EFInA Quarterly Review

(January to March 2012)

1 Global Economy

According to the latest economic outlook report from the International Monetary Fund (IMF), the world economy deteriorated sharply in the last few months due to the euro-zone crisis dragged down global recovery. The data from the IMF showed that with the effect of fiscal austerity - Italy is expected to experience a 2.2 percent contraction in 2012; Spain is tipped to shrink by 1.7 percent. This means that total euro-zone area's GDP will grow by 0.5 percent in 2012 - down from a previous forecast of 1.1 percent. The UK's growth forecast was cut for 2012, to 0.6 percent from 1.6 percent in the IMF's last forecast. Just one country or region avoided having its economic forecast for 2012 cut. The IMF still believes America's GDP will grow by 1.8 percent this year. The US has prioritised economic stimulus measures over fiscal cutbacks. However, the developing world and the high-growth Asian economies are expected to continue to outpace the advanced economies of Europe, Japan and the US.

2 African Economies

Government officials from Burundi, Tanzania and Uganda stated that East Africans are sending less money back to their home countries as the crisis in the euro-zone region slows global economic growth. Gaspard Sindayigaya, Governor of Burundi's Central Bank, said, "The European crisis has an impact on our region because the Union is an important partner for us, which has led to a decrease in remittances. We are monitoring the possible impact particularly in the area of budget adjustments."

African economic growth slowed to 2.7 percent in 2011, from 5.0 percent in 2010, and the Continent may be impacted from the situation in Europe, according to the Economic Commission for Africa. Growth excluding North Africa was 4.5 percent in 2011. Economic growth in Africa also slowed last year after uprisings in Tunisia, Egypt and Libya. Europe is Africa's biggest economic partner and any slowdown there may curb trade flows, remittances, investment, tourism and donor funding. Efforts to deflect some of the impact of the euro zone crisis by diverting exports to emerging economies are being stymied by slowing growth in economies including Brazil, China, India and Mexico.

The African Development Bank estimates that a 1.0 percent decline in the gross domestic product of Organization for Economic Co-operation and Development countries translates into a decline of about 0.5 percent in the GDP for Africa and a 10.0 percent drop in the Continent's export earnings.

3 India - National Identity Scheme

In September 2010, the world's largest and most complex biometric identity system was launched in a tribal village of the state of Maharashtra in India. It involved providing a unique number, popularly known as *Aadhaar* ("foundation"), based on biometrics (photo, all ten fingerprints and iris scans) to every resident in India. Since then, more than 30 million residents in India have enrolled. The Unique Identification (UID) project aims to provide about 600 million unique numbers by 2014 as proof of identity as well as provide the foundation for better access to both public and private services. The project will be the world's first online identity system in which people's identity can be authenticated "in real time", even on a mobile network, anywhere in the country.

For a large section of India's population the inability to prove their identity is a reality which leads to their marginalisation. Birth certificates and school certificates are not universally available. The UID project addresses this critical issue by providing a universal, nationally portable identity to millions of residents who hitherto had no access to a proof of identity or to services where such proof is required. The Unique Identification Authority of India, which is implementing the project, has chosen innovative ways to achieve scale and reach in a country with more than twice as many people as the European Union. An ecosystem of registrars (responsible for enrolling people), enrolment agencies (actually undertaking the enrolment), training agencies (which train the operators who do the data entry) and device manufacturers (fingerprint readers and iris scanners) has created a collaborative set of organisations engaged in this complex and mammoth exercise. In the coming years, about a billion people will have to go to an enrolment centre to provide basic demographic and biometric information. It is expected that more than 200 million Indians will have a unique number by the end of 2012.

The pace of *Aadhaar* enrolment has broad implications for India's development agenda. Inclusive growth requires the participation of a large segment of the population in the development process. The Indian government has made *Aadhaar* sufficient proof for opening a bank account as well as getting a mobile-phone connection. Several state governments have recognised *Aadhaar* as sufficient proof of identity and address for various social schemes.

Providing access to financial services remains a high priority for the Indian government. The UID project facilitates this by enabling the opening of bank accounts as well as by providing infrastructure for payments and remittances across India. Having an account linked to one's *Aadhaar* number enables the transfer of money in an electronic, convenient way. With the population in India increasingly migrant in nature, this payment infrastructure will enable a large populace to participate in the financial sector, thus opening new opportunities for growth.

