EFInA Quarterly Review

(July to September 2016)

1 Global Economy

1.1 Growth

According to the International Monetary Fund's latest Global Financial Stability Report, financial stability risks that were reported earlier this year, including Britain's exit from the European Union (BREXIT) and its possible global repercussions, high levels of corporate indebtedness in emerging markets, and uncertainties about China's growth transition have abated. Peter Dattels, Deputy Director of the IMF's Monetary and Capital Markets Department said that Medium-term risks are building because the world's economy is entering a new era, characterised by chronic weak growth, prolonged low interest rates, and growing political and policy uncertainty. This could undermine the health of financial institutions and add to the forces of economic and financial stagnation.

Low, uneven, and unequal growth risks are opening the door to more populist and inward-looking policies, leading to a loss of political cohesion and a rise in policy uncertainty in some countries. One outcome of this weak economic environment and heavy reliance on unconventional monetary policies is that financial markets expect negative policy interest rates in the euro area and Japan to last through the end of this decade. An unprecedented result is that almost 40 per cent of advanced economy government bonds carry negative yields.

Financial stability now depends on how well financial institutions adapt to this new era, according to the IMF. Since the financial crisis reported above, enhanced regulation and oversight have strengthened banks' capital and liquidity buffers, making them safer. However, this new era of low growth and low rates threatens to undermine these gains.

Emerging markets must adapt to the new era of lower global growth, lower commodity prices, and reduced global trade, according to the IMF. Low interest rates and investors' search for higher returns on their investments present an opportunity for highly indebted firms to restructure their balance sheets and reduce the burden of higher debt levels. Corporate debt in many emerging markets may have peaked, since firms have slashed investment in the wake of commodity price declines, reducing the need for borrowing. These trends are helping to slow the rate of growth of credit to the private sector, and reducing the level of excess credit.

Banks in most emerging markets appear to have sufficient capital and liquidity to cushion their current holdings of non-performing loans. The bad news is that, while debt may have peaked, defaults are likely to rise further. The report also finds that larger bank buffers are needed in several emerging markets. To insure against this, authorities need to address corporate vulnerabilities, including swift recognition of nonperforming loans and strong of insolvency frameworks. Globally, policymakers should tackle medium-term challenges now to avoid economic and financial stagnation. The financial policies outlined in the report form part of the IMF's three pronged strategy i.e. using structural, fiscal, and monetary policies within and across countries over time, to achieve stronger growth and financial stability.

1.2 Employment

The International Labour Organisation (ILO) estimates that the global youth unemployment rate is expected to reach 13.1 per cent in 2016 and remain at that level through to 2017 (up from 12.9 per cent in 2015). The ILO's World Employment and Social Outlook 2016, Trends for Youth report shows that the global number of unemployed youths is set to rise by half a million this year to reach 71 million (table 1) – the first such increase in 3 years. Of greater concern is the number of young people, often in emerging and developing countries, who live in extreme or moderate poverty despite having a job. In fact, 156 million or 37.7 per cent of working youths are in extreme or moderate poverty (compared to 26 per cent of working adults).

Table 1: Youth unemployment and working poverty trends and projections 2017

	Youth unemployment rate, 2007–17 (percentages)				Unemployed youth, 2015–17 (millions)		
	2007–14	2015	2016	2017	2015	2016	2017
World		12.9	13.1	13.1	70.5	71.0	71.0
Developed countries		15.0	14.5	14.3	10.2	9.8	9.6
Emerging countries		13.3	13.6	13.7	52.9	53.5	53.5
Developing countries		9.4	9.5	9.4	7.4	7.7	7.9
	Youth working poverty rate, 2007–17 (percentages)				**Youth working poverty, 2015–17 (millions)**		
	2007–14	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Total emerging and developing		38.4	37.7	36.9	159.9	156.0	152.2
Emerging countries		31.2	30.2	29.3	107.3	102.7	98.4
Developing countries		73.3	72.2	71.0	52.6	53.3	53.8

Source: *World Employment and Social Outlook 2016: Trends for Youth*

ILO Deputy Director-General for Policy, Deborah Greenfield said that the alarming rise in youth unemployment and the equally disturbing high levels of young people who work but still live in poverty show how difficult it will be to reach the global goal to end poverty by 2030 unless redoubled efforts are made to achieve sustainable economic growth and decent work. This research also highlights wide disparities between young women and men in the labour market that need to be addressed.

