EFInA Quarterly Review

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1 Global Economy

1.1 Retail Banking

With Amazon, Google and Facebook looking to enter the payments and account management industry how can the large and often slow to change retail banks stay competitive in an agile and constantly evolving marketplace? According to AT Kearney there are five main trends:

i) Inform and Interact **-** Online communication is a two-way street and clever companies are finding ways to ensure that the customer behaviour/desire is driving their service or product offering, rather than the old fashioned product "push".
ii) Quick and safe electronic and mobile payment methods, combined with electronic wallets and innovative account management tools are challenging the role and dominance of cash, credit, and debit cards. A recent study by ECC revealed that 35% of consumers would like to use their mobile device as an e-wallet.
iii) Customers can be separated into two major groups - Firstly, there is generation Facebook and the so-called digital migrants, who are older but open-minded adopters. Secondly, there is the large, financially strong, and attractive group of elderly people with many digital deniers who require different approaches. For nearly every industry, the more powerful and much more interesting group in the long-run is the generation Facebook and digital migrants.
iv) Research suggests that nearly every service offered by a bank branch today could be dispensable tomorrow, replaced by innovative technology or made available online. The point-of-sale revolution will heavily affect customer relationship management, the integration of technological innovations into multi-channel management as well as the role and arrangement of traditional retail banking branches.
v) The days in which banks were the only provider for banking products are over. In the current environment, even start-ups are trustworthy enough for customers to commit their money. A variety of new players are competing to become part of customers' financial habits. This is massively transforming the industry because new players are often more innovative and flexible.

In an environment where customer confidence in banks is at its lowest, it is critical that the large retail banks adapt and engage with their customer base in a more proactively digitised and convenient way, or run the risk of losing traction and market share to new start-ups or strong consumer brands entering the payments and account management industry.

1.2 Economic Growth

According to the IMF, global growth is projected to strengthen from 3.0 per cent in 2013 to 3.6 per cent in 2014 and 3.9 per cent in 2015. In advanced economies, growth is expected to increase to about 2.3 per cent in 2014-15, an improvement of about 1 per centage point compared with 2013. Growth will be strongest in the United States at 2.8 per cent. Growth is projected to be positive but varied in the Euro-zone from 4.7 per cent in 2013 to about 5.0 per cent in 2014 and 5.3 per cent in 2015. In China, growth is projected to remain at about 7.5 per cent in 2014 as the authorities seek to rein in credit, and advance reforms while ensuring a gradual transition to a more balanced and sustainable growth path.

1.3 Peer-to-Peer Lending

By offering both borrowers and lenders a better deal, websites that put the two together are challenging retail banks. Savers have never had a worse deal but for most borrowers, credit is scarce and costly. That seeming paradox attracts new businesses free of bad balance sheets, high costs and dreadful reputations which burden most conventional banks. Foremost among the newcomers are peer-to-peer lending (P2P) platforms, which match borrowers and lenders directly, usually via online auctions. The loans issued often comprise many tiny slivers from different lenders. Some P2P platforms slice, dice and package the loans; others allow lenders to pick them. Either way, the result is a strikingly better deal for both sides. Zopa, a British P2P platform, offers 4.9% to lenders (most bank accounts pay nothing) and typically charges 5.6% on personal loans (which is competitive with the rates most banks charge).

Elsewhere, returns (and risks) are higher. IsePankur, which lends to more than 60,000 people in four euro-zone countries, pays its lenders an average net return of 21.45%. Its typical borrowers are willing to pay rates of up to 28%: they are refinancing far costlier credit-card debt and doorstep loans. Peer-to-peer lending is growing fast in many countries. In Britain, loan volumes are doubling every six months. They have just passed £1 billion, though this is tiny against the country's £1.2 trillion in retail deposits. In America, the two largest P2P lenders, Lending Club and Prosper, have 98% of the market. They issued $2.4 billion in loans in 2013, up from $871m in 2012.