The government in India spends huge amounts in subsidies to individual beneficiaries. The annual subsidy through such programmes (including social pensions and rural employment guarantees) has grown to around 3 trillion Rupees ($61 billion) in 2011-12; and is expected to rise further in 2013. Although issues of pilferage and leaky implementation have long plagued the system, there has been a resolve to ensure that the subsidy reaches the intended beneficiary. The UID-enabled bank-account and payment infrastructure allows the government to transfer this subsidy directly to the account of the individual beneficiary electronically. For the government this transfer will be much more transparent, auditable and efficient and will ensure that the money reaches the person it was meant to reach.

4 Nigerian Economy

The National Bureau of Statistics (NBS) stated that in January 2012, during the strike embarked upon by the organised labour to protest the removal of subsidy on petrol, the total loss to the economy was N207.4bn. The sector, which was worst hit by the crisis, was the wholesale and retail sector which recorded a loss of approximately N86.98bn or 42 percent of the overall total loss in output during the period. The petroleum and natural gas sector accounted for N28.71bn or 14 percent of economic losses. Crop production accounted for N15.22bn or 7 percent of economic losses. The losses in the others sectors were as follows: livestock - N1.52bn; building and construction - N8.27bn; fishing - N3.38bn; forestry - N1.13bn; hotel and restaurant - N2.18bn; road transport - N6.84bn; the financial sector - N10.75bn; the real estate sector - N22.84bn; business services - N1.51bn; public administration - N4.59bn; education - N1.17bn; and other services - N8.37bn.

4.1 Doing Business in Nigeria

The Federal Government recently stated that it was working on modalities that would reduce the cost and procedures of starting a business, as well as make it possible for both Nigerians and foreigners to start their businesses within 48 hours. The Minister of Trade and Investment, Mr. Olusegun Aganga, said that government was intensifying efforts at removing the bottlenecks associated with doing business in Nigeria by harmonising taxes collected by both local and state governments in line with the Federal Government's efforts to improve the ease of doing business in Nigeria. The Corporate Affairs Commission (CAC) has started working on reducing the procedures, time and cost to start a business from an average of 36 days to less than 5 days; and from 9 processes to less than 5 processes in the medium term. Aganga stated that the Ministry had concluded plans to set up a Competitiveness Council, which would be driven by the private sector to improve the competiveness of the nation's business environment. Aganga added, "We are also working on enabling domestic, regional and international trade. We are in the process of re-invigorating the trade facilitation task force to improve its effectiveness. We believe that our actions will go a long in improving our investment climate and send the right signal to investors both at home and abroad."

4.2 Poverty Levels

Absolute poverty is measured by those who can afford only the bare essentials. Poverty has risen in Nigeria, with almost 100 million people living on less than a $1 (£0.63) a day, despite economic growth. The National Bureau of Statistics (NBS) said that in 2010, 60.9% of Nigerians were living in "absolute poverty" - this figure had risen from 54.7% in 2004. The Bureau predicted this rising trend was likely to continue. Despite the fact that the Nigerian economy is growing, the proportion of Nigerians living in poverty is increasing every year, although it declined between 1985 and 1992, and between 1996 and 2004.

Year	Nigeria's population in poverty
1980	17.1 million
1985	34.7 million
1992	39.2 million
1996	67.1 million

2004	68.7 million
2010	112.47 million

Source: NBS

The NBS said that relative poverty was most apparent in the North of the country, with Sokoto state's poverty rate the highest at 86.4%. In the North West and North East of the country poverty rates were recorded at 77.7% and 76.3% respectively, compared to the South West at 59.1%. In 2010, 93.9% of respondents felt themselves to be poor compared to 75.5% in 2004.

4.3 Foreign Reserves

Nigeria's foreign exchange reserves declined to $34.74 billion on 27 February 2012, from $35.03 billion on 13 February 2012 (the highest level in six months). Analysts attributed the decline to a withdrawal by the government to top up revenue shortfall for January's budgetary distribution to the three tiers of government. The revenue from oil exports dropped in January due to production outages, leading to a withdrawal from the excess crude account to keep distributions steady.

