EFInA Quarterly Review

(July to September 2012)

1 Global Economy

The Global Benchmarking Network ranked Nigeria 115th in its annual Global Competitiveness Report for 2012/2013. Nigeria was ranked 127th last year. The report identified and assessed the drivers of the economy of 144 countries. It aims to capture the complexity of the phenomenon of national competitiveness, which can be improved only through an array of reforms in different areas that affect the longer-term productivity of a country, which is the key factor affecting economic growth performance of economies. The annual assessment is reputed to be one of the most comprehensive ratings of national competitiveness worldwide. Switzerland retained its 1st position this year, as a result of its continuing strong performance across the board; while the United States, continued the decline that began a few years ago, falling two more positions to 7th position.

According to the report, Nigeria moved up to the 115th place in this year's ranking due to improved macroeconomic condition – as well as a financial sector that is recovering from its 2009 crisis – which reflects a positive government balance and a drop in inflation. The report revealed that Nigeria had a number of strengths on which to build on, including the 'relatively large market' which ranked 33rd in the market size category. Nigeria's businesses, according to the report, were also sophisticated by regional standards at 66th position. There were also indications of improvements in the labour market, based on more efficient use of talent. However, the report showed that security issues, which have become a major concern, has worsened since the last rating, and placed Nigeria in 134th position. The report stated that despite a slight improvement since last year, the institutional environment did not support a competitive economy because of concerns about the protection of property rights, ethics and corruption, undue influence, and government inefficiencies. The security situation in the country continues to be dire and has worsened since last year. Nigeria received poor assessments for its infrastructure as well as health and primary education levels at 130th and 142nd positions respectively. The report also stated that the country was not harnessing the latest technologies for productivity enhancements, as demonstrated by its low rates of ICT penetration at 112th position for "Technological Readiness" index.

Some other African countries also fared fairly well in the period reviewed. Liberia entered the rankings for the first time at 111th place; Ghana was placed at 103rd moving up by 11 places from last year due to improvements in the basic requirements of its macroeconomic stability, health and educational outcomes; South Africa was ranked 52nd and remained the highest-ranked country in sub-Saharan Africa.

Africa's competitiveness, according to the report has improved in recent years in specific areas. However, looking forward, to better enable national economies to ensure solid future economic performance, African economies must continue to make efforts to develop economic environments that are based on productivity enhancements. This means keeping a clear focus on strengthening the institutional, physical, and human capital prerequisites for strong and competitive private-sector led development. Only in this way will Africa be able to sustain and even accelerate its progress in the positive direction that it has taken over the past decade.

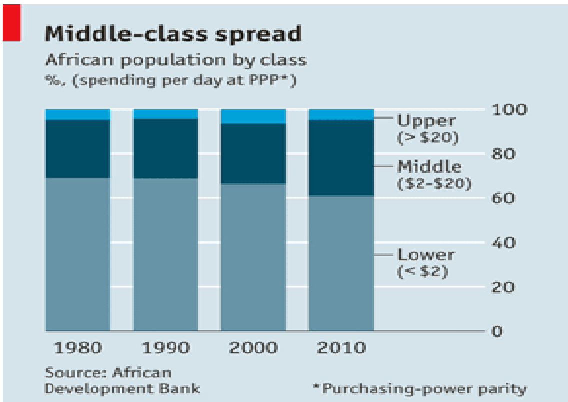
Sub-Saharan Africa has grown impressively over the past 15 years. Indeed, growth rates of over 5.0 percent in the past two years have made it one of the fastest-growing regions in the world, far exceeding the global average. The region has also bounced back rapidly from the global economic crisis, when GDP regional growth dropped to 2.8 percent in 2009. These developments highlight both Africa's resilience as well as its vulnerability to global economic developments, with the region characterized by wide regional disparities.

As was the case in previous years, this year's top 10 was dominated by European countries. Switzerland, Finland, Sweden, the Netherlands, Germany and the United Kingdom were among the most competitive economies of the world. The United States, along with three Asian economies, also featured in the top 10, with Singapore remaining the second-most competitive economy in the world. Hong Kong, Japan and China placed 9th, 10th and 29th respectively.