Neil Bindoff of PwC, speaks of a 'perfect storm' supporting the growth of P2P - interest rates are close to zero; the public is fed up with banks; costs are low (one third of a typical bank's, according to Renaud Laplanche of Lending Club); and e-commerce is becoming part of daily life. People use the internet for peer-to-peer telephony (Skype) and shopping (eBay), so why not for loans? A survey by PwC found that awareness is still low - only 15% of Britons claimed to have heard of the big P2P firms such as Zopa, Funding Circle and RateSetter, compared to 98% who have heard of the main banks. Another obstacle in Britain is that P2P is not fully regulated. However, the Financial Conduct Authority is expected to issue new rules imminently. In America, people saving for retirement can apply tax breaks to their loans, and offset their losses against profits. Britain's P2P industry is awaiting a decision to extend tax-free savings schemes to its lenders.

Regulation should help forestall a big worry that an ill-run platform might collapse, taking investors' money with it. New rules are likely to insist that P2P businesses ring-fence funds gathered from savers that are not loaned out and arrange for third parties to manage outstanding loans if they cease trading. Another big question that needs to be addressed is insurance. Funds placed with P2P lenders are not covered by the state-backed guarantees (deposit insurance) that protect retail deposits in banks. Some platforms offer something of a substitute, for example Zopa and most other British companies have started 'provision funds', which aim (but do not promise) to make good on borrowers that default. This reduces the risks for lenders, but goes against the original P2P concept, as does insurance. Purists fear such arrangements could recreate the moral hazard that has plagued conventional banking.

The boom in cross-border P2P raises tricky legal questions. The European Commission has yet to get to grips with the industry. National rules often determine how credit is issued and debts are collected. But they offer little help when the money comes from hundreds of lenders in dozens of countries. Yield-chasing foreigners, private and institutional, are investing heavily in the American market. Only a third of the money Lending Club receives is from retail investors, the rest (the fastest-growing slice) comes from rich people and institutions. Should such big investors get a better deal - such as getting their pick of the best loans on offer? In Britain, Giles Andrews of Zopa regards the idea as anathema: all savers should be treated equally. Some others think big lenders will eventually dominate P2P.

P2P also addresses the mismatch between short-term deposits and long-term loans inherent in conventional banking, by generally locking lenders in for the loan's duration. A secondary market in P2P loans is developing fast. This allows investors to get their money back if they need it, usually by selling the loans at a discount. But rules vary, some platforms will buy back the loans; others just hold an auction. P2P is not complicated, success largely depends on marketing, the quality of the algorithms used to screen borrowers, and ease of use (P2P platforms are scrambling to develop apps for smartphones and tablets). P2P may attract big outsiders, such as banks, or internet companies which already have lots of data about their customers (e.g. Facebook) and are good at connecting them. In 2013, Google led a $125m investment in Lending Club, valuing it at $1.55 billion; it might well want more.

2 African Economies

2.1 Employment

According to the Centre for Global Development (CGD), firms in Sub-Saharan Africa typically employ 24% fewer employees than equivalent firms elsewhere. Several factors explain African bosses' reluctance to take on new workers. One is that firms tend to be younger than elsewhere, but even older ones have fewer employees. More broadly, Africa's business climate discourages hiring. Government officials in search of taxes and bribes tend to focus on large firms, rather than small ones, because they are considered more likely to pay.

High unit labour costs are also an issue. Employing people in Africa should be cheap, given that many of its countries have low income levels. Yet in half of African countries, labour costs are higher than in China because workers are less productive. They are nearly 80% higher in Africa than those in other countries at similar levels of income, which lowers competitiveness and makes hiring less likely.

Africa's commodity-driven export models may be another cause of low formal employment. Four-fifths of the continent's export revenues are from commodities, which can lead to overvalued exchange rates if their prices rise. This impacts firms' competitiveness, curbs their growth and thus discourages hiring. Africa's big inflows of aid also contribute to higher real exchange rates because they result in upward pressure on prices for goods and services that are not traded internationally.