4.4 Domestic Debt

The Finance Ministry announced in February that the fiscal deficit would widen to 2.97 percent of Gross Domestic Product (GDP), from an initial estimate of 2.77 percent of GDP. The increased budget deficit is to be financed by the Debt Management Office (DMO) and the Central bank mostly through the sale of federal government bonds and treasury bills at rates of between 15 and 19 percent, as against riskier and less attractive rates offered in the money market. Consequently, banks have developed an appetite for "risk free" investments in government debt instruments, which increases the domestic debt stock often at the expense of credit provision to the real sector of the economy.

4.5 Inflation

According to the National Bureau of Statistics (NBS), Nigeria's inflation increased from 10.3 percent in December 2011 to 12.6 percent in January 2012. This was mainly due to the partial subsidy phase-out, which resulted in a hike in the pump price of fuel, consequently leading to substantial increases in other commodity prices. Food inflation, the biggest contributor to the headline figure, increased to 13.1 percent in January 2012, up from 11.0 percent in December 2011. The partial removal of the fuel subsidy triggered a spike in food prices.

The Central Bank expects inflation to increase to around 14-15 percent in the first half of this year, before moderating towards single digit by the end of 2013. The rise in the headline inflation figure is higher than what analysts had expected.

Analysts believe the inflation numbers will get worse before they get better. "We had expected inflation to peak at 14.5 percent year-on-year in July to August, but it is now possible that we could reach levels closer to 15.5 percent year-on-year in Q3 2012, because of the relatively stronger than anticipated month-on-month move in January", said Samir Gadio, Emerging Market Strategist at Standard Bank, London.

4.6 Agriculture

Nigeria earns over 80.0 percent of its revenue from the petroleum industry, but the sector actually accounts for less than 14.0 percent of the Gross Domestic Product (GDP), whereas agriculture accounts for 41.8 percent of GDP and generates two-thirds of employment nationwide. The Minister of Agriculture and Rural Development, Dr. Akinwunmi Adesina, stated that the estimated agricultural income of the country is N15 trillion as against the potential value of about N40 trillion. He emphasised the need for the adoption of research and development across the entire agricultural value chain to address the challenges of climate change, global economic recession and dwindling revenues which threaten food security.

The Ministry of Agriculture and Rural Development, in line with the President's agriculture transformation agenda, has embarked on the transformation action plan for agriculture which is focused on key aspects of value chains, including the provision and availability of improved input (seed and fertiliser), increased productivity and production, as well as the establishment of staple crop processing zones. It also addresses reduction in post-harvest losses, improving linkages with industry with respect to backward integration, as well as access to financial services and markets. The agenda targets rural communities, particularly women, youth and farmers associations, as well as improving rural institutions and infrastructure. It also sets out to create over 3.5 million jobs from the rice, cassava, sorghum, cocoa and cotton value chains.

Nigerian Agricultural Insurance Corporation

The Nigerian Agricultural Insurance Corporation has said it is partnering with the Central Bank on the implementation of the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending Scheme (NIRSAL). The Managing Director, NAIC, Mr. Kwatri Yusuf, said the move was among other initiatives being undertaken by the Corporation to enhance its operations for the purposes of improving insurance cover for agricultural and agro-allied credits, in line with its statutory responsibility. He said, "NAIC is currently collaborating with NIRSAL to realise the Agricultural Transformation Agenda of the government. We are also organising stakeholders' workshops with bank desk officers and farmers to enable them reap the various benefits of agricultural risk management inherent in each NAIC policy taken. All these initiatives are aimed at repositioning the Corporation to meet with the challenges of widening the agricultural insurance market."

