EFInA Quarterly Review

(January 2017 to March 2017)

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1 Global Economy

1.1 Growth

The World Bank has projected the world economic growth to pick up to 2.7 per cent in 2017 from a sluggish rate of 2.3 per cent in 2016. Advanced economic growth is expected to recover moderately to 1.8 per cent in 2017. In the United States of America, manufacturing activity will likely rebound, contributing to a mild pickup in growth. In the Euro Area and Japan, supportive monetary and to a lesser extent, fiscal policies should help support activity in 2017. Growth is projected to accelerate to 4.2 per cent in 2017 from 3.4 per cent in 2016, in emerging and developing economies. With the recovery in commodity prices, particularly oil, the divergence in growth outlooks between commodity exporters and importers is set to narrow. In China, growth is projected to moderate to 6.5 per cent in 2017. This outlook reflects soft external demand, heightened uncertainty about global trade and slower private investment.

A significant concern clouding the outlook is the substantial slowdown in investment growth in emerging markets and developing economies in recent years. The numbers tell a stark story: investment growth in these economies has tumbled from 10 per cent, on average, in 2010 to about 3.5 per cent in 2016.

In this challenging environment, both cyclical and structural policies have critical roles to play. In advanced economies, low or even negative real equilibrium interest rates handcuff monetary policy and may warrant more supportive fiscal policies. Emerging and developing economies should find an appropriate balance between fiscal adjustment and policy measures to reduce vulnerabilities.

1.2 Employment

According to the International Labour Organisation's World Employment and Social Outlook – Trends 2017 (WESO), the global unemployment rate is expected to rise modestly in 2017 to 5.8 per cent (from 5.7 per cent in 2016), representing an increase of 3.4 million in the number of unemployed people globally. The number of unemployed persons globally in 2017 is forecast to stand at just over 201 million, with an additional rise of 2.7 million expected in 2018 as the pace of labour force growth outstrips job creation.

The increase in unemployment levels and rates in 2017 will be driven by deteriorating labour market conditions in emerging countries (as the impacts of several deep recessions in 2016 continue to affect labour markets in 2017). Of notable concern are developments in Latin America and the Caribbean, where the unemployment rate is expected to rise by 0.3 percentage points in 2017, to reach 8.4 per cent – largely driven by rising unemployment in Brazil.

	Unemployment (millions)			Unemployment rate (per cent)		
	2016	2017	2018	2016	2017	2018
WORLD	197.7	201.1	203.8	5.7	5.8	5.8
Developed countries	38.6	37.9	38.0	6.3	6.2	6.2
Emerging countries	143.4	147.0	149.2	5.6	5.7	5.7
Developing countries	15.7	16.1	16.6	5.6	5.5	5.5
	Vulnerable employment rate (per cent)			Working poverty rate (per cent)		
	2016	2017	2018	2016	2017	2018
WORLD*	42.9	42.8	42.7	29.4	28.7	28.1
Developed countries	10.1	10.1	10.0	..	..	..
Emerging countries	46.8	46.5	46.2	25.0	24.3	23.7
Developing countries	78.9	78.7	78.5	69.0	67.9	66.7

Source: ILO's Trends Econometric Models

According to the Director General of ILO, Guy Ryder, economic growth continues to disappoint and underperform; both in terms of levels and the degree of inclusion. This paints a worrisome picture for the global economy and its ability to generate enough jobs. Persistent high levels of vulnerable forms of employment combined with clear lack of progress in job quality, even in countries with improving aggregate figures, are alarming.

With respect to policy recommendations, a coordinated effort to provide fiscal stimulus and an increase in public investment that takes into account each country's fiscal space, would provide an immediate jump-start to the global economy and reduce global unemployment in 2018 by close to 2 million. However, such efforts should be accompanied by international cooperation.

1.3 Financial Inclusion

In the quest for seeking the most promising ways to improve access to and usage of appropriate financial products for the underserved, the World Bank has tracked a wide range of experiences and learnings from around the world. This helped determine eight approaches to accelerate financial inclusion.

- **Foster a diversity of financial institutions**: Inclusive financial sectors have many types of financial institutions beyond commercial banks – postal banks, microfinance institutions, credit cooperatives; that apply various business models and operate in different geographic regions to serve distinct customer segments. A legal and regulatory framework that allows for entry of diverse institutions and applies proportionate regulation and supervision tailored to their respective levels of risk is critical to reaching customers that are not fully served by commercial banks. Policies that promote a healthy, competitive environment and level playing field across all providers are also necessary.
- **Facilitate the use of innovative technologies and entry of technology-driven, non-traditional institutions**: In many countries, innovative providers are leveraging technology, existing customer networks, infrastructure and data to lower transaction costs and deliver financial products well-suited to the needs of low-income consumers. A clear legal and regulatory framework is needed to allow for new technologies and players, while also addressing the risks that arise from innovation. Close monitoring of market developments through a 'test and learn' regulatory approach can be employed to address this concern.

- **Expand agent-based banking and other cost-effective delivery channels**: Relying solely on brick-and-mortar branches has long been recognised as a key obstacle to financial inclusion. Regulatory approaches can help overcome this obstacle by allowing for the use of low-cost delivery channels such as local retail shops serving as agents for financial service providers and "lite" branches. Such approaches can cost-effectively expand the physical presence of financial service providers while providing meaningful benefits to those reached.
- **Invest in supervision and leverage technology to optimise limited resources**: A financial sector that is not well-supervised from a prudential or market-conduct point of view is unlikely to be inclusive. Indeed, implementing many items on this list requires effective supervision.
- **Implement risk-based, tiered Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) requirements**: According to the World Bank's Global Findex, over 300 million adults worldwide cite excessive documentation as a major obstacle to opening an account. A flexible, risk-based AML/CFT regime, combined with a comprehensive, accessible national identification scheme (for example, allowing for digital identification or using biometrics) is critical to overcome this obstacle. Simplifying documentation requirements or adding exceptions for certain applicants (e.g. low-income) or products (e.g. small-value, low-risk transactions) can promote financial inclusion.
- **Encourage the development of low-cost, innovative financial products**: The underserved face unique obstacles and have unique financial needs. Policymakers should establish regulatory frameworks that encourage the development of appropriate financial products, such as basic bank accounts and microinsurance that address the needs of underserved, low-income customers. Customer-centric product design that overcomes behavioural barriers and increases utility should also be promoted.
- **Strengthen financial infrastructure**: Information asymmetries and lack of collateral are often obstacles to the underserved accessing financial services. Expanding credit reporting systems and collateral registries (including for movables) and improving the efficiency and accessibility of retail payments systems can increase access to financial services. The government plays a critical role in strengthening financial infrastructure, which serves as the underlying foundation to support financial inclusion.
- **Protect consumers by establishing rules for disclosure, fair treatment, and recourse**: It is critical that consumers be protected from potential abuse and are treated fairly by providers. The World Bank's Good Practices for Financial Consumer Protection emphasises the need for providers to present customers with clear information on the terms and conditions of products via a standardised form in order to facilitate comparison shopping, help consumers make informed financial decisions, and avoid risks such as over indebtedness. Authorities should also put in place regulations that restrict abusive business practices and make recourse mechanisms easily available.

All of the above items share several characteristics: they are complex, require coordination between public and private sector stakeholders, and call for high-level policy commitment and resources for implementation.

