a-service” to other service providers to offer tailored products and services to Nigeria’s informal sector. Agents on its platform now number 15,000.

Mastercard empowers girls in Nigeria



Mastercard, has launched its first digital Girls4Tech Connect programme in partnership with Junior Achievers Nigeria.²⁷ The initiative will enable students to learn about algorithms, digital convergence, and encryption and develop careers as fraud detectives, data scientists and software engineers among others.

Enabling Environment for DFS Ecosystem

NEXIMs N10 billion export facility for women and youth

The Nigerian Export-Import Bank (NEXIM), on 30 March 2021, launched a N10 billion export facility to enable women and youth take advantage of international trade opportunities.²⁸ According to Stella Okotete, Executive Director, Business Development of NEXIM, the scheme would boost export trade participation for women and youth and the interest rate under the facility would reduce to 5% by 2022 from the present 9%.

²⁵ James Emejo, Digital Economy will Drive Growth, Job Creation, Says Emefiele, This Day Newspapers, March 21 2021. Available at:

<https://www.thisdaylive.com/index.php/2021/03/21/digital-economy-will-drive-growth-job-creation-says-emefiele/>

²⁶ Tage Kene-Okafor, Nigerian fintech of the unbanked Bankly raises \$2M led by Vault, Tech Crunch, 24 March 2021. Available at: <https://techcrunch.com/2021/03/24/nigerian-fintech-of-the-unbanked-bankly-raises-2m-led-by-vault-and-flutterwave/>

²⁷ MasterCard empowers girls in Nigeria, Kenya to become tomorrow’s technology leaders, Marketing Edge, 26 March 2021. Available at:

<https://www.marketingedge.com.ng/mastercard-empowers-girls-in-nigeria-kenya-to-become-tomorrows-technology-leaders/>

²⁸ William Ukpe, NEXIM announces N10 billion export facility for women and youth, Nairametrics, 31 March 2021. Available at: <https://nairametrics.com/2021/03/31/nexim-announces-n10-billion-export-facility-for-women-and-youth/>

Financing Food Security



The CBN Governor disclosed that the Bank, under the 2020 wet season CBN-Rice Farmers' Association of Nigeria (RIFAN) Anchor Borrowers' Programme, financed 221,450 farmers for the cultivation of 221,450 hectares in 32 States.²⁹ This was at the launch of the 2020 wet season harvest aggregation and 2020 dry season input distribution on March 2, 2021. He charged all stakeholders to sustain current efforts championed by the Bank to galvanize agricultural production towards meeting the requirements of Nigeria's growing population.

AfDB empowers gender digital financial operations

Africa Development Bank (AfDB) has awarded a grant of \$320, 535 to the West African Monetary Agency (WAMA) to support a gender gap analysis of several WAMA strategies, including those for financial inclusion; gender disaggregation data analytics; digital payment services and infrastructure; and digital identity and regulatory frameworks in Nigeria and other ECOWAS countries.³⁰ The Central Banks serve as the secretariat for WAMA in each country and the project has the potential to raise 35% women's participation in digital financial market operations in the region.

²⁹ Emefiele Tasks Nigerians on Food Security, Central Bank of Nigeria. Available at: <https://www.cbn.gov.ng/FeaturedArticles/2021/articles/EmefieleTasksNigerians.asp>

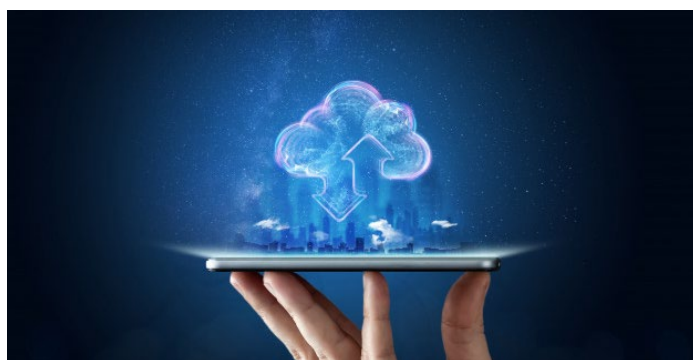
³⁰ AfDB approves \$320,000 for gender digital financial operations in Nigeria, others, Marketing Edge, 5 March 2021. Available at: <https://www.marketingedge.com.ng/afdb-approves-320000-for-gender-digital-financial-operations-in-nigeria-others/>

DFS Infrastructure

Nigeria lagging in Digital economy opportunities

National Information Technology Development Agency (NITDA) DG, disclosed to the Chairman of the Senate Committee on Media and Public Affairs, Senator Ajibola Basiru and his team who paid him a courtesy visit, that Nigeria, despite its huge population and potentials, is lagging far behind in benefitting from the \$11trillion global digital economy.³¹ He informed the lawmakers that his agency is regularly brainstorming on ways it can help create a total turnaround. He lamented that there is a dearth of ICT infrastructure and minimal fixed broadband infrastructure and connectivity in rural areas, leaving a significant number of the most marginalized segments of the population without internet access. He underscored to the legislators the need for significant investment in national digital infrastructure and skills development.

Hybrid Cloud Solutions



MainOne, a leading Cloud Solutions Services Provider, has expressed commitment to supporting commercial and microfinance institutions (MFIs) in achieving their goals by offering unparalleled hybrid Cloud solutions to support central banks across Africa to deepen financial inclusion.³² MainOne has supported various financial institutions with services that allows them develop new products and applications, enhance existing applications and ultimately improve their customers' experience.

³¹ Godwin Anyebe, \$11trillion Global Digital Economy: Can Nigeria Play Catch-Up? The Journal, 22 March 2021. Available at: <https://thejournalnigeria.com/global-digital-economy-nigeria/>

³² Ololade Shonubi, MainOne offers unparalleled Hybrid Cloud solutions for Banks, MFIs across West Africa, March 1, 2021. Available at: <https://www.mainone.net/mainone-offers-unparalleled-hybrid-cloud-solutions-for-banks-mfis-across-west-africa/>

For feedback and comments
Sustainable Inclusive &
Digital Financial Services,
Lagos Business School,
Km. 22, Lekki- Epe Expressway
Ajah, Lagos, Nigeria

Email: sustainabledfs@lbs.edu.ng

Content & Editorial Work:
Prof. Olawale Ajai

Design & Images:
Ibukun Taiwo
Olanrewaju Adelaja



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