Lagos State

In a bid to continually increase employment opportunities in the State, the Lagos State government has advanced N1 billion in loans to youths involved in agricultural ventures. The loans were sourced from microfinance banks, for the youths who successfully completed the training and internship on commercial farming under the State's Agric-Youth Empowerment Scheme, popularly known as "Agric-YES". Yakubu Bashorun, Permanent Secretary, Lagos State Ministry of Agriculture & Cooperatives, disclosed that over 300 youths had so far benefitted from the Agric-YES programme. The scheme initiated by the State in 2009, also aims to re-capture the dying interest of youths in agriculture and create jobs, in addition to making the beneficiaries economically self-reliant, as the State pursues its target of food sufficiency. The beneficiaries are mostly unemployed youths between the ages of 20 and 35 years. They are selected annually from thousands of applicants and are taken through six months of intensive training and another six months of internship on farms, after which they are empowered with financing to begin commercial agriculture on farm settlements in the Epe area of the State.

5 Financial Sector

5.1 Nigerian Stock Exchange

As part of its strategy to shore up liquidity and deepen the equities sector, the Nigerian Stock Exchange (NSE) has unveiled the Primary Market Makers initiatives. The Chief Executive Officer, NSE, Oscar Onyema, explained that under this programme, each security will be assigned one primary market maker. In conjunction with the rollout of the market making programme, the NSE also plans to implement securities lending and short selling (with prohibition for 'naked' short selling). The industry has developed guidelines for securities lending that conform to international standards. This will help create additional trading volume, improve pricing efficiency and liquidity.

Demutualisation

The Securities and Exchange Commission (SEC) said that a Technical Committee was set up in September 2011 to advise the Commission on how to develop an appropriate framework for the demutualisation of the NSE in an open and fair manner, in accordance with international best practices. The Committee was also charged with the responsibility of advising SEC on regulatory issues in a demutualised environment, with a view to ensuring adequate and effective supervision of the NSE's demutualisation process. The Committee is expected to consider potential conflict of interest and measures to deal with them; review various demutualisation models; and examine regulatory ownership, management, operational, governance and financial issues of a demutualised stock exchange.

5.2 Bond Market

The value of bonds issued by state governments and corporate organisations reached N184bn at the end of 2011. State governments issued bonds worth N97bn last year, while quoted companies and corporate organisations raised bonds worth N87bn. Delta State issued a N50bn bond; SEC approved the N25bn Ekiti State government bond, which the government later said was oversubscribed; Benue State government issued a bond worth N13bn; while the Niger State Government got regulatory approval in September to issue a bond valued at N9bn.

The Chief Executive Officer, Nigerian Stock Exchange, Mr. Oscar Onyema, said the capital market provided an avenue for States and corporate organisations to easily access funds. There are currently 53 fixed income securities listed on the Nigerian Stock Exchange, which are split into 27 Federal Government bonds; 11 state government bonds and 15 corporate bonds.

5.3 Banking Industry

In 2012, the outlook for the post merger banking landscape with only 20 banks is expected to show some significant changes in the industry, in relation to competition and industry positioning. Some acquirer banks will scale up their target markets to include the blue chip companies which hitherto were the preserve of the 'Big' three (First Bank, Zenith, GTBank). Consequently, some of the previously mid-to-small-scale banks are expected to rise into the big banks league, thereby creating more top-level concentration. Going forward, size, liquidity, capital, and efficiency will define the champions, with the healthy banks having the first mover advantage. The heightened competition for the accounts of these blue chip companies should force down the pricing of loans and other services being offered to such companies. It may also lead to innovation in the service offering of the banks as they compete on cost and quality of service delivery.

Gender Empowerment

In February, the Central Bank said it was currently working with banks to ensure that a certain percentage of senior management positions and board members were reserved for women. It also said that it would establish a "special fund" by the end of the year to empower Nigerian women operating in the Small and Medium Enterprises sector of the economy. The Governor, CBN, Mr. Lamido Sanusi, noted that the fund would be disbursed to women at a single digit interest rate. Sanusi explained that the move to empower more women was aimed at boosting the Federal Government's programme on job creation and poverty alleviation.

Banking Reforms

In its report released in February, the international ratings agency, Standard and Poor's (S&P), in its examination of the progress of Nigeria's banking system, attributed the bright prospect of the banking industry in Nigeria to the CBN's reforms, which it said had produced fewer but more effective banking institutions. The report stated that after more than two years of Central Bank support, Nigeria's deposit money banks are again engaging with the domestic economy. Nigeria now has fewer, but larger banks, with better corporate governance and regulatory oversight. However, the sector needs a longer regulatory track record before S&P stops considering corporate governance and regulatory oversight to be among its key risks. In S&P's opinion, risk management particularly in higher-risk lending, such as foreign currency loans and retail and access to low-cost funding, will be the key differentiators affecting banks' performance going forward.