Changing labour-market dynamics could exacerbate the job problem. Some 250 million people are expected to join the African workforce between 2010 and 2050. In the short term many will go into farming, which employs 65% of the African labour force. However, the agricultural sector is struggling to create enough jobs, as in the 1990s donors' lost interest in using their aid for agricultural investment. According to McKinsey, better farming techniques could utilise unproductive land and help Africa shift into higher-value-added crops; which could create 6m additional jobs by 2020. In addition, agricultural improvement can also free up labour to work in more productive sectors, if the jobs are available. However, without further improvements in structural reforms and business regulations, employment growth in Africa's formal sector will remain limited.

3 Nigerian Economy

In February, President Goodluck Jonathan inaugurated the Nigeria Industrial Revolution Plan (NIRP) and the National Enterprise Development Programme (NEDEP). The NIRP and NEDEP are aimed at ushering in a new era for industrial, micro, small and medium enterprises development in Nigeria. The goal of the NIRP is to increase the contribution of the manufacturing sector to GDP from 4 per cent presently, to more than 10 per cent over the next five years. According to the President, this will boost the annual revenue earnings of the Nigerian manufacturers by up to N5 trillion per annum. The NEDEP is focused at repositioning the Micro, Small and Medium Enterprises (MSME) sector as the major driver of job creation and inclusive economic growth. In addition, the Federal Government would continue to promote the patronage of made-in-Nigeria products through the implementation of its local patronage policies and programmes. The President added, "The NIRP and NEDEP will give additional impetus to our Transformation Agenda by ensuring value addition, enterprise development and industrialisation. On our own part, the Federal Government will continue to support local manufacturers by buying vehicles that are made in Nigeria. And as long those vehicles are produced in this country, the Federal Government will buy them. So, we also encourage the state governments to support the patronage of made-in-Nigeria products in their states."

3.1 GDP

In April, the National Bureau of Statistics (NBS) released the revised Gross Domestic Product (GDP) numbers for Nigeria. Nigeria's GDP has not been rebased since 1990, contrary to global best practise of re-benchmarking every five years.. 2010 was adopted as the base year for the revision and the rebased figures included sectors such as telecommunications and the entertainment industry, the number of industries increased to 46 from 33 and greater weighting was given to sectors such as telecommunications and financial services. The rebased GDP estimate of N80 trillion, makes Nigeria the 26th biggest economy in the world and the largest economy in Africa. After the rebasing, agriculture, largely subsistence farming, which used to contribute 35.0 per cent to the GDP now contributes 22.0 per cent. The oil and gas sector which used to account for 32.0 per cent of the GDP now contributes 14.0 per cent. Manufacturing, which had accounted for approximately 2.0 per cent increased to 6.8 per cent. From 0.9 per cent, the contribution of the telecommunication sector increased to 8.7 per cent. The biggest increase was made in the services sector with a rise in contribution from 29.0 per cent to 52.0 per cent.

The NBS expect GDP to grow by an average of 8.12 per cent between 2014 and 2018.

3.2 Inflation

According to the NBS, inflation edged up to 7.8 per cent in March from 7.7 per cent in February, as a result of higher prices in the bread and cereals, fish, dairy, oils and fats, and fruits. The Central Bank is officially targeting a consumer inflation rate of between 6.0 and 9.0 per cent in 2014, with a longer-term goal of reducing inflation to around 5.0 per cent by the end of 2015. Nigeria plans to reweight its inflation index by the end of 2014, using 2009 as its base year instead of the current 2004 to reflect the impact of non-food items on prices more accurately.

3.3 Foreign Reserves

The Central Bank of Nigeria's decision to keep defending the falling Naira from the nation's external reserves has resulted in the foreign reserves declining from $43.7bn on December 27, 2013, to $37.9bn as of April 15, 2014.

3.4 Government Debt

According to the Debt Management Office, the Federal and 36 State Governments as well as the Federal Capital Territory owed N10.04tn ($64.51bn) as at the end of December 2013. N8.67tn or 86.32 per cent of the total debt was borrowed from domestic sources, while N1.37tn or 13.68 per cent was borrowed from external sources. The Federal Government borrowed N8.05tn or 80.19 per cent of the total, while the 36 states and the FCT borrowed N1.99tn or 19.81 per cent of the nation's total debt stock. Four states had external debt above $100m - Lagos with $938m; Kaduna with $241m; Cross River with $122m; and Ogun with $117m.