<u>Accion Frontier Inclusion Fund</u>

Accion Frontier Inclusion Fund has announced it has raised $141 million from major global sponsors to improve finance access in emerging markets (Sub-Saharan Africa, Asia and Latin America). The fund, based in Washington D.C. and run by Quona Capital, will use cash from companies including MasterCard, JPMorgan Chase and Accion itself to assist three billion citizens shut out of the global financial system. According to Accion CEO and President, Michael Schlein, the fund will support innovators using new technologies to help create a financial system that works for everyone. He noted that by focusing on both social impact and financial returns, it is believed that the fund shows the importance of harnessing the capital markets to solve society's most challenging problems.

1.4 Foreign Direct Investment

According to a recent UNCTAD Global Investment Trends Monitor, global flows of Foreign Direct Investment (FDI) fell by 13 per cent in 2016 to an estimated $1.52 trillion as global economic growth remained weak and world trade volumes posted anaemic gains. The United Nations Conference on Trade and Development (UNCTAD) Secretary-General, Mukhisa Kituyi explained that the FDI recovery continues along a bumpy road. A main concern is the sharp drop-off in manufacturing investment projects, which play such an important role in generating badly needed productivity improvements in developing economies. Economic fundamentals now point to a potential increase in FDI flows by around 10 per cent in 2017. He however stated that significant uncertainties about the shape of future economic policy developments could hamper FDI in the short-term.

The decline of FDI in 2016 was not equally shared across regions, reflecting the heterogeneous impact of the current economic environment on countries worldwide. FDI flows to Europe fell 29 per cent to an estimated $385 billion, with a number of countries experiencing strong volatility in their inflows. This decline was tempered by modest growth in the flows to North America (6 per cent) and a sizeable increase in investment in other developed economies, principally Australia and Japan. Slowing economic growth and falling commodity prices weighed on FDI flows to developing economies. Inflows to these economies fell by 20 per cent (to an estimated $600 billion) due to significant decreases in developing economies in Asia and in Latin America. Nevertheless, developing economies continue to comprise half of the top 10 host economies. FDI flows to transition economies rose by 38 per cent to an estimated $52 billion.

FDI flows to Africa also registered a decline (-5 per cent to US$51 billion), with the region sharing similar external vulnerabilities with Latin America. The low level of commodity prices continues to have an impact on resource-seeking FDIs. Flows to Angola more than halved after surging in 2015. Mozambique saw its FDI fall 11 per cent, but the level was still significant at an estimated US$3 billion. However, there was some uptick in flows to parts of Africa, centred on traditional FDI recipients such as Egypt (from $6.9 billion to $7.5 billion) and Nigeria (from $3.1 billion to $4 billion). Similarly, South Africa saw a 38 per cent increase in FDI inflows, though they remained at a relatively low level of $2.4 billion.

2 African Economies

2.1 Growth

According to the World Bank, Sub-Saharan African growth is expected to pick up modestly to 2.9 per cent in 2017 as the region continues to adjust to lower commodity prices. Growth in South Africa and other oil exporters is anticipated to be weaker, while growth in economies that are not natural-resource intensive should remain robust. Growth in South Africa is expected to edge up to a 1.1 per cent pace in 2017. South African output will be held back by tight fiscal policy and high unemployment rate that is weighing on consumer spending. Nigeria is forecast to rebound from recession and grow at a 1.0 per cent pace, as an anticipated modest improvement in oil prices, coupled with an increase in oil production, will boost domestic revenues. Angola is projected to expand at a moderate 1.2 per cent pace as high inflation and tight policy continue to weigh on consumption and investment.

The outlook is generally favourable for other mineral and energy exporters. Ghana is forecast to surge to 7.5 per cent growth pace as improving fiscal and external positions help boost investor confidence. Progress in developing Mozambique's energy sector will help spur investment in that country's natural gas production and contribute to an accelerated 5.2 per cent growth rate. The post-Ebola recovery is anticipated to help Guinea grow by 4.6 per cent, Liberia by 5.8 per cent, and Sierra Leone by 6.9 per cent. Large infrastructure investment programs will continue to support robust growth among agricultural exporters, with Côte d'Ivoire and Ethiopia growing at or above 8 per cent. However, political fragility will exert a drag on growth in countries such as Burundi and The Gambia.

Externally, heightened policy uncertainty in the United States and Europe could lead to financial market volatility and higher borrowing costs or cut off capital flows to emerging and frontier markets. A reversal of flows to the region would hit hard on heavily traded currencies, like the South African rand. A sharper than expected slowdown in China could weigh on demand for export commodities and undermine prices. Continued weakness in commodity prices would strain fiscal and current account balances, forcing spending cuts that could weaken recovery and investment.

Domestic risks include the failure to adjust to low commodity prices and weak global demand. Populist pressures may deter authorities from taking the necessary measures to contain fiscal deficits and rebuild policy buffers. A further deterioration of security conditions in some countries could put strains on public finances.

2.2 Capital Markets

The year 2016 marked a challenging year for African equity markets in the wake of lower economic growth and political upheaval around the globe, largely as a result of the US elections cycle and the Brexit vote. African Equity Capital Markets (ECM) broke a streak of three successive years of growth, recording a decline in overall ECM activity of 28 per cent from 2015 in the number of transactions and 33 per cent from 2015 in terms of capital raised.

PwC issued its 2016 Africa Capital Markets Watch publication in February 2017, which analyses equity and debt capital markets transactions that took place between 2012 and 2016 on exchanges throughout Africa, as well as transactions by African companies on international exchanges. ECM transactions included in the analysis comprise capital raising activities, whether Initial Public Offerings (IPOs) or Further Offers (FOs), by African companies on exchanges worldwide, as well as those made by non-African companies on African exchanges. Debt Capital Markets (DCM) transactions analysed include debt funding raised by African companies and public institutions.

According to PwC Capital Markets Partner, Darrell McGraw, many African economies, in particular, those dependent on resources suffered in a low growth environment, significantly reducing ECM activity. Although overall ECM activity decreased in 2016 in terms of both transaction volume and value as compared to 2015, there was a significant increase in ECM activity, particularly IPOs, in the second half of the year, indicating the cautious optimism of issuers and investors as the year progressed.

Since 2012, there have been 450 African ECM transactions raising a total of $44.9bn, up 8 per cent in terms of capital raised over the previous five year period.

2.3 Non-Interest Finance

The Africa Finance Corporation (AFC) has issued its maiden Sukuk. Following high levels of investor interest, the initial target of $100 million was more than twice oversubscribed, resulting in the transaction being upsized to $150 million and a final order book of approximately US$230 million. In addition to being the first Sukuk transaction of 2017, it is also the first Sukuk to be issued by an African supranational entity. The Sukuk is AFC's second foray into Non-interest Finance; the corporation accepted a $50 million 15 year line of financing from the Islamic Development Bank (IDB) in 2015 to finance Non-interest Finance-compliant projects located across the numerous African IDB member countries. The privately placed 100 per cent Murabaha Sukuk, which has been awarded an A3 senior unsecured rating by Moody's Investors Service, has a three year tenor and will mature on 24 January 2020. Emirates NBD Capital, Mitsubishi UFJ Financial Group (MUFG) and Rand Merchant Bank (RMB) acted as Joint Bookrunners and Joint Lead Managers, with Emirates NBD Capital also acting as the Sole Global Coordinator.

2.4 Financial Inclusion

In January 2017, the African Development Bank (AfDB) and the Alliance for Financial Inclusion (AFI) signed a Memorandum of Understanding (MoU) to enhance access to quality financial services in Africa in Abidjan, Côte d'Ivoire. The agreement aims to create a collaboration framework to promote financial inclusion in Africa. This partnership is aligned with the Bank's High priorities and the Financial Sector Development Policy and Strategy. The Bank envisions a financial sector that is vibrant, innovative, robust and competitive both nationally and regionally. Modern financial systems will steadily expand their coverage, attaining almost universal access (at least 90 per cent of the continent's population) by 2025, providing essential financial services and products (deposit, payments, credit, and insurance), and improve quality and usage by offering a full range of financial products and services for the continent's productive sector. The partnership will also strengthen the technical capacity of financial regulators and policy-makers across the continent to implement substantive policy reforms to advance financial inclusion.