Across most labour market indicators, wide disparities exist between young women and men, underpinning and giving rise to wider gaps during the transition to adulthood. In 2016, for instance, the labour force participation rate for young men stands at 53.9 per cent compared to 37.3 per cent for young women – representing a gap of 16.6 percentage points. The challenge is particularly acute in Southern Asia, the Arab States and Northern Africa, where female youth participation rates are, respectively, 32.9, 32.3 and 30.2 percentage points lower than those of male youth in 2016.

1.3 Financial Inclusion

The Centre for Financial Inclusion in partnership with the Institute of International Finance (IIF) examined the reported role of banks in driving financial inclusion. According to the World Bank's Global Findex database, over 90 per cent of the 721 million new accounts opened between 2011 and 2014 were opened at financial institutions—the vast majority banks, but also including credit unions, cooperatives, microfinance institutions, and postal banks. Banks are playing a leading role in providing and extending financial services to underserved populations by increasingly designing viable business models to serve unbanked and underbanked populations, which has been estimated to be a $380 billion market opportunity.

To better understand the strategies enabling this growth, and to help banks, their partners, and the public sector work together to deepen financial inclusion, executives from 24 leading banks working in emerging markets were interviewed to understand their business strategies, how technology and partnerships can enable inclusion, and where they see obstacles going forward. The key findings are:

Banks' Top Opportunities in Financial Inclusion

- Build on digital payments, including:
    - G2P - procurement, payroll, social transfers, pensions, etc.
    - Private sector - retailers, consumer goods companies, payroll, etc.
- Start with the underbanked and use data to understand their needs
- Cross-sell the full range of products
- Address the usage gap by building financial capability
- Develop the ecosystem through bank-led partnerships, increasing customer convenience while sharing costs and risk
- Enable remote account opening using digital IDs, supported by proportional, tiered KYC requirements
- Align all systems to digital banking, benefiting banked, underbanked and unbanked customers

Banks' Top Barriers to Financial Inclusion

- Lack of trust - in banks, in digital, in agents - leading to lack of uptake
- Lack of financial capability and digital literacy - leading to lack of usage
- Agent networks - building them, equipping them, ensuring their quality
- Data - privacy, security, cost, lack of capacity to analyse the data, lack of willingness for parties to share data, and regulations around these issues
- Regulatory issues, especially pricing, capacity, and KYC requirements
- Lack of coordination among government bodies
- Lack of connectivity/infrastructure

1.4 Women Empowerment

In September 2016, Ms. Christine Lagarde, Managing Director of the International Monetary Fund, issued a statement in a United Nations High-Level Panel on "*Women Economic Empowerment*". She stated that she is heartened that the world is working together to promote greater female participation in the workforce and that the IMF will continue to work with its member countries to ensure that women play a larger role in the economy in order to boost growth, reduce income inequality, and support economic diversification.

She also announced five specific actions by the IMF toward closing the gender gap, which are:

- Pledge to further strengthen our policy advice and analysis to support female labour force participation

- Promise to continue our work to address gender data gaps, with the aim of supporting the financial inclusion of women
- Commitment to push forward our work on gender budgeting, including through policy advice to member countries
- Build on recent research with the objective of helping to break down the discriminatory effects of legal restrictions
- Commitment to undertake further research on the links between gender inequality and growth, and the impact of policies on gender inequality."

2 African Economies

2.1 *Growth*

According to the new Africa's Pulse, a bi-annual analysis of the state of African economies conducted by the World Bank, the countries of Sub-Saharan Africa present a diversified landscape of economic growth. While economic growth across the continent is projected to fall to 1.6 per cent this year, which is the lowest level in over two decades, GDP growth is showing resilience in about a quarter of countries. Some of the best performers, Ethiopia, Rwanda, and Tanzania have continued to post annual average growth rates of over 6 per cent; and Côte d'Ivoire and Senegal have recently climbed into the ranks of top performing countries.