4 Financial Sector

4.1 Capital Markets

The Securities and Exchange Commission (SEC) is working towards ensuring that 10 million Nigerians participate in the capital markets by 2024. Currently only about 5 million Nigerians participate in the market. The Executive Commissioner, Operations, SEC, Mr. Mounir Gwarzo said efforts are being made to ensure that the market capitalisation of the Nigerian Stock Exchange (NSE) is about 130 per cent of the country's Gross Domestic Product (GDP) by 2024. Currently the capitalisation is about 27 per cent of Nigeria's GDP. According to him, the capitalisation of the Malaysian market is 270 per cent of the country's GDP, while that of Brazil is 130 per cent. To achieve this target, Mr. Gwaro said the Capital Market Committee will address issues on how to make regulations more effective, develop and launch new products, and reduce transactions costs, among others.

4.2 Financial Inclusion

In March:

- The CBN issued a circular that all prospective bank customers across the country will have to complete uniform account opening forms regardless of the bank they choose to do business with. The CBN explained in the circular that the directive was to ensure that depositors in banks and financial institutions provide necessary background information for effective Know Your Customer due diligence. The CBN further mandated banks and other financial institutions to get additional information from existing bank customers to ensure every customer meets up with the requirements in the new uniform account opening forms.

- The CBN said that the curriculum that would be used to teach financial literacy in schools would be released in 2015. The CBN Director, Consumer Protection Department, Mrs. Umma Dutse, said the central bank was concerned about the high level of financial exclusion in the country, noting that plans had reached an advanced stage to deploy strategies to address the problem. She stated that the CBN in conjunction with other stakeholders in the Financial Literacy Steering Committee, and the Ministry of Education is developing the financial literacy curriculum to be integrated into the Nigerian school curriculum. The idea is educating children about the knowledge and skills to help them to manage their finances when they grow up. There will be different programmes for different phases.

4.3 Banking Industry

According to the latest Central Bank of Nigeria (CBN) economic report covering the fourth quarter of 2013:

- The total assets and liabilities of Deposit Money Banks (DMBs) was N24.335 trillion at the end of the fourth quarter of 2013, which represents an increase of 4.4 per cent over the level at the end of the preceding quarter. The funds, which were sourced largely from increased mobilisation of demand deposit and federal government deposit, were used for accretion to reserves and purchase of government securities.
- Banks' credit to the domestic economy rose by 8.6 per cent above the level in the preceding quarter toN12.225 trillion. The development was largely attributable to the 346.9 per cent increase in claims on the Federal Government.
- The central bank's credit to the banks fell by 1.6 per cent to N229.8 billion at the end of the review quarter, reflecting the decline in overdrafts to banks.
- Total specified liquid assets of the DMBs was N6.615 trillion, representing 39.5 per cent of their total current liabilities.
- Liquidity ratio rose by 1.8 per cent above the level in the preceding quarter
- The loans-to-deposit ratio, at 36.3 per cent, was 2.9 per cent above the level at the end of the preceding quarter, but was 43.7 per cent below the prescribed maximum ratio of 80 per cent.

Biometric Registration

Biometric registration of bank customers is due to commence on April 1. The new biometric registration would lead to the issuing of a Bank Verification Number, a unique identity for every bank customer, and would help to mitigate fraud, money laundering and other vices in the country. The central bank will cover the cost for the initial three to four years. There will be dedicated lines to all financial access points, every ATM and POS in every village will be connected. The CBN will also provide dedicated access points to every primary and secondary school in the hotspot.

ATMs

The Central Bank has given all deposit money banks until June 1, 2014 to install anti-skimming devices on all their ATMs. This is to counter the increase in the number of ATM related fraud and to ensure that the deployment and management of ATMs are in line with global best practices. The apex bank warned that it would invoke appropriate sanctions on any bank for non-compliance of this directive.