2 African Economies

According to the African Development Bank (ADB), Africa has an economy worth $1.8 trillion and is forecast to have a population of $1.3 billion by 2020. "Lion" economies such as Ghana and Rwanda have grown faster than South Korea, Taiwan and other East Asian "tiger" economies in five of the past seven years, albeit from a low base.

Africa's attractiveness stems from its new middle class, loosely defined by the ADB as anyone who spends between $2 and $20 a day in purchasing-power parity terms. The ADB estimates that more than 34% of Africans (326m people) fall into this category, up from 27% in 2000 as shown in the chart below.



3 Nigerian Economy

3.1 US Government Financing Scheme

In September, the Federal Government of Nigeria signed a bilateral agreement with the United States government for a $340 million (N53.4 billion) financing scheme, to assist in the development needs of Nigeria. The Minister of National Planning, Shamsudeen Usman said that the financial support would be employed in the most critical areas of need, which would be in line with the development priorities of Nigeria. He added, “Nigeria needs to play a significant role in defining what the priority is and the strategy and the areas that the assistance has to go into.”

The US government, through USAID, will provide nearly $340 million in assistance from now until next year, to support Nigeria’s development efforts. The agreement is part of the 2010 strategic intervention fund agreement that USAID signed to support the development of skills acquisition; improved capacity; quality basic education; health care services; and agriculture. It would also help in strengthening the capacity of the states and local governments to effectively manage education, services and encourage the planned revival of agriculture.

3.2 Poverty Levels

The Resident Representative of the United Nations Development Programme (UNDP), Daouda Toure, raised concerns over rising unemployment rate and worsening poverty levels in Nigeria. Toure noted that, “For almost a decade, Nigeria has been recording consistently high economic growth rates that had not produced commensurate employment opportunities and reduction in poverty among its citizens.” According to him, the situation was what was often referred to by some analysts as ‘jobless growth’. Poverty levels in Nigeria worsened between 2004 and 2010. Unemployment continues to increase, from 12.3 percent in 2006 to 23.9 percent in 2011. More disturbing is that the average youth unemployment rate in Nigeria was 46.5 percent in 2011. He said the situation called for concern and attention, “Given that we are less than 3 years from the target for achieving the MDG goals on the reduction of poverty and hunger.” It is recognised that there is a need for an integrated and comprehensive approach that included interventions at both macro and micro levels.

Toure said that Nigeria, like most African countries, has a large young and growing population. This huge proportion of young and growing population presents both opportunities and challenges. In terms of opportunities, it provides abundant labour supply with creative potential. He urged the Nigerian government to engage in growth patterns that generate jobs on a large scale to absorb the additional labour. There is need for a rethink and shift from jobless growth strategies toward inclusive and pro-poor growth strategies that equip youths and women with required skills for decent employment.

3.3 Inflation

According to the National Bureau of Statistics (NBS), Nigeria's inflation rate was 11.7 percent in August, which represented a decline, when compared to the 12.8 percent recorded in July. The decline in inflation is mainly attributable to the relative slower rises in both the food and core indices, partly as a result of aggressive monetary policy initiatives by the Central Bank of Nigeria; and a much lower rise in several food prices, such as yams, tubers and vegetables due to the harvest season.

3.4 Gross Domestic Product

Nigeria recorded a 6.28 percent growth in the Gross Domestic Product (GDP) for the second quarter of 2012, according to the National Bureau of Statistics (NBS). The growth was however lower than the 7.61 percent growth that the economy recorded in the corresponding period of 2011. The nominal GDP for Q2 2012 was N9.84tn, compared to N9.17tn recorded in the corresponding period of 2011.

The NBS revealed that the non-oil sector, which was driven by growth in the building and construction sector, recorded a 7.50 percent growth in real terms in Q2 2012, as against 8.85 percent in the corresponding period in 2011. Whilst the oil sector contributed about 13.86 percent to real GDP in Q2 2012, compared to 14.84 percent in the corresponding period in 2011.

3.5 Foreign Reserves

According to the Central Bank, Nigeria's external reserves reached $41.17bn on 10 September which represents a 29-month high. Foreign exchange reserves have been on the rise for over a month and increased by 12.74 percent when compared to what was recorded on 10 August, when the foreign reserves were $36.51bn. Foreign reserves have not been this high since 16 April 2010, when they were $41.51bn.