The weak aggregate economic performance is mainly a reflection of deteriorating economic performance in the continent's largest economies: Nigeria and South Africa, which together account for half the region's output. In Nigeria, GDP contracted during the first two quarters of the year due to low oil revenues and a fall in manufacturing, among other things. In South Africa, the economy contracted slightly in the first quarter, before rebounding in the second quarter, thanks to an increase in mining and manufacturing output. Generally, oil exporters in Sub-Saharan Africa continue to experience slippages in economic growth due to shocks from the collapse of commodity prices. This underlines once more the limited diversification of their economies.

According to Punam Chuhan-Pole, World Bank Lead Economist for Africa, adjustment to low commodities has been limited in several commodity exporters, even as vulnerabilities have mounted. Adjustment efforts should include measures to strengthen domestic resource mobilisation, so as to reduce overdependence on resource-based revenues.

2.2 *Financial Inclusion*

The Brookings Financial and Digital Inclusion Project (FDIP), launched in summer 2014, examines access to and usage of secure, affordable formal financial services among underserved populations. The objective of FDIP is to provide policymakers, the private sector, representatives of non-governmental organisations, and the general public with information that can help improve financial inclusion in their respective countries and beyond. As part of this aim, the FDIP team produces an annual report and scorecard evaluating commitment to and progress toward financial inclusion across 26 countries.

With about half of the top 10 scoring countries featured in the 2016 Brookings Financial and Digital Inclusion Project (FDIP) Report located in Sub-Saharan Africa, it is evident that many African countries have made significant strides toward advancing financial inclusion. The rapid proliferation of digital financial platforms and services, particularly mobile money, has been a key driver of financial inclusion progress across the region.

Among the eight markets that will account for the majority of this growth, three countries, Nigeria, Ethiopia, and Tanzania are expected to contribute more than a third of new mobile subscribers. We anticipate that future build-outs of mobile infrastructure, combined with increased mobile phone ownership, will significantly strengthen the foundation for enhanced mobile money adoption in Africa.

Highlights pertaining to financial inclusion achievements and challenges across four of the FDIP countries in Africa, in descending order by overall score are stated below:

Uganda

With an overall score of 78 per cent on the 2016 FDIP scorecard, Uganda tied with South Africa as the second highest scoring FDIP country in Africa. Uganda has experienced robust growth in terms of access to and usage of registered formal financial accounts. Moreover, bank and mobile money customers are engaging to a greater extent with “advanced” services (e.g. savings and bill payment products) than they have in previous years. As with many countries in Africa, mobile money has been the predominant driving force for the expansion of financial inclusion in Uganda. Among those familiar with mobile money, barriers to using mobile money services include factors such as limited mobile phone ownership (only about 55 per cent of adults in Uganda owned a mobile phone as at 2015), as well as a lack of understanding surrounding mobile money.

Enhancing clarity with respect to the regulatory framework for agent banking could help encourage the participation of financial institutions and non-bank entities in branchless banking arrangements. Another effort that could strengthen Uganda’s regulatory environment for branchless banking services would be to develop a comprehensive regulatory framework for mobile money services, to supplement the 2013 Mobile Money Guidelines.

Tanzania

Tanzania’s strong country commitment to advancing financial inclusion and robust regulatory environment for digital financial services, which helped propel the country to a score of 68 per cent, have supported the expansion of financial inclusion in recent years. While adoption levels in Tanzania were low as of 2014 compared with many of the other FDIP countries in Africa, we anticipate that the strong foundation for digital financial services fostered by public and private sector financial inclusion stakeholders in Tanzania will continue to help scale mobile money and other formal financial services among low-income and other underserved populations.

One recent development within Tanzania’s increasingly robust mobile ecosystem may contribute to enhanced adoption of formal financial services. In February 2016, Vodacom Tanzania joined Airtel, Tigo, and Zantel in a mobile money interoperability agreement across their mobile networks. Given that all four operators in Tanzania are now interoperable, this arrangement is expected to facilitate greater convenience and utility for consumers engaging with the operators' different services.