4.3.1 Cash-less Policy

The Central Bank of Nigeria Acting Governor, Dr. Sarah Alade, said the Bankers' Committee will not rescind on the plan to extend the cash-less policy to other states in Nigeria from July 1, 2014. Dr. Alade stated that the cash-less policy had recorded huge acceptance in the six states it had been implemented as well as the Federal Capital Territory. "While the CBN is playing a leading role in the development and implementation of this policy, the cooperation among the respective stakeholders is extremely important if we are to ensure the improved efficiency of Nigeria's payment system to contribute to the country's economic and social development through increased financial resources," she added.

4.3.2 E-Payments

To further develop the National Payments System, CBN will commence the nationwide launch of the Cheque Truncation system on June 1, 2014, by reducing the cheque clearing cycle from T+2 to T+1.

In March, the Central Bank introduced a framework on the end-to-end electronic payments of salaries, pensions, suppliers and taxes in the country. This is to ensure the availability of safe and effective mechanisms for conveniently making and receiving all types of payments from any location and at any time, through multiple channels. The apex bank stated that the policy would reduce the time and cost of transactions, minimise leakages in government revenue receipts and at the same time provide reliable audit trails, thereby aligning the Nigerian payment system with global payment standards. The guidelines apply to all public and private sector organisations and entities operating in Nigeria. All public and private sector organisations who maintain relationship with employees, pensioners, suppliers and taxpayers and other entities are considered as relevant stakeholders and are required to work together for the success of the end-to-end electronic payment initiative.

In February, the CBN released an exposure draft of the guidelines for electronic card issuance. The guidelines were developed to provide minimum standards and requirements for the issuance and usage of payment cards in Nigeria. It is also expected to enable issuing banks, financial institutions, processors and cards schemes upgrade and maintain their card operations to ensure optimum security, efficiency, cost effectiveness and customer friendliness. The guidelines also stated that all industry stakeholders that process, transmits or store cardholder information should ensure that their terminals, applications and processing infrastructure comply with the minimum requirements. Only banks licensed by the CBN with clearing capacity will be allowed to issue payment cards to consumers and corporations in Nigeria. Banks without clearing can issue cards in conjunction with those with clearing capacity. All banks are required to seek approval from the CBN for each card brand and type they wish to issue. Payment cards can be issued as debit cards or prepaid cards or credit cards.

4.3.3 Microfinance

In March, the Central Bank approved the liquidation of 83 existing MFBs over engaging in fraudulent and non-operational activities. A total of N102 billion has been earmarked in the 2014 budget of the Nigeria Deposit Insurance Corporation (NDIC), as payment to depositors of the affected MFBs. There is an expectation of stronger microfinance banks (MFBs) in Nigeria, if the institutions that could not meet with their recapitalisation requirements successfully engage and conclude with mergers and acquisitions as directed by the CBN. The CBN stated that the deadline for MFBs recapitalisation expired on December 31, 2013, and that it had directed those that did not meet the requirements of the exercise to merge.

4.3.4 Agriculture Finance

In March, Dr. Akinwumi Adesina, Minister of Agriculture and Rural Development stated that the Federal Government will provide $100 million (N16 billion) for long-term financing for agricultural projects, to assist small-scale operators in the sector. The Federal Ministry of Agriculture and Rural Development, the German Development Bank and the Federal Ministry of Finance have established the Fund for Agricultural Financing, a private equity and quasi-equity and debt Fund, which will deploy $100m in long term finance to agric-businesses. Dr. Adesina explained that the new Fund developed by his Ministry would enable agro-small businesses to access funding for long- term projects in agriculture. The Minister emphasised that the agriculture sector is central to the country's security. "Without food, there cannot be security in Nigeria. The most important security is food security," he said. The Minister said the nation's food import bill has declined from over N2 trillion in 2011 to about N1.5 trillion in 2013. As part of the concrete measures to further reduce the food import bill, Dr. Adesina stated that the Federal Government was targeting to reduce wheat importation to Nigeria by 50 per cent over the next four years. The government spends over N635 billion on the importation of wheat.

Dr. Adesina further added that at least 30 per cent of agricultural loans should be reserved to support female farmers. "If you look at the majority of our farmers, they are women and they are better farmers, but they do not get as much support as the men do, but one of the thing that encourages me is that women are getting their fertilisers through the GES which creates empowerment for them," he said. The Minister also stated that government has concluded plans to establish 400 Agricultural Equipment Hiring centres in the 36 states of the Federation under the 2014 Growth Empowerment Support (GES) scheme.