3.6 Sovereign Debt

The Debt Management Office stated that the domestic debt had increased from N5.97tn ($37.71bn) at the end of the Q1 2012, to N6.15tn ($38.89bn) at the end of Q2 2012. This represents an increase of N187bn or 3.0 percent over the figure recorded in the first quarter. A breakdown of domestic debt showed that FGN bonds accounted for N3.71tn or 60.37 percent of the money borrowed; Nigerian Treasury Bills accounted for N2.08tn or 33.88 percent, while Treasury Bonds accounted for N353bn or 5.75 percent. Currently, the debt to GDP ratio is slightly less than 20 percent.

3.7 Unemployment

In September, President Goodluck Jonathan, appealed to international development partners and the private sector to support the Federal Government's effort at creating jobs for the youth. The President said the second phase of the Youth Enterprise with Innovation in Nigeria (YouWin) programme, was due to commence. He said 1,200 award winners would be selected across the six geo-political zones, in which each beneficiary would receive between N1 million to N10 million in addition to other training programmes. The President asked relevant stakeholders, including international development partners and the private sector operators to work with government in the execution of the programme. Although jobs can be created through direct employment by government, a more sustainable approach to job creation is encouraging the private sector. To do that, Nigeria needs to build young entrepreneurs that will be able to employ five or more people and that multiplier effect will provide more job opportunities than even government.

The Minister of Finance and the Coordinating Minister for the Economy, Dr Ngozi Okonjo-Iweala, stated that the maiden edition of the YouWin Business Plan competition was inaugurated in October 2011. She said the programme, which was aimed at attracting ideas and innovation from Nigerian youth entrepreneurs, had progressed well and yielded fruitful results. The Minister stated that since disbursement commenced in July 2012, about 933 of the 1,200 beneficiaries of the first batch of YouWin award winners received the first tranche of about N1.03 billion of their award funds and are already implementing their approved business plans.

3.8 Agriculture

The Minister of Agriculture and Rural Development, Dr. Akinwunmi Adesina, stated that Nigeria has more than 84 million hectares of arable land. He noted that Nigeria has the capacity to attain food sufficiency, generate a substantial amount from foreign income from sales of agricultural products and create thousands of job opportunities.

The Federal Government has concluded plans to distribute 10 million mobile phones to small-holder farmers next year. The distribution scheme is being handled by the Ministry of Agriculture and Rural Development, in collaboration with the Ministry of Communications Technology. According to the Minister of Agriculture and Rural Development, Dr. Akinwunmi Adesina, the phones will carry features such as information on climatic conditions, market prices of farm produce, contract workers and how the farmers can access agricultural funds. He explained that this would be rolled into the second phase of the Growth Enhancement Support (GES) scheme. The scheme is a Federal Government’s initiative, aimed at subsidising the cost of major agricultural inputs, such as fertiliser and seeds. Under the initiative, the direct procurement and distribution of farm inputs to farmers will be discontinued and supplies are expected to be done through an electronic distribution channel known as the e-wallet. The conditions of the e-wallet scheme stipulate that a farmer, registered under the scheme, is expected to pay 50 percent of the cost of farm inputs, while the federal and state governments would pay 25 percent each.

4 Financial Sector

4.1 Nigerian Stock Exchange

On 5 September 2012, the Nigerian Stock Exchange (NSE) All-Share Index reached a 59 week high, crossing the 24,000 level, its highest since 13 July 2011, when it closed at 24,410. However, the All-Share Index was still 65 percent below the highest it attained over four years ago. The Index reached a record peak of 66,121 on 10 March 2008.

To further bolster liquidity, enhance trading and make the stock market more attractive to investors, the NSE recently unveiled plans to introduce securities lending. These plans are proposed to become effective by the last quarter of 2012. The Central Bank of Nigeria has also issued Guidelines on Certificate of Capital Importation Issuing Process for Inflow in respect of securities lending to facilitate the ease of importation and remittance of capital and accruements thereon. While securities lending has been an essential part of capital market activities in most developed markets, it is a new phenomenon in Nigeria and the legal framework is still being honed to provide an enabling environment; remove bottlenecks; identify risks; incorporate mitigants; and incorporate international best practices.