In order to implement its Financial Sector Development Strategy, AfDB relies notably on strategic and innovative collaborative partnerships with organisations like the AFI. Several AfDB departments involved in financial inclusion, namely Private Sector, Statistics, Renewable Energy, ICT, Gender Women and Civil Society, Rural Finance and Rural Development held a joint meeting to explore ways to enhance collaboration with the AFI. AFI Deputy Executive Director, Norbert Mumba noted that engaging with the AfDB to scale up and deepen financial inclusion in Africa has always been seen as a natural move for AFI in Africa, as it believes that AFI and the AfDB share the same objective of alleviating poverty and improving living conditions on the African continent. AFI considers the signing of this MoU as an important step towards improving in-country implementation of policies in African countries and making progress in achieving that crucial objective.

2.5 World Bank Funding

Following a meeting with G20 finance ministers and central bank governors, World Bank Group President Jim Yong Kim announced a record $57 billion in financing for Sub-Saharan African countries over the next three fiscal years. The bulk of the financing ($45 billion) will come from the International Development Association (IDA), the World Bank Group's fund for the poorest countries. The financing for Sub-Saharan Africa will also include an estimated $8 billion in private sector investments from the International Finance Corporation (IFC), a private sector arm of the Bank Group, and $4 billion in financing from International Bank for Reconstruction and Development, its non-concessional public sector arm.

Sixty (60) per cent of the IDA financing is expected to go to Sub-Saharan Africa, home to more than half of the countries eligible for IDA financing. This funding is available for the period known as IDA18, which runs from July 1, 2017 to June 30, 2020. According to Mr. Kim, this represents an unprecedented opportunity to change the development trajectory of the countries in the region. With this commitment, the World Bank Group will work with its clients to substantially expand programs in education, basic health services, clean water and sanitation, agriculture, business climate, infrastructure, and institutional reform. The IDA financing for operations in Africa will be critical to addressing roadblocks that prevent the region from reaching its potential.

2.6 Cash Crunch

Zimbabwe

Zimbabwe has issued fresh bond notes with $5 denominations. The new note comes after the introduction of $2 and $1 notes meant to help solve acute cash shortages in the country. The Reserve Bank of Zimbabwe (RBZ) released the notes to banks for circulation. Governor of the RBZ, John Mangudya said that $15 million of the new notes will bring the total amount of bond notes in circulation to $88 million. The issuance of the bond notes was backed by a $200 million facility from the African Export and Import Bank (Afreximbank).

It is reported that some businesses, especially those importing goods, are now offering discounts on cash purchases in U.S. dollars, while charging more for mobile or card transactions. Importers defend the practice, saying they are struggling to pay for goods abroad because accounts held by local banks overseas have been depleted of foreign currency. Also, some banks have also drastically cut daily online purchases and cash withdrawals for foreign travellers from $1,000 a day to as little as $50.

3 Nigerian Economy

3.1 GDP

In the fourth quarter of 2016, Nigeria's Gross Domestic Product (GDP) contracted by 1.30 per cent (year-on-year) in real terms. This decline was less severe than the drop recorded in the preceding quarter, of 2.24 per cent, but was nevertheless lower than the growth rate of 2.11 per cent recorded in the fourth quarter of 2015. Real GDP increased by 4.09 per cent, which partly reflects seasonal factors as well as a rise in the general price level.

The oil sector declined by 12.38 per cent in real terms, which was an improvement relative to the previous quarter, when the sector declined by 22.01 per cent, but nevertheless was a more severe decline than in the fourth quarter of 2015, when a contraction of 8.23 per cent was recorded. Real oil GDP however grew 8.07 per cent quarter-on-quarter. As a share of the economy, the oil sector represented 7.15 per cent of total real GDP, compared to 8.06 per cent in Q4 2015 and 8.19 per cent in Q3 2016. The non-oil sector declined by 0.33 per cent in real terms in the fourth quarter of 2016. This was 0.36 percentage points lower than the growth of 0.03 per cent recorded in Q3 2016.

For the full year 2016, GDP contracted by 1.51 per cent, indicating real GDP of N67.9 billion in 2016. This contraction reflects a difficult year for Nigeria, which included weaker inflation induced consumption demand; an increase in pipeline vandalism; significantly reduced foreign reserves and a concomitantly weaker currency, and problems in the energy sector such as fuel shortages and lower electricity generation.

3.2 Inflation

The National Bureau of Statistics reported that in March 2017, the Consumer Price Index (CPI) which measures inflation increased by 17.26 per cent (year-on-year), 1.29 per cent points lower than the rate recorded in December 2016 (18.55 per cent). It should be noted that there has been a decline in the headline CPI in February 2017 (17.78 per cent) and March 2017 (17.26 per cent) respectively, following the highest increase recorded in January 2017 (18.72 per cent). This decline signifies the effects of stabilising prices in already high food and non-food prices as well as favourable base effects over 2016 prices. It is also indicative of early effects of a strengthened Naira in the foreign exchange rate market. The major divisions responsible for accelerating the pace of the increase in the headline index were Housing, Water, Electricity, Gas and Other Fuel, Education, Food and Alcoholic Beverages, Clothing and Footwear and Transportation Services.

3.3 Interest Rates

In March 2017, the Monetary Policy Committee (MPC) voted to retain interest rates at 14.00 per cent. The Committee also voted to retain the Cash Reserve Ratio (CRR) at 22.50 per cent, the Liquidity Ratio (LR) at 30.00 per cent and the Asymmetric Window at +200 and -500 basis points around the MPR.

3.4 Foreign Reserves

Nigeria's foreign exchange reserves increased to $30.3 billion on March 31, 2017 from $25.84 billion on December 30, 2016.

3.5 Debt

Nigeria's public debt stock as at December 31, 2016 was N17.36 trillion and $57.39 billion, compared to N16.29 trillion and $61.44 billion as of June 30, 2016.

3.6 Trade and Investment

The Japanese government has announced the country's commitment of $30 billion to a number of investment projects in Africa, which are meant for infrastructural and human resources development, technological advancement as well as regional stability. The Director-General, Japan External Trade Organisation, Mr. Susumu Kataoka made this announcement at the Tokyo International Conference on African Development organised by the Japan External Trade Organisation. He said that more Japanese companies were getting more interested in operating new businesses in Nigeria or expanding their activities in other African countries. The Japanese private sector is now motivated to do business here in Nigeria because of her huge potential, especially in terms of population and the volume of the economy.

The Federal Government of Nigeria has assured the Japanese investors of a safe and friendly environment for their investments, adding that it was doing all it could to improve the ease of doing business in Nigeria. According to the Minister of Industry, Trade and Investment, Dr. Okechukwu Enelamah, despite Nigeria going through trying times, the present administration continues to work relentlessly to identify areas in which the country could attract the much needed foreign exchange to carry out developmental projects to achieve economic growth and stability.

4 Financial Sector

4.1 Capital Markets

The Nigerian Stock Exchange (NSE) All-Share Index dropped by 1,358.28 points in Q1 2017 to 25,516.34 as at March 31, 2017, as against 26,874.62 as at December 30, 2016. The market capitalisation was N8.83 trillion as at March 31, 2017.