Cash Management

The Nigerian Security Printing and Minting Company (NSPMC) stated that the country prints about three billion bank notes annually. The Chief Executive Officer, NSPMC, Mr. Ehidiamen Okoyomon, said the cash-less policy of the Central Bank would reduce the amount of Naira to be printed by the apex bank in the coming years. He said, "The substantial part of the money we print is due to cash handling, but if we go cash-less, it will reduce the cost of cash handling for the government, the banks and individuals." Okoyomon said Nigeria is one of the world's five biggest spenders on currency printing excluding the United States, Indonesia, India and China. The NSPMC boss said, "All over the world, statistics have shown that the use of cash is not reducing in spite of e-payment drives, what only happens is that there are less cash-based transactions." For the cash-less scheme to be successful, Okoyomon stressed that stakeholders, including the CBN, banks, service providers and others, must work in collaboration with the government. In addition, there must be enlightenment, publicity and education; upgrade in infrastructure upgrade; and improved security.

ATM Fraud

The Central Bank of Nigeria has established an ATM Fraud Prevention Committee to address risks associated with the use of alternative e-payment channels. The members of the Committee, which include banks, the Economic and Financial Crimes Commission (EFCC), National Identity Management Commission (NIMC), Interswitch and ValuCard, will meet monthly to make e-payments more secure for bank customers. The Bankers' Committee said setting up the Committee had become imperative to address card fraud, especially those associated with the use of ATMs and POS terminals. The apex bank noted that ATM fraud was prevalent when magnetic strip cards were in use, but that all Nigerian banks have changed their cards to Chip and PIN, which is more secure, and has drastically, reduced the fraud level in the industry. In terms of infrastructure, the Committee said that the Central Bank was working with the Nigeria Communication Commission (NCC) and telecommunications operators to ensure that there are dedicated communication links for the POS system in the country. The Committee said the apex bank had mandated banks or independent organizations that deploy ATMs to address technical faults within 72 hours. The Committee said the apex bank had set standards for operators in electronic banking to ensure seamless operations. The guidelines focus on technology and specification, deployment, operations, security, maintenance dispute resolutions, liability shift, regulatory monitoring and penalties for defaulters.

Nigeria Inter Bank Settlement System

As Nigeria commences the cash-less policy the operator of the National Central Switch (NCS), the Nigeria Inter Bank Settlement System (NIBSS), said it would start the pilot scheme to test the efficiency of its platform. Banks, ATMs, POS terminals, switches, mobile money operators and international remittances have all been connected to the Central Switch. This will ensure that cardholders can use their cards in a safe and secure manner anywhere in Nigeria. An efficient payment system promotes sales (as more convenient payment options are available to buyers) by depending less on cash, and has great potential to grow the economy. This will deliver higher transaction volume and revenue for banks, switch operators, device owners and merchants. Mobile money is the ideal channel for making micro-payments as the most basic phone which cuts across social, economic and literacy strata can be used for mobile payments. The CBN's cash-less policy holds great potential for investors, as it would fast track economic development and reduces high usage of cash across the nation's financial sector and beyond. It is expensive to handle and manage cash and it is also risky to carry about, even for short distances, because of vulnerability to attacks or robbery.

5.3.1 Agricultural Finance

Commercial Agricultural Credit Scheme

The Central Bank said as at December 2011, a total of N151.02 billion had been disbursed to 190 beneficiaries under the Commercial Agricultural Credit Scheme (CACS); and the balance of the Scheme was N48.98 billion. The beneficiaries were made up of 163 private promoters and 27 State governments that accessed N1 billion each. But the Federal Capital Territory (FCT) accessed only N16 million. The State governments accessed funds for on-lending to farmers' unions, co-operatives and financing of other areas of agricultural interventions in their various States. According to the regulator, from inception, the following banks 16 banks have participated in the Scheme - Access Bank, Fidelity Bank, First Bank, GTBank, Oceanic Bank, Skye Bank, Stanbic IBTC, Union Bank, UBA, Unity Bank, Zenith Bank, Diamond Bank, Sterling Bank, Citibank, Wema and Mainstreet Bank.