4.2 Bond Market

Analysts have predicted that the Nigerian bond market could reach N5 trillion ($30.98 billion) by the end of 2013. Currently, the total value of the Federal Government of Nigeria (FGN) Bond market is estimated to be about N3.7 trillion ($23.99 billion), according to data from Dunn Loren Merrifield. The bond market is set to deepen in the next few months, owing to plans by JP Morgan, to add Nigerian domestic bonds to its Emerging Markets Government Bond Index, by the fourth quarter of 2012. This is expected to lead to an increase in portfolio flows of up to $1 billion or N160 billion into FGN Bonds and have a positive impact on the Naira.

4.3 Financial Inclusion

The last few months in the Nigeria's financial sector has witnessed a growing chorus of voices calling for a shift from cash-based economies to a cash-less economy. The move is fast becoming a top priority for governments, non-governmental organisations and companies focused on expanding financial access to the underserved. To many analysts, not only is the move to enhance financial inclusion too costly and unsustainable to reach people who rely solely on cash-based financial services, but also relying solely on cash severely limits economic and social growth. Recent statistics show that nearly 2.5 billion people - almost half the world's adult population do not have access to formal financial services. Without basic payments and savings accounts, money is often kept in cash under the mattress then moved around from person to person, drastically increasing the risk of theft or loss. The implications of financial exclusion are significant and far-reaching, reinforcing the cycle of poverty and slowing economic progress.

Improving access to financial services, including savings accounts, can make all the difference. Despite the ideas about the financial inclusion drive, there are significant challenges. How can commercial financial institutions provide access to savings for low-income women in an economically sustainable way? How can technology and innovation play a role in breaking down the barriers - such as physical distance from a bank branch - to provide greater access to savings? To address these challenges, experts advocate for enhanced customer service and agent banking as part of achieving the desired end. The experts added that the use of retail agents, whereby retailers serve as intermediaries between banks and customers, if employed as it is presently done in some developing African countries would promote financial inclusion. Financial inclusion is important, as no nation can progress and develop if majority of its population is under-banked or have no access to financial services.

Furthermore, the experts believe that for financial inclusion to be sustainable, key challenges with infrastructure, KYC, financial literacy and affordability of banks' products should be addressed. Financial institutions should harness the opportunities created by the recent growth of mobile money that has allowed millions of people, who are otherwise excluded from the formal financial system to perform financial transactions relatively cheaply, securely, and reliably. The lack of access to finance and high levels of financial exclusion in Nigeria means that the robust economic growth of the past decade is not trickling down to the people, who need it the most, as only large corporate and guaranteed wage earners in the public and private sector have access to credit.

By any measure, global or domestic, the unbanked and under-banked population represent a large, and potentially profitable, untapped market. The developing world is serving as a crucible of innovation for a new payments infrastructure for financial services - one that relies less on the physical presence of branch offices and more on wireless telecommunications and the Internet. In countries like India and Kenya, for example, unbanked and underbanked consumers are typically able to meet many of their financial services needs through the use of two relatively new payments channels — prepaid cards and mobile phones. However, the same feat is yet to be achieved in Nigeria. Alternative payment channels like the use of prepaid cards can offer unbanked and underbanked consumers' access to online shopping and bill payments, as well as a host of other traditional banking activities. Moreover, many governments around the world are increasingly adopting prepaid cards as a preferred mechanism for making benefits payments to consumers because it can be cheaper, faster, and more secure to transfer funds to cards than other payment channels.

Similarly, payments through mobile phones are also becoming more common. According to the International Telecommunication Union, there were 5.9 billion mobile phone subscribers in the world at the end of 2011. With a global reach of 87 percent and a developing-world adoption rate of 79 percent, mobile phones are used almost everywhere and by virtually every consumer segment.

While banks traditionally have been the providers of retail payment services, they are now facing a real threat of disruption, as new technologies and new types of financial and non-financial intermediaries are combining to provide alternative and less-expensive solutions. Banks, non-banking financial institutions; financial services technology players, and investors need to address the following issues:

- Will the traditional model of retail bank accounts be the primary vehicle for providing financial services to most people?
- Are banks really in danger of being dis-intermediated by new financial services firms or instruments?
- Can incumbent players retake leadership and, if so, what are some of the keys to success?