4.2 Financial Inclusion

The CBN, the Nigeria Inter-Bank Settlement System Plc (NIBSS), in collaboration with banks and the leading telecommunications companies launched the microCash (mCASH) in Q4 2016. mCASH is an innovative solution designed to facilitate low-value retail payments; grow e-payments by providing accessible electronic channels to a wider range of users and further enhance financial inclusion in Nigeria by extending e-payment benefits to Payers and Merchants at the bottom of the pyramid, where usage of cash has been predominant. The pilot began in Q1 2017 and there have been awareness campaigns in selected locations around Lagos State. Ten (10) deposit money banks have been on the mCASH platform so far.

4.3 Banking Industry

4.3.1 Central Bank of Nigeria

Bancassurance Referral Model

The Central Bank of Nigeria (CBN) has issued Revised Guidelines on Bancassurance referral model to address developments both in the banking and insurance sectors. These Guidelines are a replacement to the one issued in March 2015. The guidelines set out the regulatory framework for the offering of bancassurance products through the non-integrated referral model. The choice of this model is premised on the fact that it does not preclude banks from focusing on their core banking businesses and does not undermine the essence of the CBN's New Banking Model.

The Guidelines on Bancassurance referral model prohibit banks from engaging in any other model of bancassurance other than that permitted under the guidelines and for which approval has been obtained from the CBN. The guidelines also prohibit banks from offering banking products that incorporate insurance features as well as offering free premium payments as a feature of any of their products. Furthermore, the guidelines maintain that banks shall not enter into bancassurance agreement with insurance companies who do not hold a valid operational license from National Insurance Commission (NAICOM) and must conduct a thorough due diligence/periodic assessment for the selection of partner insurance companies, which would be restricted to two insurance companies.

Cashless Policy

The CBN has reintroduced the Cashless policy charges on withdrawal and deposits in February 2017. This policy is to be implemented in all the 36 states including Abuja. The CBN initially introduced the cashless policy programme as a pilot scheme in Lagos in 2012. The policy stipulated a cash handling charge on daily cash withdrawals that exceed N500,000 for individual accounts and N3 million for corporate accounts.

The implementation dates of this policy spread between April 1, 2017 and October 1, 2017 across the country. This is to allow ample time for the deployment of adequate infrastructure needed to support the policy, as well as additional sensitisation of various stakeholders. The CBN also stated that the income generated from the processing fees charged above the allowable cash transaction limits shall be shared between the CBN and the banks in the ratio of 40:60. Existing exemptions remain sustained for revenue generating accounts of the Federal, State and Local Governments (lodgements only). Embassies, Diplomatic Missions, Multilateral and Aid Donor Agencies in Nigeria are also exempted from all processing fees relating to the cashless policy implementation.

Operationalisation of the New Policy on Personal Travel Allowance (PTA) and School Fees

In order to increase foreign exchange availability in the Nigerian Foreign Exchange Market and to ease the difficulties encountered by Nigerians in obtaining funds for some invisible transactions, the CBN released guidelines for the operationalisation of the new policy on PTA and school fees. The guidelines stated that the CBN has decided to introduce a weekly sale of foreign exchange to banks classified into merchant banks, small banks, medium banks and big banks. The sales shall be for PTA and school fees and shall be on every Tuesday. The guidelines specified the conditions for applying for the sales of PTA as well as school fees. In addition, all banks are expected to submit a daily return on their sale of foreign exchange for PTA and school fees to the CBN, indicating the applicant's name, amount purchased, applicable rate, purpose of purchase, beneficiary name and passport number.

International Standard on Auditing

In order to create a level playing field for the implementation of International Standard on Auditing (ISA) 701 in the Nigerian banking industry, the CBN has obtained the concurrence of the financial Reporting Council of Nigeria (FRCN) for external auditors of all banks to comply with the requirements of the new standard for audits of financial statements for periods ending on or after December 15, 2016. Accordingly, the auditors' reports accompanying audited financial statements of all banks for the applicable periods should be compliant with ISA 701.

Instant Inter-Bank Electronic Funds Transfer Services in Nigeria

The CBN released exposure guidelines on Instant Inter-Bank Electronic Funds Transfer Services in Nigeria to further develop the electronic payments system in Nigeria. The guidelines clearly states the following:

i) Rights and responsibilities of an Instant Electronic Funds Transfer service provider
ii) Rights and responsibilities of a sending entity
iii) Rights and responsibilities of a receiving entity
iv) Rights and responsibilities of the customer
v) Rights and responsibilities of the scheme board
vi) Settlement procedures
vii) Fees and Charges
viii) Dispute Resolution

Direct Debit Scheme and Bill Payment

The CBN has released two guidelines relating to payments in Nigeria: Guidelines for the Direct Debit Scheme and Guidelines on Bills Payments. These guidelines supersede the previous guidelines for direct debits issued by the CBN. It recognises the existing and emerging multi-channel options (online platforms, instant payments etc.) applied for direct debit instructions in Nigeria. In addition, the provisions of these guidelines are harmonised with developments in the payments system since the release of the last version.

Foreign Exchange Provision

The CBN disclosed that it has disbursed $2.8 billion to critical sectors of the economy between December 2016 and January 2017. According to the Acting Director, Corporate Communications Department of the CBN, Mr. Isaac Okorafor, manufacturing, raw materials and agriculture topped the disbursements targeted at the employment and wealth generating sectors of the economy. He said that $609 million and $228 million were released for raw materials in December 2016 and January 2017, respectively. The manufacturing sector also attracted $53 million and $71 million respectively during the same period. He reiterated the CBN's determination to continually ease the foreign exchange pressure on critical sectors.

Collateral Registry

The Registrar for the National Collateral Registry (NCR), Mainasara Muhammad disclosed that the company registered N62 billion worth of movable assets in Q1 2017. Collateral registries facilitate the use of movable and personal assets as collateral that remain in possession or control of the borrowers to improve access to finance. Since its creation by the CBN and the International Finance Corporation (IFC), the NCR has been widely tipped to bolster financial inclusion in Nigeria. To facilitate access to capital, collateral registries operate to ensure secured lending, i.e. credit transactions where a creditor holds an interest in a debtor's movable property such as inventory, account receivables, livestock, equipment and machinery as collateral to secure a loan or a debt obligation. Ghana, China, Vietnam, South Africa among others have used collateral registries to boost credit to Micro, Small and Medium-scale enterprises (MSMEs). The registry supports MSME lending as a new economic agenda which diversifies the economy, grow a production-focused economy and improve wellbeing and prosperity.

Bank Verification Number (BVN)

A total of 51.72 million customers had been enrolled in the Bank Verification Number scheme as at February 2017. This is compared to the 31.12 million customers who had completed BVN enrolment as at February 2016.

4.3.2 Deposit Money Banks

Ecobank Nigeria

Ecobank Nigeria Plc., an affiliate of Ecobank Transnational Incorporated (ETI), has entered into partnership with Accion Microfinance Bank to introduce Western Union Money Transfer remittance services at some locations of the microfinance bank. This collaboration will enable Accion Microfinance Bank customers in the selected branches have access to Western Union's services provided by Ecobank. The Deputy Managing Director of Ecobank Nigeria, Mr. Okpanachi stated that these customers will also benefit from the Western Union/ Ecobank Nigeria Ltd. Account Based Money Transfer (ABMT) Services by using any Ecobank Automated Teller Machines (ATMs).