Malawi

As one of the lowest-income countries among the FDIP sample, Malawi faces a number of economic and infrastructural constraints that contribute to its low levels of financial inclusion. Still, Malawi has demonstrated strong commitment to advancing access to and usage of formal financial services among underserved groups, including through its membership in the Better Than Cash Alliance and as a signatory to the Maya Declaration on Financial Inclusion.

Moving forward, amplifying the coordination of various financial literacy initiatives could help drive greater engagement with formal financial services. Additionally, finalising and issuing the country's draft electronic money regulations could provide greater clarity to financial service providers and encourage the participation of a diverse array of bank and non-bank entities within the digital financial ecosystem. Finally, including tiered know-your-customer provisions within the regulations could also reduce barriers to financial access among underserved customers.

Nigeria

While mobile money has not yet reached scale in Nigeria, several recent initiatives led by the government of Nigeria to advance digital payment services, agent banking, and consumer protection initiatives should promote increased adoption of formal financial services by expanding distribution points, increasing consumer confidence, and reducing crowding within the mobile money market.

With an overall score of 72 per cent and dimensional scores which are as follows: Country commitment - 94 per cent, Mobile capacity - 78 per cent, Regulatory environment - 83 per cent, Adoption - 53 per cent, the key next steps identified for Nigeria to deepen financial inclusion are:

- Expand distribution of financial access points through Super Agent networks and other non-bank entities
- Execute studies to identify constraints and drivers of agent banking for consumers and financial institutions

2.3 Public Sector

<u>Zimbabwe</u>

Zimbabwe's government has said it will fire up to 25,000 civil servants in an attempt to rein in government spending, while those keeping their jobs won't receive end-of-year bonuses for the next two years. Patrick Chinamasa, the Finance Minister, said that the government was struggling to pay civil servants, with their salaries reportedly eating up 96.8 per cent of the annual budget. He said that the economy is facing strong headwinds, with major challenges being experienced than what the 2016 national budget anticipated. The government also ran up a $623m budget deficit in the first six months of 2016 and has been warned that it could widen to $1bn by the end of the year.

2.4 Interest Rates

South Africa

According to the Reserve Bank Governor, Lesetja Kganyago, South Africa has too much inflation to lower interest rates, as the economy will probably not expand this year. The solution for economic growth is probably not going to come from rising commodity prices or a big rebound in world growth which helps exports. It will also not come from more fiscal or monetary stimulus; and if interest rates are to be lowered without going through a recession, then the country has to lower inflation outcomes arising from administered price processes. He also explained that simply reducing the inflationary impulse from price and wage setting, to something around the middle of the inflation target range, would help to create jobs economy-wide and ease constraints on policy."

2.5 Electronic Payments

Kenya

Increased mobile and internet banking helped Co-operative Bank of Kenya increase its pre-tax profit in the first half of 2016 by 19 per cent to 10.45 billion shillings ($103.08 million), the lender said on Wednesday. The bank, which has its roots in the country's vibrant co-operative movement and also operates in South Sudan, said 87 per cent of all customer transactions took place on alternative channels, up from 65 per cent a year ago, following a drive to increase usage of mobile and internet banking. "Operational efficiencies resulting from this project have seen our Cost-to-Income Ratio improve from 58.8 per cent in December 2015 to 51.4 per cent in June 2016," the lender said.

Kenya is considered a pioneer of mobile phone-based financial services. It is renowned for M-Pesa, a mobile money transfer service started in 2007 that has grown to offer broader services including small loans and savings accounts, offered in partnership with local lenders. Co-operative said it plans to expand into Rwanda, Uganda, Tanzania and Ethiopia in the next five years, using the joint venture model it used in South Sudan.