However, experts have noted that traditional banks could be at risk of missing an opportunity to expand their addressable market and increase revenues at a time when other banking revenue streams are under pressure from the global slowdown, regulatory actions, and competition from alternative providers. Banks could face significant disintermediation threats from non-traditional providers facilitated by new technologies and operating models with inherently lower costs.

4.4 Banking Industry

In August, Nigeria's main rating agency, Agusto & Company, upgraded the banking sector on from Bb to Bbb, with a stable outlook, citing improved earnings and capital ratios. In a ratings report on Nigerian banks, the agency said credit growth was gradually returning and risk aversion waning as banks recovered from the shock of a $4bn bail-out in 2009. It said the upgrade was based on the banks' financial stability and their capacity to meet their obligations, assuming the political environment did not get any riskier. Nigerian banks have shown a sharp recovery in earnings during the first half of 2012.

4.4.1 Banking Reforms

Unique Identity Data

In July, the Central Bank of Nigeria (CBN) revealed plans by the Bankers' Committee to introduce unique identity data for the banking industry. The Deputy Governor, Operations, CBN, Mr. Tunde Lemo, said that the plans by the Committee were different from an earlier plan to collaborate with the National Identity Management Commission (NIMC). According to him, a sub-Committee, chaired by the Chief Executive Officer of Zenith Bank has been set up to drive the process. He explained: "We want to ensure that everybody will be uniquely identified, so that a customer will not dupe bank A and re-appear in bank B. The Bankers' Committee has agreed that for now, we are going to come together and invest in common, ubiquitous data that will be available to all banks." The Committee is working on establishing a biometric based unique identification portal that will be available to all the banks, so as to ensure that all customers across the entire industry have unique identification. He further added that, "I believe that the idea of the NIMC is very good, it is something that we all have to migrate to in the future, but until that is done, we want to have something that the industry can use, the need for the banking industry to have unique data base is very compelling."

4.4.2 Cash-less Policy

The CBN's cash-less policy was designed to break the traditional barriers hindering financial inclusion for millions of Nigerians and bring low-cost, secure and convenient financial services to urban, semi-urban and rural areas across the country especially through mobile payments. According to the CBN Governor, an efficient and modern payment system is positively correlated with economic development as it serves as a key factor to achieve economic growth. "From the regulatory angle, this policy will also create an environment for more effective monetary policy implementation, create a more stable pricing system and curb the menace of inflation which is deterrent to the growth and development of any economy," he said. The CBN stated that 65 percent of cash in circulation in the country was still outside of the banking system, which affects price and economic stabilization. Moving from a cash-based society to a cash-less one would facilitate the exchange of goods and services at lower costs, as well as help to integrate markets within and across regions.

The CBN Governor said the Nigerian economy was too heavily cash oriented in transactions of goods and services, which negated global trends and might hamper Nigeria's ambition to be among the top 20 economies of the world by the year 2020.

However, a major challenge for the CBN and, indeed, the banks, would be working out an effective method of educating the unbanked, underserved/underbanked and the not-so-informed on financial services, on the need to adopt electronic payment channels. Experts have noted that the financial literacy campaign spearheaded by the Central Bank and stakeholders in the electronic payment towards enlightening the public of the electronic payment system needs to be intensified, in order to close the current gaps hindering the effective rollout of the policy.

The Head, Share Services Office, CBN, Mr. Chidi Umeano, called for the standardisation of pricing so as to encourage usage and adoption of alternative channels. The CBN is encouraging the integration of mobile payments with POS and ATMs to facilitate cash-back services without having to use agents. Umeano said, "We have identified a lot of issues and we are working on them. One of them is infrastructure. Connectivity is a major problem because we rely on cheapest way of communication, which is the GPRS technology. We are engaging the telcos on how to get that done effectively." To further reduce POS downtime, Umeano said the POS terminals currently being deployed have 24 hours battery life, in case of power outage; two SIM slots for better connectivity; and a car charger for alternative charging. He added that the POS terminals were multi-functional for various transactions such as payments, airtime top-up, and cash-back.