First City Monument Bank

First City Monument Bank Ltd. (FCMB) organised full interactive training sessions on Financial Literacy for students of 30 secondary schools in Nigeria in March 2017. This development is part of the bank's contributions towards securing the future of young Nigerians by encouraging the adoption of savings and other financial management techniques at an early age, to enhance their general well-being. This is in line with the Corporate Social Responsibility (CSR) philosophy of the financial institution and it formed part of its activities to commemorate the 2017 Global Money Week and Financial Literacy Day celebration, with the theme, ''Learn, Earn and Save''. The educative sessions took place simultaneously in five secondary schools each in Anambra, Kebbi, Cross River, Ondo, Nasarawa and Taraba states.

Wema Bank

Wema Bank Plc has gone a step further in making banking convenient for its customers and Nigerians in general by launching a new mobile branch "Wema Bank on Wheels" that will be accessible to everyone in all parts of the country. The new truck where normal branch services are offered is also fitted with two automated teller machines (ATM), and is powered by solar energy.

Non-Performing Loans

According to the CBN's Financial Stability Report for the second half of 2016, the ratio of non-performing loans (NPLs) to gross loans deteriorated in the second half of 2016 to 14.0 per cent in December 2016 compared to 11.7 per cent as at June 2016 and 5.3 per cent as at December 2015, respectively. The deterioration in asset quality was largely attributed to the rising inflationary trend, negative GDP growth, and the depreciation of the Naira. A solvency stress test of the banking industry at December 2016 showed that the resilience of banks to moderate and severe shocks deteriorated marginally during the review period.

Customer Bank Account Information

According to the industry statistics released by Nigerian Inter-Bank Settlement System (NIBSS) in February 2017, the total number of bank accounts in Nigeria stands at 97.57 million as against 96.22 million as at December 2016. Of the 97.57 million bank accounts, 67.20 million (68.9 per cent) were active as at February 2017. The industry statistics revealed that there are 69.78 million savings accounts and 25.11 million current accounts as at February 2017.

4.3.3 Other Financial Institutions

In order to strengthen governance practices, the CBN has developed distinct governance codes of corporate governance for Other Financial Institutions (OFIs) under its supervision. These OFIs include primary mortgage institutions, microfinance banks, mortgage refinance companies, development finance institutions, bureau de change companies and finance companies. The draft guidelines for OFIs are to ensure high ethical conducts and provide minimum acceptable governance standards. It has also resolved to engage stakeholders on the guidelines before it is fully approved.

4.3.4 Development Bank of Nigeria

The Central Bank of Nigeria has approved the application for the issuance of an operational licence for the take-off of the Development Bank of Nigeria (DBN). The approval of the application, which was made by the Ministry of Finance on behalf of the Federal Government, was subject to meeting the minimum capital requirement of N100 billon as well as the reconstitution of the board of the bank and reviewing its organogram. This was confirmed by the Minister of Finance, Mrs Kemi Adeosun through a statement issued by the ministry. The DBN would have access to $1.3 billion

(N396.5 billion) which has been jointly provided by the World Bank, German Development Bank, the African Development Bank and the French Development Agency.

The operations of the DBN are clearly distinct from other development banks as it is focused on supporting small businesses defined by size and not by sectors. The DBN will provide loans to all sectors of the economy including manufacturing, services and other industries not currently served by existing development banks, thereby filling an important gap in the provision of finance to Micro, Small and Medium Enterprises.

4.3.5 Agricultural Finance

Agricultural Credit Guarantee Scheme Fund

In the second half of 2016, the CBN guaranteed N4.5 billion worth of loans under the Agricultural Credit Guarantee Scheme as against N3.6 billion worth of loans in the first half of 2016. The sum of N5.6 billion involving 34,083 projects was repaid during the same period compared with N4.0 billion for 29,519 projects in the corresponding period of 2016. Cumulatively, loans valued at N104.0 billion had been guaranteed from inception of the guarantee scheme in 1978 to December 2016.

Commercial Agriculture Credit Scheme

In the second half of 2016, the CBN disbursed N40.97 billion to 14 banks for 31 projects under the Commercial Agriculture Credit Scheme. When compared with the N35.99 billion disbursed to 13 banks for 39 projects at end of the first half of 2016, this reflected an increase of N4.98 billion (13.83 per cent) and a decrease of eight projects (20.51 per cent). The total repayments during the second half of 2016 stood at N26.28 billion by 18 banks for 214 projects, bringing the cumulative repayments to N225.01 billion at end of December 2016. The cumulative amount disbursed under the scheme from inception in 2010 to end of December 2016 stood at N407.63 billion to 487 projects, 80 of which were state government projects.

World Bank

The World Bank has approved a $200 million credit to further support the Government of Nigeria in its efforts to enhance agricultural productivity of small and medium scale farmers in participating states. According to the World Bank Country Director for Nigeria, Rachid Benmessaoud, agriculture is key to long-term economic growth and diversification. He noted that the project supports the country policy thrusts on food security, local production, job creation and economic diversification. It also responds to the recurring issues of low productivity, limited farmers' participation to agribusiness supply chains and institutional realignment in the agricultural sector. The project will help increase agricultural productivity and production, improve processing and marketing, foster job creation, and increase household income and livelihood in participating states. The project will benefit women and youth businesses such as horticulture, poultry and aquaculture.

The credit is financed from the International Development Association (IDA), the World Bank Group's grant and low-interest arm. It will be on standard IDA terms, with a maturity of 25 years, including a grace period of 5 years.

Keystone Bank

Keystone Bank Limited has disclosed that the sum of N300 million had been approved for primary producers in the agricultural value chain, particularly rice farmers, with plans to increase funding to N1 billion in the immediate future. The Managing Director & Chief Executive, Philip Ikeazor said that the bank would sustain current support for the agricultural initiatives of the Central Bank of Nigeria (CBN) as well as government's efforts to diversify the economy through investment in the sector. Some of the projects which had reached advanced stages of the bank's financing include 47 Rice cooperative farmers (500 members in Taraba State); 29 rice cooperative farmers (296 members in Sokoto State); 28 rice cooperative farmers (381 members in Zamfara State) and 10 rice cooperative farmers (100 members in Anambra State). Ikeazor urged farmers, processors, state governments and investors to approach the bank and access funds for their rice projects.

United States Agency for International Development

The United States Agency for International Development (USAID) is set to empower 400,000 smallholder farmers across Nigeria and enhance their businesses in a new agricultural scheme. The agency announced this while signing a partnership deal with two firms, Chi Farms and Niji Foods, towards the implementation of the scheme. According to the Mission Director of USAID in Nigeria, Mr. Michael Harvey, the partnership is in line with the agency's agricultural and private sector strategy of using partnerships with government, local organisations and private industry to develop the Nigerian agriculture sector. He explained that through the partnership, USAID aimed to address development and business challenges to agricultural inputs and mechanisation by providing quality technical advisory services and expanded market opportunities for smallholder farmers.

4.3.6 Non-Interest Finance

Sterling Bank

The Non-interest banking unit of Sterling Bank Plc has attracted a $15 million facility from the Islamic Corporation for the Development of the Private Sector (ICD), a multilateral development financial institution and a part of the Islamic Development Bank (IDB) Group. The facility was granted in recognition of its contribution to the growth of Islamic banking in Nigeria and Africa, barely four years after it commenced operations, and its ability to use non-interest banking contracts to structure transactions in the most unique manner. It would be recalled that the bank in 2014 and 2015 also received a line of $25 million from the International Islamic Finance Trade Corporation (ITFC) and $30 million from the ICD. Both institutions are members of the Islamic Development Bank (IDB) Group. Meanwhile, the Central Bank of Nigeria (CBN) has approved an array of innovative non-interest financial instruments in 2016 which will keep the franchise ahead of industry performance.