The analysis of number of projects financed under CACS by value chain showed that out of the 163 private sector sponsored projects - production accounted for 44.0 percent; processing accounted for 41.1 percent; marketing accounted for 8.0 percent; and storage accounted for 6.9 percent. With regards to the value of funds disbursed - processing accounted for 55.6 percent; production accounted for 29.1 percent; marketing accounted for 10.4 percent; and storage accounted for 4.9 percent.

The CACS was established by the CBN in collaboration with the Federal Ministry of Agriculture. Loans under this Scheme are at a single digit interest rate subject to a maximum of 9.0 percent.

5.3.2 Microfinance

Regulations

In February, the Central Bank issued a directive that microfinance banks (MFBs) in the country should adopt a uniform financial year-end. The directive is targeted at ensuring that MFBs alongside other financial institutions align with standards already set for the deposit money banks. The circular further states that during this transformation period; a maximum accounting period of 18 months and a minimum accounting period of 6 months will be allowable. MFBs are expected to forward their full year's accounts to the CBN for approval no later than four months after the year-end.

5.4 Micro, Small and Medium Sized Enterprises (MSMEs)

Bank of Industry

Ms. Evelyn Oputu, MD, Bank of Industry (BOI) stated that the bank has contributed to the development of the non-oil sector with the provision of N1.8 billion to the National Food Reserve Agency (NFRA); N200 million to the sugar fund; N5 billion to the Dangote fund; N50 million to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN); and N3 billion to various state matching funds. She said the factors stifling the growth of SMEs in Nigeria include poor business plans; collateral requirements; lack of relevant skills/experience; poor accounting systems; lack of access to quality support services (such as mentoring); lack of incentives to encourage lenders; mismatch between formal training and markets' demands; high interest rates; lack of an enabling supporting infrastructure for strengthening of the SME sector; lack of credible and reliable credit, business and market information that serves the needs of both the SMEs and the potential financiers; and lack of legal recourse that is quick and efficient to protect against default.

Ms. Oputu explained that given the right policy environment and incentive regime, no financial institution - domestic of foreign or prospective domestic/foreign co-investor would turn down a well packaged business case that also meets the conventional five Cs of credit (character, capacity, capital, collateral and conditions). "The key ingredients to overcoming the limiting constraints to financing SMEs in Nigeria are responsible institutions, strong human capital base and a strong and dynamic private sector," she said. Hence, there is a need to set up robust national credit enhancement institutions like business rating agencies, credit bureaus, credit guarantee agencies, and SMEs development centres. There is also need to strengthen existing local Foreign Direct Investments (FDI) to serve as responsible channels for the financing of government developmental plans or for channelling government support to private sector players in a specific sector.

Securities and Exchange Commission

The Securities and Exchange Commission (SEC) said that it is targeting Small and Medium Scale Enterprises to list on the Nigerian Stock Exchange, as part of its efforts towards deepening the market and ensuring more participation of both local and foreign investors. The Director-General, SEC, Ms. Arunma Oteh, stated that SMEs play a critical role in the development of any economy and it is important that such companies be encouraged to list on the capital market. She said, "Following the example of China and other BRIC countries, in 2012, we aim to attract SMEs (only 12 are currently listed) to list, as this will create more jobs and encourage entrepreneurship in the country." Ms. Oteh explained that the SEC has held preliminary discussions with targeted multinationals, particularly in the telecommunications, agriculture and upstream oil and gas sectors. In addition, the imminent privatisation of the power sector will result in the listing of large utilities companies which are currently absent from the stock market. She added that the SEC was embarking on a broad-based investor enlightenment campaign, strong regulatory oversight and punishment of misconduct in the effort to reassure investors on the efficiency of the market. The SEC is collaborating with the Ministry of Trade and Investment and Ministry of Agriculture to reform the Abuja Securities and Commodities Exchange with the aim of aligning the structure and operations with the Agricultural Transformation Agenda of the Federal Government.