4.4.3 Microfinance

Nigerian microfinance banks may soon be recapitalized to the tune of $30 billion (N4.7 trillion), as 9 investors have announced their willingness to inject more funds into the sub-sector. The $30 billion fund may come in the form of grants to the MFBs and would be provided by Blue Orchard; Alitheia Capital; Bank of Agriculture; Partners for Development; Nigeria Capital Development Fund; French Development Agency; Proparco; PlaNet Finance; and African Development Bank.

The President of the National Association of Microfinance Bank, Jethro Akum disclosed that a Nigerian Microfinance Private Fund Institution would be established to collect funds from foreign investors to invest in MFBs. Mr. Akum noted that the establishment of a MFB private fund institution would help in stabilizing the sub-sector by alleviating the challenges of liquidity and available refinancing funds for MFBs and MFIs in Nigeria. The MFB private fund institution, he said, would also provide rural dwellers with easy access to soft loans.

Funding is a major challenge for most microfinance bank operators. MFBs believe that with access to grants, their funding challenges will reduce to the barest minimum. The present funding capacity of the microfinance sub-sector is extremely low compared to the enormous task of empowering the active poor in order to make them self-sufficient. Microfinance banks in Nigeria have not had access to cheap funds from government and regulatory authorities. Majority of the microfinance banks rely on share capital from their promoters and funds mobilized in the course of business from the active poor customers. They also access funds from deposit money banks at very high interest rates and also lend to their customers at high rates. Like other countries where governments set aside funds for on-lending to reduce poverty, microfinance banks in Nigeria need grants for the same purpose. This will enable microfinance banks deliver low cost financial services to their clients. It will also enhance financial inclusion among this group of people.

4.5 Micro, Small and Medium Enterprises

4.5.1 First National Survey on Micro, Small and Medium Enterprises

The National Bureau of Statistics (NBS) conducted the first national survey on Micro, Small and Medium Enterprises (MSMEs) in Nigeria. The paucity of credible and reliable MSME data is one of the main constraints to evolving a strategic action plan towards an efficient and sustainable MSME sector. The survey covered micro, small and medium enterprises in Nigeria, employing below 200 people. It was conducted in all 36 states and the Federal Capital Territory.

The survey revealed that there were a total of 17,284,671 micro, small and medium enterprises in Nigeria, out of which micro enterprises account for 99.87 percent with 17.26 million enterprises. For micro enterprises, their sources of capital were personal savings with 84.6 percent; family with 29.8 percent; loans with 9.2 percent and co-operatives/Esusu with 8.0 percent. Whilst for small and medium enterprises, their main sources of capital were personal savings with 54.4 percent; followed by loans with 22.0 percent; and family with 16.7 percent.

The key findings of the survey were as follows:

- Lagos state had the highest number of MSMEs (4,535), whilst Osun state had the least (100).
- The total number of people employed in the MSME sector as at December 2010 was 32,414,884.
- 42.1 percent of microenterprises were owned by female entrepreneurs, as against 13.57 percent for small and medium enterprises.
- Over 70 percent of the entrepreneurs did not have patent rights, so their intellectual property was not protected.
- The ownership structure by age showed that the age bracket of 24 to 50 years dominates.
- In terms of average capacity utilization, most of the MSMEs were operating below optimum capacity.
- Most of the enterprises were operating without a business plan and most of them did not belong to any business membership association.
- Most owners of MSMEs are sole proprietors.
- The top three priorities for MSMEs were access to finance, infrastructure and regular power and water supply.

4.6 Microinsurance

The Team Leader of the ILO Micro-insurance Innovation Facility, Mr. Craig Churchill stated that, "Microinsurance is not just a scaled down version of conventional insurance - the products and processes need to be completely re-engineered to meet the characteristics and preferences of the low-income market." In the last 10 years, some innovative operators have developed various products and distribution channels in order to increase their market share. The needs of the poor and low income earners differ in many ways from those of the middle class, rich and affluent in the society. Most importantly, they need protection for their work tools, unemployment protection, sickness cover and funeral insurance.