Jaiz Bank

Jaiz Takaful Insurance has introduced non-conventional insurance products, which focus on profit sharing among clients and participants. Takaful is an Islamic insurance concept, which is based on the Islamic principle of Taawun, meaning mutual benefits. According to a statement by the company, Takaful subscribers have a bond, which is based on an agreement to jointly indemnify a loss or damage that may come upon any of the participants out of the funds or contribution pool. At the end of a business year, any profit made under Takaful is proportionately shared among participants and shareholders, based on the scale of their investments. The Managing Director/Chief Executive Officer of Jaiz Takaful Insurance, Momodu Musa-Joof, said the products were born out of the need to help customers benefit from the contributions they paid as policyholders. According to him, the concept is transparent and practical, adding that Takaful has come to address some of the questions raised about the conventional insurance concept (Riba, interest, Maysir).

4.4 Micro, Small & Medium Enterprises

Heritage Bank

Heritage Bank recently empowered 100 young micro entrepreneurs in Ajegunle, Lagos State with a total grant of about N8.5 million to help create jobs, wealth and deepen financial inclusion. This was being executed in partnership with the Center for Value Leadership (CVL), as part of Heritage Bank's impact-driven programmes to empower the youths and women, particularly in the under-developed communities in Lagos State. The programme is titled the Young Entrepreneurship Business Training Programme (YEBTP) and the business lines of focus for the programme are mainly hair dressing, footwear cobbling, tailoring and catering services. A statement made available by the bank's Group Head, Corporate Communications, Fela Ibidapo, disclosed that the funds would be used to purchase the equipment needed by the entrepreneurs to start their businesses.

In an effort to provide timely and affordable credit to assist youth in implementing their business ideas, Heritage Bank under the Young Entrepreneurs & Students Grant Scheme (YESGrant), has provided N50 million in Grants to 35 entrepreneurs. This was done in partnership with the Nigerian Young Professionals Forum (NYPF) and the grant was awarded to about 35 young entrepreneurs from agricultural businesses, creative industry and the information & communication technology (ICT) sector after a rigorous and transparent review process conducted by an independent body. Speaking at the YESGrant award ceremony, the MD/CEO of Heritage Bank, Mr. Ifie Sekibo affirmed that the 35 successful entrepreneurs will be provided with the required guidance on fund management as individual beneficiaries would get at most N2 million each.

Keystone Bank

Keystone Bank has introduced a live and interactive online business clinic for female Small and Medium Enterprises owners in the country. The programme, which is being implemented through its Pink Network initiative, was part of the bank's continuous effort in supporting female entrepreneurs and all SMEs in the country. This clinic comes in form of Question and Answer (Q&A) sessions on the pinknetwork.ng online platform. The first in the series, anchored by the Chief Executive Officer of Bug Zappers Limited, Bukky Soleye, was themed 'Starting a Business: Basic Structures for Success'.

The online sessions, tailored after business clinics, provides business mentoring and general business advice to assist entrepreneurs and SMEs connect in real-time, question and answer interactions with the right expertise and get practical advice to help overcome issues and information gaps in running their businesses.

First City Monument Bank

First City Monument Bank Limited has introduced a three-month free banking service for prospective customers of the bank operating Small and Medium scale Enterprises (SMEs). The offering would be for the period February 2017 - April 2017. This is aimed at encouraging Nigerians to take active interest in entrepreneurship, while also assisting new and existing SMEs to overcome some of the challenges they face, especially at the take-off stage. According to the bank, to qualify for the free three-month banking incentive, a prospective SME is required to open an FCMB Business Account and sign up for a business debit card at any of its over 200 branches across the country. The Divisional Head of Retail Banking, FCMB, Mr. Olu Akanmu explained that the benefits of this value-added offering include: no banking charges on local transactions, free account maintenance and monthly flat charges, free cheque books, free printing of account statements and free issuance of bank drafts.

Sterling Bank

Sterling Bank has introduced "Start Up Proposition", a new start-up proposition account for small start-up businesses in the country. The new proposition offers free banking for businesses in the first three years of their registration and incorporation. The bank, in a statement signed by its Chief Marketing Officer, Henry Bassey noted that most small business owners avoid opening and operating bank accounts for their businesses due to high cost of running such accounts. The benefits of the new proposition, according to the bank, include zero opening balance, zero daily account balance, zero penalty charge and zero monthly service charge/account maintenance fee, among others. Small Business owners who open this account will be entitled to free transactional (SMS and Email) alerts; free debit card, free cheque book (1st issuance only), free business advisory helpdesk, free business/accounting software solution (first six months), reduced business registration cost, mobile banking and Internet banking etc. The bank said the introduction of the proposition would reduce cost of business operations, especially for bank related charges, thereby helping small business owners to build financial history from the early stage of their businesses and enhance financial inclusion.

Government Enterprise and Empowerment Programme

The Federal Government of Nigeria has commenced disbursement of interest-free loans to the latest accredited beneficiaries of Market Moni, the Government Enterprise and Empowerment Programme (GEEP) targeting market women, traders, artisans, youth and farmers. Market Moni is one of the four schemes under the social intervention programme of the Federal Government and is being executed by the Bank of Industry (BOI). As part of the government's efforts to stimulate economic activities and deepen financial inclusion for the under-banked and unbanked, over 24,000 Nigerians including market women and traders, artisans, and youth have so far benefited from the special intervention programme since its roll-out in December 2016.

The Office of the Vice-President, in a statement revealed that the Federal Government has commenced the disbursements in 13 states and the Federal Capital Territory, through the Bank of Industry (BOI), and will be expanding across all states. The areas of current disbursement include Abuja, Adamawa, Akwa Ibom, Delta, Ekiti, Kogi, Kwara, Niger, Lagos, Ogun, Ondo, Osun, Oyo and Rivers. The acting Managing Director of BOI, Mr. Waheed Olagunju, recently reiterated that Market Moni was a demonstration of the government's resolve to accelerate development of Nigeria's microenterprises.

Central Bank of Nigeria

The Central Bank of Nigeria (CBN), has approved the sum of N1 billion soft loan to the Imo State Government for disbursement to operators of Micro Small and Medium Scale businesses in the state, out of the N2 billion applied for in 2014 .The Chief Economic Adviser, Planning, Budget and Economic Development, to the Governor, Iyke Njoku, said that the soft loan would be channelled to the agro and trading sectors of the economy and the state government expects these to have yields in several thousands. Njoku explained that a template known as 'Special Purpose Vehicle' (SPV) would be adopted by the government for the disbursement of the loans to the qualified persons, who must be ready to repay within one year with a single digit interest rate of 2 per cent as specified by the CBN.

Bank of Industry

Bayelsa State

In its effort to encourage entrepreneurship in the Niger Delta region, the BOI and Bayelsa State government have unveiled a N2 billion Micro, Small and Medium Enterprise (MSME) matching development fund for entrepreneurs in the zone. The N2 billion matching fund is aimed at supporting entrepreneurs in Bayelsa State, as part of efforts to encourage value-addition to the nation's natural resource endowments. BOI highlighted the need to drive MSMEs, especially in agriculture, considering the sector's potential to achieve industrialisation and support the federal government's efforts to diversify the economy. Bayelsa State Governor, Henry Seriake Dickson, explained that entrepreneurship agreement such as the one initiated with the bank is vital for rapid economic growth in the state. The Acting Managing Director of BOI, Waheed Olagunju, assured the people of Bayelsa that the fund would be disbursed at single digit interest rate, stating that the capacity building programme will help convert aspiring entrepreneurs' visions into business models to give their businesses, a high chance of succeeding.