4.4 Micro, Small and Medium Enterprises (MSMEs)

The Central Bank is in the process of establishing the Secured Transaction and National Collateral Registry which will facilitate the use of movable assets as collateral for either business or consumer credit. This Registry will substantially enhance access to credit through the diversification of eligible assets that can be used as collateral. In recognition of the importance of SMEs in the development of the economy, the CBN said it will continue to collaborate with other stakeholders to evolve initiatives that would facilitate the development of SMEs in 2014/2015. Other SME initiatives undertaken by the CBN include:

i) The N200 billion SME Restructuring and Refinancing Facility (RRF), which was established to re-finance and restructure banks' existing loan portfolios to manufacturers.

ii) The N200 billion SMEs Credit Guarantee Scheme (SMECGS) was established to encourage banks to lend to productive sectors of the economy, by providing 80 per cent guarantee on loans granted by banks to SMEs and manufacturers. The CBN will sustain the scheme in 2014/2015.

iii) The N220 billion Micro, Small, and Medium Enterprises Development Fund (MSMEDF) was established in August 2013. The Fund is designed to provide wholesale facilities, refinancing and guarantees to MSMEs, and disbursement is expected to commence in 2014. The Fund will also provide liquidity support to microfinance banks/microfinance institutions for on-lending to MSMEs. 60 per cent of the Fund will be devoted to women entrepreneurs.

5 Telecoms Sector

The Federal Government has assured Nigerians that it would begin the process of reducing the cost of internet-enabled mobile phones, so as to enable more Nigerians have access to the internet. The Minister of Communications Technology, Mrs. Omobola Johnson disclosed that President Goodluck Jonathan is backing the move by the Ministry to change a law by the Nigerian Copyright Commission that imposes a two per cent tax on mobile devices. The Minister however urged the private sector to develop plans on how to manufacture low cost mobile devices that will enable more Nigerians have access to the Internet.

According to the NCC, in February 2014 the number of inactive telephone lines reached 48,228,027; the number of connected lines was 177,230,928; whilst the number of active lines was 129,002,841. Teledensity reached 92.14%. The table below provides a summary of telephone subscribers in Nigeria as of February 2014:

	Number of connected lines	**Number of active lines**
Mobile GSM	**167,371,945**	**126,246,648**
Mobile CDMA	**7,620,525**	**2,398,581**
Fixed Wired/Wireless	**2,238,458**	**357,612**
Total	**177,230,928**	**129,002,841**

Source: NCC

6 Mobile Money

6.1 Global

Big retailers are muscling in on the likes of Visa, MasterCard and Google in a fiercely competitive and growing mobile payment market that promises to cut transaction costs and increase customer loyalty. Stores such as Britain’s supermarket Tesco and France's Auchan hope their "digital wallets" will also give them more comprehensive data about customers' shopping habits than ever before so they can target advertising. They are joining a crowded market - banks, card companies and tech firms like Google and Apple are all entering the mobile payment business, each hoping their app will become the industry standard. Retailers hope to attract customers to their own services by giving discounts and rewards to those using them, while also linking payments automatically to loyalty schemes and offering features like saved shopping lists.

According to the research firm Gartner, the global market for mobile payments is forecast to grow about threefold by 2017 to $721 billion worth of transactions, with more than 450 million users. The growth could benefit retailers as the competition from a host of payment providers should help drive down the fees stores pay to have transactions processed - a service currently dominated by banks and card firms Visa and MasterCard. Morgan Stanley views merchants as overall beneficiaries of the trend towards mobile payments, as they estimate that retailers in developed countries spent up to $150 billion in 2012 in transaction fees for accepting card payments. However, it is still unclear how the retail mobile payment market will develop, with card companies and banks seen retaining a leading role in processing payments even if cards become obsolete. Retailers' apps might struggle to take off as customers are unlikely to be willing to use a variety of services for different stores, but the success of Starbucks in combining mobile payments with promotions shows big players can succeed. Starbucks, the world's biggest coffee chain, launched its mobile payment and rewards app in 2011. It already has 10 million users and the firm said this month it is looking for ways to expand the programme beyond its own network.