Intervention Fund

The Central Bank disclosed that over 400 companies have so far received N198bn from the N200bn Resuscitation and Refinancing Facilities (intervention fund) earmarked for the revival of ailing firms in the manufacturing sector. The N200bn facility was set up by the CBN to create liquidity and support for the development of the real sector of the Nigerian economy. The objectives of the fund include fast-tracking the development of the manufacturing sector by improving access to credit for manufacturers; improving the financial position of the deposit money banks; increasing output; generating employment; diversifying the revenue base; and increasing foreign exchange.

6 Telecoms Sector

Mobile telephony subscription in Nigeria will likely reach 82 percent by 2015, as telecom firms in Nigeria confirmed their commitment to complete network optimisation in 2012, in order to drive growth in the data segment. The Nigerian Communications Commission (NCC) is also preparing to implement its new fibre infrastructure development strategy to complement the financial investments of telecoms operators. It is expected that the actualisation of the broadband strategy could see internet penetration increase to over 40 percent by 2015. Mobile internet is expected to drive the growth going forward, as majority of Nigeria's 90 million phone subscribers use mobile devices to access the internet.

The table below provides a summary of telephone subscribers in Nigeria as at February 2012:

	Number of connected lines	**Number of active lines**
Mobile GSM	**116,439,548**	**92,006,608**
Mobile CDMA	**13,064,176**	**4,031,820**
Fixed Wired/Wireless	**2,319,228**	**578,152**
Total	**131,822,952**	**96,616,580**

Source: NCC

According to the McKinsey report entitled, 'Online and upcoming: The internet's impact on aspiring countries', 70 percent of Nigerian mobile users visit social network sites such as Facebook and Twitter, whilst 65 percent use their mobile phones for e-mail. Nigeria remains Africa's largest online population with 44 million internet users. However, the low levels of power supply could negatively impact the rate of internet adoption in Nigeria.

7 Mobile Money

The Central Bank and the Nigerian Communications Commission (NCC) have stated that the two organisations are working together to ensure the prevention of possible hitches that may arise from the adoption of mobile payments in Nigeria. They also stated that guidelines for licensees from the CBN and the NCC will be issued shortly to prevent any possible conflicts between the two regulators. Specifically, the CBN disclosed that, the apex bank has set up processes to ensure that the procedures adopted for mobile money in Nigeria meets international standards.

The Shared Service Executive at CBN, Mr. George Sansa said that out of over 160 million Nigerians, only about 22 million have bank accounts (13.7 percent of the total population), so there is a need for more Nigerians to have bank accounts. He stressed that there should some correlation between banking penetration and mobile phone penetration, so as to be able to drive and deepen financial inclusion in Nigeria. According to him, there is a need for more awareness to be created, especially for people to understand the enormous potential they can derive from their mobile phones, as a channel for conducting financial transactions. The CBN Executive also disclosed that dedicated phone lines will be set up to tackle and resolve complaints from users.

NCC stated that they are working to ensure seamless interoperability between the telecommunications operators and the financial institutions involved, stressing that service providers are ready for real time online payments, which is aimed at building confidence in consumers'. NCC's Director of Consumer Affairs, Mrs. Mary Uduma, said lots of education is needed to drive penetration of mobile payments, stressing that the Commission will continue to educate consumers, especially in their local language.

According to analysts, high mobile phone penetration and limited branch network of commercial banks and micro-lenders are expected to drive the growth of mobile money in the emerging markets of Middle East, Asia and Africa, where it is hoped to reach 1 billion users, growing into a $22 billion industry across Africa by 2015. A report by McKinsey, stated that in the emerging markets, formal banking reaches a mere 37 percent of the population, compared with more than 50 percent penetration rate for mobile phones. However, creating a functional mobile-money model can be complicated, especially in a country like Nigeria, which is just embracing the initiative through a bank-led model. The process calls for collaboration from two distinct domains, telephony and banking, as well as, for partnerships with a variety of players such as agents to manage cash collections and disbursements and promote adoption. As such, licensed mobile operators in Nigeria, with the right technology, agent network, risk management process and customer service, will not only make the most of the opportunity in the market but also have unique know-how that would be valuable in other emerging and frontier markets. However, the critical issue is to ensure that consumers' are educated and aware of the ease and immense benefits of mobile financial services.