Benue State

The Bank of Industry (BOI) has unveiled plans to increase the base lending funds for the development of the Small and Medium Enterprises in Benue State to N4 billon. The move is part of measures to ensure rapid economic transformation of Benue State. Initially, the state government and the BoI had launched a N2 billion matching fund dedicated for the provision of concessional financial assistance to entrepreneurs operating in the state, with both parties providing N1 billion each. The Acting Managing Director of BOI, Mr. Waheed Olagunju, disclosed that as at February

2017, the bank had approved loans of approximately N1.5 billion to over 13 companies and micro enterprises spread across the state.

4.5 *Women Empowerment*

First Bank

In recognition of the role of women in driving socio-economic growth and change especially in the current economic recession in Nigeria, First Bank Nigeria Plc has launched a female focused product and package to enhance productivity and economic status of women in Oyo State. The Bank's management, at the launch, which attracted hundreds of women in Oyo, said the programme had solutions packaged to enhance the efforts of every Nigerian woman to participate in an ideal opportunity to meet her required needs. Tagged “FirstGem”, the programme is for women at every level and cuts across all income strata, including low-income earners to high net worth individuals, professionals, women entrepreneurs, business leaders etc.

Kwara State

The Kwara State Governor, Abdulfatah Ahmed had launched a N41 million micro-credit loan scheme for the empowerment of women in the 16 local government areas that spread across the three senatorial districts in the state. Mr. Ahmed said this while delivering his speech during the women empowerment programme in Ilorin. He noted that women were critical to achieving the shared goal of prosperity. The governor presented cheques for N20 million to the first set of beneficiaries and promised that the remaining N21 million would be disbursed in the next few weeks. Ahmed urged the beneficiaries to promptly repay their loans as at when due and to make judicious use of them. He also disclosed that the state government had put in place different programmes to educate and empower both women and youths in the state.

Katsina State

Katsina State government disclosed that it has disbursed N2 billion interest-free loans to unemployed youths and women across the state. The Special Adviser to the state governor on economic empowerment, Abdulkadir Nasir, said the measure is to reduce poverty among the beneficiaries. Mr. Nasir, at a media summit said beneficiaries were selected from the 361 wards in the state. He said the revolving loan was secured from the CBN and disbursed by government in collaboration with Microfinance banks. Beneficiaries of the loan and training program included 1,021 youths and the benefits include the provision of equipment to them. Nasir added that the government also disbursed a loan of over N4 million to 1,890 people living with disabilities, including unemployed graduates selected from 361 wards.

4.6 *Insurance*

National Insurance Commission

In its deliberate effort to protect the interest of the insuring public and safeguard the image of the Nigerian insurance sector, the National Insurance Commission (NAICOM) in 2016 compelled some operating firms to settle a total of N5.5 billion worth of claims to the members of the insuring public.

The claims were paid following the resolution of 218 cases of complaints filed against some insurance firms by policy holders at the NAICOM's complaint bureau office. NAICOM in 2016, received a total of 413 complaints from aggrieved policy holders and resolved 218 cases, which resulted in the settlement of claims worth N5.5 billion to the aggrieved policy holders by the insurance companies. NAICOM's head of Corporate Affairs, Rasaaq Salami, said in a statement that in resolving the disputes, the Commission held adjudication meetings and had direct contacts with all the parties involved. He added that NAICOM is at the verge of resolving a total of 650 ongoing cases from 2014. He assured the public that NAICOM would continue to strive hard to ensure protection of policy holders, beneficiaries and third parties of insurance contracts.

4.7 Mortgage

The Federal Government of Nigeria says it will inject N500 billion into the Federal Mortgage Bank to enable it meet the housing needs of Nigerians. The Minister of State for Power, Works and Housing, Alhaji Mustapha Baba, who disclosed this, said that the measure would help the bank to adequately cater for the rising mortgage finance needs of workers. Mr. Baba spoke while inaugurating the ministerial pilot housing scheme project which was financed by the Federal Mortgage Bank in the Taraba capital. He commended the bank's efforts toward meeting the challenge of housing deficit, in spite of the economic challenges facing the nation. The minister urged workers to continue to contribute to the housing fund, adding that government would soon commence the construction of 5,000 housing units in each state of the federation, under the public-private partnership arrangement.

4.8 Pensions

The NBS has reported that the Retirement Savings Account (RSA) membership distribution data for Q1 2017 reflected that 7.5 million workers are registered under the pension scheme compared to 7.3 million workers in Q4 2016 out of a total working population of 69.5 million as at Q4 2016. This represents 10.8 per cent of the total working population. This is not surprising, given the largely informal structure of the Nigerian labour force with about 50 per cent of the current workforce engaged in subsistence agriculture and informal trading.

According to the report, of a total male working population of 36.4 million, only 5.3 million (14.65 per cent) male workers are registered under the pension scheme as at Q1 2017 compared to 5.2 million (14.37 per cent) registered male workers in Q4 2016. Similarly, only 2.2 million (6.54 per cent) of a total female working population of 33.1 million are registered under the scheme as at Q1 2017 compared to 2.1 million (6.41 per cent) registered female workers in Q4 2016. Accordingly, out of the 7.5 million RSA members, 71.10 per cent were men and 28.90 per cent were women compared to 71.13 per cent men and 28.87 per cent women in Q4 2016. This can be compared with the gender split of the working population which has 52.3 per cent men and 47.7 per cent women.

5 Telecom Sector

According to the Nigerian Communications Commission (NCC), in February 2017, the number of active lines was 154,120,484. Teledensity reached 110.09 per cent. The table below provides a summary of telephone subscribers in February 2017.

	Number of active lines
Mobile GSM	153,661,547
Mobile CDMA	217,500
Fixed Wired/Wireless	151,500
VoIP	89,871
Total	154,120,418

Source: NCC

According to NCC, as of February 2017, in terms of GSM operators, MTN was the market leader with 61,390,697 subscribers (market share of 40 per cent), followed by Globacom with 37,250,455 subscribers (market share of 24 per cent); then Airtel with 34,832,181 subscribers (market share of 23 per cent); and finally Etisalat with 20,188,214 subscribers (market share of 13 per cent).

5.1 Internet Users

The NCC stated that the number of internet users through mobile networks in the country in February 2017 was 90 million. Of the 90 million internet users connecting via mobile networks, 89.9 million were on GSM networks, while 0.03 million were on CDMA networks.

As of February 2017, MTN had 30.3 million internet subscribers; Globacom had 26.9 million internet subscribers; Airtel had 19.5 million internet users and Etisalat had 13.3 million internet users.

6 Mobile Money

6.1 Global

The 2017 edition of Mobile World Congress (MWC) which held between February 27 to March 2, 2017 welcomed more than 108,000 visitors to Barcelona for the biggest event in the mobile industry. There have now been over 500 million mobile money account registrations in 92 countries, with almost 174 million active users over a 90-day period. During the event, several announcements focused on the expansion of existing payment services into more markets, while others highlighted new concepts and partnerships to enhance mobile payments capabilities.

Relevant findings from the event on financial inclusion revealed that despite the rapidly rising smartphone market, feature phones remain a vital point of access to financial services for those in developing countries. Interfaces that adapt to traditional handsets are essential to the success of mobile money in these regions. Feature phones also support the spread of mobile internet among potentially difficult to reach user bases. For mobile money service providers, access to data can offer an important tool in stimulating the user base. Through the analysis of service usage, customer habits can be identified in order to build lists of eligible customers for mobile financial services. Analysts can utilise machine learning to unlock hidden value in the payments ecosystem by defining detection parameters based on normal behavioural patterns from transaction history, for effective fraud management and credit scoring.