6.2 Africa

According to Pyramid Research, Mobile Money operators' revenue will rise to $3 billion by 2015. Although Safaricom's M-PESA in Kenya has long been the lone success in mobile money, successes are being recorded in Uganda, Tanzania and Nigeria with similar mobile money offerings. MTN Uganda's Mobile Money service accounts for 3 per cent of all airtime sold on its network, and Vodacom's M-PESA service in Tanzania currently has 6 million subscribers with exponential growth of 600 per cent experienced in 2013. Currently, mobile money offerings remain limited and are concentrated in just 22 of the more than 50 African countries. Analysts said the African mobile money market has the potential to grow to a money-making market, but operators, banks and regulators need to work towards developing an enabling environment for business models that meet service providers' revenue demands.

6.3 Tanzania

Mobile phone airtime is as precious to Lucia Njelekele as the chicks that are her livelihood. The poultry farmer relies on her mobile phone for real-time information about demand for her 3,000 livestock from one of Tanzania's biggest supermarkets; to arrange transport; source feed; and consult her vet. Ms. Njelekele's data trail is valuable, the stream of information left by her usage of consumption of airtime, her data purchases, and her social network interactions has persuaded Fanikiwa Microfinance, a local outfit, to provide a loan to expand her business. Despite the 7 per cent economic growth in the nation, Tanzania's female agricultural workers need all the help they can get. The UN found that women in the country earn on average about half what men do and suffer higher levels of unemployment. Women represent about 90 per cent of the country's agricultural workforce, and wages are low. However, Ms. Njelekele has benefited from a credit scoring system designed for consumers without bank accounts by First Access. First Access creates custom-built financial models for lenders such as Fanikiwa to evaluate the creditworthiness of people by evaluating data based on their mobile phone usage. Such credit-scoring services could help many more women across rural Africa qualify for loans. Nicole Stubbs, Chief Executive of First Access said, "Mobile phones have been invaluable to women as communication and transaction devices, but their unsung glory is that they offer a traceable record of those activities. These quasi-formal transactions bring new opportunities for entrepreneurial women such as Ms. Njelekele. With a mobile phone, they can send money or airtime to friends, family, merchants or employees. Women are less likely than men to have home ownership papers, land titles, bank accounts and other official documents. Mobile data will be the next big asset that women can use to access loans."

Bank of Tanzania

Professor Benno Ndulu, Governor, Bank of Tanzania (BoT) has identified the positive relationship between the Tanzania Communications Regulatory Authority (TCRA) and BoT as the major factor that has enabled mobile financial services (MFS) to thrive in the country. He disclosed that the BoT and the TCRA cooperate on the oversight of regulating MFS. According to Professor Ndulu, Tanzania has witnessed unprecedented uptake of mobile financial services in the past five years. After a humble beginning, when less than 1% of the adult population had access to mobile financial services in 2008, 90% had access by September 2013 – an exponential increase. Likewise, active usage has shown similar improvement, with 43% of the adult population actively using this service as of September 2013. He noted that these encouraging results have emerged due to a conducive regulatory environment. "Our approach was to test the deployment of mobile financial services and monitor the developments, i.e., the 'test and learn' approach. To facilitate this, we amended the Bank of Tanzania Act in 2006 to give the Central Bank powers to oversee and regulate non-bank entities offering payment services. In 2007 we operationalised this by issuing Guidelines for Electronic Payment Schemes, which we used to allow Mobile Network Operators (MNOs) to offer payment services. MFS in Tanzania has subsequently become a household name and supported the Bank of Tanzania's objective of achieving financial inclusion. MFS have enabled the unbanked population to have convenient access to payment services. The recently launched National Financial Inclusion Framework recognises MFS as one of the key components for facilitating financial inclusion," he said. From the onset, MNOs were required to partner with banks to receive a letter of no objection, which enabled the BoT to ensure that consumer funds were protected in the banking system backed with a 100% liquidity requirement. Commercial banks have since enhanced their partnerships with the MNOs and are making inroads with second generation MFS in Tanzania.