The Commissioner for Insurance, Mr. Fola Daniel, stated that the National Insurance Commission (NAICOM) was developing various initiatives to make insurance more acceptable at all levels. According to him, the development of the microinsurance market is one of the objectives of the Market Development and Restructuring Initiative (MDRI) of the Commission. He said, "We have put in place draft guidelines for microinsurance in Nigeria. The draft is being exposed to the industry, experts and other stakeholders for their input and contribution before the draft will be finalised and released to the market. We also intend to collaborate with other relevant regulatory agencies in this drive." The Commissioner said that this was part of NAICOM's drive to open up and develop the insurance market at the grass roots and by extension, increase the sector's contribution to Nigeria's Gross Domestic Product.

4.7 Non-Interest (Islamic) Finance

In July, the Nigerian Stock Exchange (NSE) in partnership with Lotus Capital Limited, inaugurated the first Islamic Index on the capital market. The Chief Executive Officer, NSE, Mr. Oscar Onyema, noted that the Index would help to improve diversification. The NSE Lotus Islamic Index consists of companies whose business practices conform with the principles of Shari'ah. He said, "We believe that it will increase the breadth of the market and create an important benchmark for investments as the alternative non-interest investment space widens."

5 Telecoms Sector

Experts have projected that network operators need to roll out an additional 60,000 base stations to match the demand for service in the marketplace. However, considering the challenging operating environment which inhibits the roll out of base stations, operators are tasked to look for immediate solutions to provide adequate service to the increasing number of subscribers.

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

	Number of connected lines	Number of active lines
Mobile GSM	**125,039,162**	**101,404,011**
Mobile CDMA	**13,862,447**	**3,347,716**
Fixed Wired/Wireless	**2,395,680**	**488,088**
Total	**141,297,289**	**105,239,815**

Source: NCC

6 Mobile Money

6.1 Nigeria

In July, the Central Bank said it was working closely with the Nigeria Deposit Insurance Corporation (NDIC) to design an insurance product to protect customers in the event of failure of any of the mobile payment operators. Director, Banking and Payment Department, CBN, Mr. Oladipupo Fatokun, explained that the move is part of efforts to grow the mobile money subscription base in the country.

The inability of some licensed mobile money operators to roll out financial services after acquiring licenses over a year ago is slowing down the Central Bank's' cash-less Nigeria project aimed at reducing the amount of cash circulating in the economy, and encouraging more electronic-based transactions. With over 60 percent of the population having access to mobile phones, analysts argue that mobile money is a veritable tool to provide low-cost financial services, especially to the unbanked. Despite the huge investments already channelled into the mobile money ecosystem by mobile money operators, poor awareness, according to industry analysts has slowed down the uptake. Although there are some mobile money licensees who are rolling out innovative financial services and building agent networks, the process is rather slow.

Experts argue that the growth and development of mobile money in Nigeria is largely dependent on a robust agent network. However, many mobile money operators who have launched financial services are still struggling with developing robust agent networks. In all the countries where mobile money has been a success, the top three activities by expenditure is building agent networks, technology and marketing. However, in Nigeria, it seems marketing is taking the largest expenditure spend, followed by technology and lastly, agent networks. Some providers are making limited investment in building agent networks in expectation that in near future, the regulator will enforce a shared agent network and they don't want to make investments that will benefit their competitors.

6.2 Africa

Ovum, a research firm, estimates that there will be 1.2 billion mobile money users in Africa by 2015. Kenya is currently the dominant player in Africa's mobile payment markets with over 20 million subscribers. As at January 2012, Uganda's mobile money market had expanded to an estimated 1.5 million users between three providers. According to new data from World Wide Worx, 37 percent of South Africa's cell phone users also use mobile money services.

M-PESA, Kenya's popular mobile money transfer system has inspired several similar models all over the world. Kenya's mobile penetration plus the simplicity and effectiveness of M-PESA are reasons for its popularity – 68 percent of Kenyans use their mobile phones to transfer money. The World Bank found that M-PESA users are a third more likely to have some savings than their peers. More than half of all the world's mobile-money transactions are handled by Safaricom. However Kenya's success has yet to be replicated at such scale in other developing countries, because for example not all have Kenya's specific mix of circumstances. Safaricom had a dominant market share when it launched M-PESA, giving the service a large base of potential customers.