6.2 Africa

6.2.1 Egypt

Central Bank of Egypt

The Central Bank of Egypt (CBE) has announced the approval of new regulations and customer due diligence procedures for mobile payments by the Egyptian Money Laundering and Terrorist Financing Combating Unit. According to the Credit Outlook report by Moody’s Investor Service, these regulations will enhance financial inclusion, support economic growth and create new business opportunities for Egyptian banks. The new regulation will allow banks to employ agents spread across the country in order to establish relationships with customers and verify their identities. Furthermore, the agents will offer banking services for the people who were previously unbanked, which will include low-income individuals, the youth, and residents of remote areas. Additionally, micro enterprises and merchants will be able to pay or receive funds via their mobile accounts and customers will be able to receive remittances to their mobile accounts. Customers will also be able to make payments to customers of other mobile payment schemes and transfer funds between their mobile account and other accounts held at the same bank. The banks will have six months to upgrade their information systems and software applications to communicate and exchange data with other digital payment platforms. The report stated that mobile banking has significant growth opportunities in Egypt, since the mobile phone penetration in the country exceeds 100 per cent.

6.2.2 Kenya

The Central Bank of Kenya disclosed that in 2016, Kenyans moved a record $33 billion via mobile money, up from $27.8 billion in 2015. The surge in transactions by about $6 billion consolidates the country's global position in use of the technology that has revolutionised its financial sector. The volume of cash transacted on the platform surpasses Kenya's 2017/2018 budget, which is estimated at $25 billion, underlying the role of the service to citizens and economy. In 2016, mobile money use peaked at $3.1 billion per month in December 2016, up from 2.6 billion dollars in December 2015. The number of mobile money subscribers hit 35 million in 2016 from 31.6 million in 2015, while the number of agents during the period reached 165,908 in 2016 from 143,946 at the end of 2015, as the sector continued to be a key employer. Monthly transactions similarly swelled considerably, making over 146 million transactions a month, from 107 million in 2015.

Kenyans use mobile platforms to perform a range of financial services that include making money deposits, remittance delivery, payment of bills, withdrawal of cash and access to microfinance credit. Therefore, mobile money has become a necessity in the lives of Kenyans. Many citizens are unable to operate without it.

PesaLink

A mobile cash transfer system called PesaLink owned by Kenya Bankers Association (KBA) will enable banked customers to move between Sh10 and Sh999,999 from one account to another. The platform will enable transfers between mobile and internet banking channels, ATM and the branches. The transfers will be done real-time, without going through intermediaries, including mobile money transfer platforms like M-Pesa, Airtel Money and Orange money. According to KBA Chief Executive, Habil Olaka during the launch, PesaLink has been developed as a complimentary tool to existing mobile money transfers and related wallets. As a complimentary tool, it is not out to compete with any existing mobile money wallet or transfer product. Mobile money platforms will however lose the transaction fees they earn from mobile banking transfers once the KBA platform goes live.

The payment switch is being run by KBA's digital innovations subsidiary, the Integrated Payment Services Ltd (IPSL). The Central Bank has approved 12 out of 42 banks to roll out the PesaLink product. IPSL said it was looking at charging Sh11 per transaction, with individual banks setting their own fees after regulatory approval. Transfers of up to Sh500 will be free, in a strategy geared towards attracting the masses to the platform.

6.2.2 Uganda

Craft Silicon, a Kenyan-based software company launched an inter-bank transfer system that in the interim will enable Centenary Bank and Finance Trust Bank customers to make real time money transfers ranging from Shs500,000 to Shs5 million. Speaking at the launch of the Instant Interbank Transfer system in Kampala, Mr Kamal Budhabhatti, the Craft Silicon chief executive officer, said there was need to leverage on new technology in order to promote conventional banking that is both convenient and less costly to customers. The Bank of Uganda Executive Director for Commercial Banking, Mr Benedict Ssekabira, said such innovation comes at the right time when the Central Bank is seeking ways through which it can promote e-payment systems, such as online banking and mobile money transfer services to reduce the use of paper notes.

6.2.3 Zambia

Zoona

Zoona has raised $1 million from the International Finance Corporation (IFC) and the MasterCard Foundation to strengthen the reach of its mobile banking services in Zambia. The mobile financial service provides financial services through its mobile money platform, and offers emerging entrepreneurs an opportunity to provide money transfers and financial services to low-income consumers through its network of over 1,500 mobile money agents. The Chief Marketing Officer of Zoona, Lelemba Phiri said Zoona was founded with the purpose of helping communities thrive and it works with emerging entrepreneurs to lay the foundation for the sustainable and inclusive economic growth necessary to tackle today’s challenges and to secure the future of generations to come. This project will help Zoona expand its work to increase financial inclusion in Africa. IFC will provide advisory services for three years to assist Zoona to develop and roll out a new mobile wallet solution that will allow customers to store and send money, with the aim to reach 300,000 new customers.

The project is part of the Partnership for Financial Inclusion, a $37.4 million joint initiative of IFC and the MasterCard Foundation to expand microfinance and advance digital financial services in sub-Saharan Africa.

6.2.4 Ghana

Figures from the Bank of Ghana (BoG) indicate that active mobile money subscribers increased by about 70 per cent between 2015 and 2016. The active mobile money subscribers increased from 4.9 million to 8.3 million within the one year period. The total value of transactions more than doubled within the same period and the value of mobile money transactions increased from 35,444.38 million cedis to 78,508.90 million cedis.

Telecom operators have strongly opposed any attempt by the government to tax mobile money services in the country. They argue that the move will be shooting down government's efforts at achieving a cash 'lite' economy. However, the Communications Minister Nominee, Ursula Owusu Ekuful at her vetting hinted that levying mobile money services may not be a bad option but the government is yet to consider any such decision.

MTN Ghana

MTN Ghana, the leading telecommunications service provider in voice, data and mobile money services has launched the 'Tap2Pay' service, another innovative feature available on its mobile money platform. The Tap2Pay service allows MTN Mobile Money subscribers to pay for goods and services with the use of Near Field Communications (NFC) technology. It is an easier way of making payments as it eliminates the process of navigating through the mobile money menu to make payment.

The Tap2Pay service comes after the recent introduction of two new services on the Mobile Money platform - Tbill4All with EcoBank Ghana and Yello Save Account with Fidelity Bank Ghana. TBill4All enables customers to buy Government of Ghana treasury bills on the mobile money platform with as low as GHC5. The Yello Save is also a high interest savings account which gives subscribers a unique opportunity to save and earn an attractive 12 per cent interest rate per annum on their mobile money wallets.

6.3 Nigeria

Funds & Electronic Transfer Solutions

Funds & Electronic Transfer Solutions Limited (FETs), one of the 21 mobile payment operators licensed by the CBN has announced plans to boost its agent network across the country, as part of its determination to reduce the percentage of Nigeria's unbanked population. Part of the plans includes the recruitment of more agents across the country, especially in the rural areas where formal banking has limited presence. According to the company, with a country-wide agent network, it will design new and exciting products and services for the population through a combined technology and distribution channel to enable a rapid reach out, thereby altering the lives of the beneficiaries. The Managing Director, Mrs. Omotade Odunowo said the company realises the importance of having a vast agent network in the achievement of its set goals of bridging the gap in the Nigerian unbanked space, describing it as an important component of financial inclusion.

Ingenico

Ingenico Group, a global leader in seamless payment has announced that it has entered into a strategic partnership with Interswitch Nigeria Limited, one of the leading transaction switching and electronic payment processing companies in Nigeria. The integration of Ingenico Group technology with Interswitch's switching and processing system will allow end-users to benefit from the next generation of payment technology and the smoothest and most secure user experience when initiating electronic transactions.

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