Professor Ndulu said, "We have learned that new technologies that augur well with the BoT's objective need to be nurtured and monitored closely to ensure they do not cause any financial instability or reputational risk that may affect the country's payment systems. This approach has made MFS in Tanzania a success story. With the increased uptake of the services and based on the dynamics that we see in the market, we are currently shifting the regulatory approach to a 'mandate and monitor' approach, whereby mobile payments regulations will be issued to guide the market without stifling innovation or disrupting the success we have witnessed. Rather, the regulations will ensure that we balance financial stability and financial inclusion objectives. In doing so, we will also continue to ensure that proportionate regulation is applied to the services deployed in the market."

6.4 Kenya

Safaricom

In March, Safaricom's push to take its mobile money transfer business global was boosted with the signing of a deal that will see users of MoneyGram send cash directly to M-PESA customers from any part of the world.. The deal, signed by UK telecommunications company Vodafone (which is Safaricom's majority shareholder) will allow users of MoneyGram in about 200 countries to send money directly to M-PESA subscribers'. The partnership will see Safaricom increase its share of Diaspora remittances in Kenya, which has been a main source of commissions for commercial banks. Diaspora remittances rose by 10.2 per cent in 2013 to Sh111 billion ($1.3 billion). The deal with MoneyGram mirrors the one signed between Safaricom and Western Union in March 2011. The new deal comes just weeks after it emerged that Safaricom is on the verge of signing a similar agreement with UK-based online payments and cash remittances company Skrill, which has capacity to handle transactions and money transfers in 41 currencies. M-PESA has expanded beyond money transfer to include payment of utility bills shopping and receiving dividends.

Equity Bank

Equity Bank has applied for a licence to operate a mobile telephone business. Equity Bank has submitted an application to the Communications Commission of Kenya (CCK) for a licence to become a Mobile Virtual Network Operator (MVNO). This means the company will not operate its own network but will ride on the infrastructure of an existing Mobile Network Operator (MNO) to roll out mobile telephone services. yuMobile's Managing Director, Madhur Taneja said that his company is in talks with Equity Bank and hopes to clinch a deal to share infrastructure, if the Bank is granted a licence. In such a deal, yuMobile would benefit by renting out its surplus or unused resources on its network to Equity Bank. Alternatively, Equity Bank could also roll out branded SIM cards. Currently, Equity Bank has more than 8 million customers, if they all join the Bank's mobile telephone services, it would push the Bank to second position in Kenya's mobile telephone business after Safaricom, which has about 21 million subscribers.

Equity Bank has deepened its presence in mobile money by signing deals with both Airtel and Telkom Kenya. Equity has been active in growing the market for electronic payments, by striking separate deals with Visa and MasterCard to increase use of card payments in Kenya. The market for cashless payments in Kenya is expected to increase significantly in the coming months, because in 2013, President Uhuru Kenyatta directed that cash payments be banned from the public sector beginning April 1, 2014. In addition, all public transport vehicles are expected to use electronic payments by the end of July 2014.

6.5 Nigeria

According to a new report released by the Lafferty Group, the lack of generally accepted proof of formal identification required to comply with KYC regulations has been identified by service providers as a major drawback to the success of mobile money operations in Nigeria. The report highlighted that when this is combined with the need for secure authorisation mechanisms to enable financial services providers manage risk, has resulted in the very low uptake of mobile money services, confined largely to those who already have bank accounts. The report also revealed that the general population's low awareness of mobile money and its benefits, poses another challenge towards 'unlocking' the N1.1 trillion market potential of mobile money. Despite the fact that 70 per cent of Nigerians have access to mobile devices, only 35 per cent have any knowledge of mobile money services. Even more disheartening is that 93 per cent of the mobile money adopters are using the service in conjunction with an existing bank account. The remaining 7 per cent had a bank account, but operated it separately. What this means is that the target audience - the unbanked are largely missing out. The report suggests that mobile money service providers could redirect and re-channel marketing budgets towards general mobile money education and enlightenment.