2.6 Agricultural Financing

The Nigerian Incentive Based Risk Sharing for Agricultural Lending (NIRSAL) model has been adopted by African leaders in their various countries to promote agriculture. According to the Executive Director, Corporate and Commercial Services of the Bank of Industry, Mr. Jonathan Tobin, African leaders agreed to adopt the scheme during a recent workshop at Nairobi organised by the African Development Bank. The theme of the workshop was 'Establishing agriculture risk sharing and financing mechanism for Africa'. He also stated that the beauty of the conference is that Nigeria was celebrated as having taken a step forward in terms of de-risking the agricultural sector of the economy. The Nigerian model, NIRSAL, will now to be adopted by the entire continent as a model for de-risking and financing agriculture.

3 Nigerian Economy

3.1 GDP

In the Second Quarter of 2016, Nigeria's Gross Domestic Product (GDP) declined by -2.06 per cent (year-on-year) in real terms. This was lower by 1.70 percentage points from the growth rate of -0.36 per cent recorded in the preceding quarter, and also lower by 4.41 percentage points from the growth rate of 2.35 per cent recorded in the corresponding quarter of 2015. Real GDP increased by 0.82 per cent, quarter on quarter. During the quarter, nominal GDP was N23.5 trillion (in nominal terms) at basic prices. This was 2.73 per cent higher than the Q2 2015 value of N22.9 trillion.

The real growth in the oil sector was -17.48 per cent (year-on-year) in the second quarter of 2016 and the oil sector contributed 8.26 per cent to total real GDP. Growth in the non-oil sector declined by 0.38 per cent in real terms.

3.2 Inflation

The National Bureau of Statistics reported that in August 2016, the Consumer Price Index (CPI) which measures inflation increased by 17.6 per cent (year-on-year), 0.5 percentage points higher from the rate recorded in July 2016 (17.1 per cent). The major divisions responsible for accelerating the pace of the increase in the headline index were housing, water, electricity, gas and other fuel, education and transportation services. The Food Index rose by 16.4 per cent (year-on-year) in August, a 0.6 percentage points increase from 15.8 per cent recorded in July.

3.3 Interest Rates

In July 2016, the Monetary Policy Committee (MPC) voted to raise interest rates by 200 basis points from 12 per cent to 14 per cent. The Committee also voted to retain the Cash Reserve Ratio (CRR) at 22.50 per cent, the Liquidity Ratio (LR) at 30.00 per cent and the Asymmetric Window at +200 and -500 basis points around the MPR.

3.4 Foreign Reserves

Nigeria's foreign exchange reserves declined to $24.42 billion on September 30, 2016 from $26.36 billion on June 30, 2016.

3.5 Employment

In Q2 2016, the working age population increased from 106.0 million in Q1 2016 to 106.7 million. The labour force population increased from 78.5 million in Q1 2016 to 79.9 million in Q2 2016, representing an increase of 1.8 per cent in the labour force. The number of underemployed individuals in the labour force increased to 19.3 per cent in Q2 2016 from 19.1 per cent in Q1 2016. Nigeria's unemployment rate for Q2 was 13.3 per cent, up from 12.1 per cent in Q1 2016, 10.4 per cent in Q4 2015 and 9.9 per cent in Q3 2015. The number of unemployed persons in the labour force, increased by 1.2 million in Q2 2016. In view of this, there were a total of 26.1 million persons in the Nigerian labour force in Q2 2016, that were either unemployed or underemployed compared to 24.5 million in Q1 2016 and 22.6 million in Q4 2015.

Labour productivity increased to N637.5 per hour in Q2 2016 from N605.27 in Q1 2016 and N730.85 in Q4 2015. Thus, for the period under review, labour productivity increased by 5.3 per cent on quarterly basis but declined by 12.8 per cent year-on-year. While the total number of hours worked was estimated to increase by 18.0 per cent between Q2 2015 and Q2 2016, and by 0.3 per cent relative to the previous quarter, nominal GDP increased by 5.68 per cent over the previous quarter and also increased by 2.93 per cent over the same periods.

3.6 Debt

Federal and state governments' debts rose by 34 per cent year-on-year due largely to the impact of the devaluation of the naira on the country's foreign currency debt stock. Nigeria's public debt stock as at June 30, 2016 was N16.29 trillion and $61.44 billion, compared to N12.12 trillion as of June 30, 2015.

3.7 Budget

African Development Bank

The Federal Government is presently in talks with the African Development Bank (AfDB) for a $1 billion loan that would enable the country finance its record N6.06 trillion ($190.3 billion) 2016 budget. The 2016 budget performance so far at 35 per cent is widely seen as reflective of the low revenue out turns. The Finance Minister, Kemi Adeosun confirmed that government would begin to engage in international borrowings in this third quarter, as revenues shrink on account of low oil incomes. Ousmane Dore, AfDB Country Director for Nigeria said that the bank officials have advanced talks with Nigerian authorities on the proposed budget support, which would help the government push reforms in critical sectors, especially in revenue generation and spending.

Africa's largest economy has planned an expansive fiscal spending directed at reflating the economy now in recession. Of the N6.06 trillion budget, the Federal Government had envisaged revenues of up to N3.855 trillion, leaving an expanded fiscal deficit to N2.2 trillion, about 2.14 per cent of GDP. The government plans to finance the deficit mainly through a restructured borrowing plan of up to N1.8 trillion, which favours more of external than domestic borrowing to check crowding out the private sector.

3.8 Social Intervention Programmes

The Federal Government has insisted that all unemployed Nigerians must register online before they can benefit from any social intervention scheme of the government, as registration is now mandatory for job seekers and other empowerment programmes. So far, there are five social intervention schemes which are Job Creation and Youth Empowerment, Home Grown School feeding, Conditional Cash Transfers, STEM Bursary Program and the Government Enterprise & Empowerment Program (GEEP).

The minister of Labour and Employment, Sen. Chris Ngige urged all unemployed Nigerians to register on the online job portal of the Federal Government (FG) Social Intervention Scheme in order to benefit from different categories of programmes which the government is offering.

In view of the present economic challenges, the Presidency has said it is scaling down the N500 billion voted for the Social Intervention Scheme which seeks to alleviate many from poverty. The Special Adviser to the President on Social Investments, Maryam Uwais, disclosed this at an event to monitor the Federal Government Social Protection Programme and Sustainable Development Goal, organised by Action Aid. She said that the development had become necessary because the government was not getting enough revenue it envisaged when the programme was designed. She said although money was yet to be released for the programme, a framework is already being developed for the implementation of the project. She added that the cash transfer programme was about to start in nine states of the federation as they were about compiling the register of vulnerable people in the states.

3.9 Communications

The Nigerian Communications Commission (NCC) is in the process of licensing more broadband operators to complement existing ones in order to achieve the 30 per cent broadband penetration target of the Federal Government as enshrined in its National Broadband Plan (NBP). According to Prof. Umar Garba Danbatta, the Executive Vice Chairman/Chief Executive Officer (EVC/CEO) of NCC, part of the plan of the Commission is to complete the licensing of infrastructure providers and two operators have been licensed to offer the services in Lagos and the North Central Zone, under the phase one licensing round. The availability of infrastructure remains the backbone for affordable, reliable and ubiquitous broadband services across the country and the commission is already putting in place the required infrastructure to accelerate broadband penetration.

4 Financial Sector

4.1 Capital Markets

The Nigerian Stock Exchange (NSE) All-Share Index dropped by 1,262.39 points in Q3 2016 to 28,335.40 as at September 30, 2016 as against 29,597.79 as at June 30, 2016. The market capitalisation was N9.7 trillion as at October 1, 2016.

4.2 Financial Inclusion

In furtherance of its efforts to deepen financial inclusion, the Central Bank of Nigeria in July 2016 reviewed upwards the transaction limits on Tier 1 and 2 accounts. The single deposit limit and cumulative balance limit for Tier 1 accounts were increased from N30,000 to N50,000 and from N200,000 to N300,000 respectively. For Tier 2 accounts, the single deposit limit and cumulative balance limit were increased from N50,000 to N100,000 and from N300,000 to N500,000 respectively. However, this pertains to bank accounts only. The CBN introduced the three tiered KYC in 2013 to help promote financial inclusion and improve the quality of KYC information obtained from customers. The Tier 1 accounts require basic customer information such as Name, Date of birth, Gender and Address. The Tier 2 accounts require verification of basic customer information against similar information contained in the official database while the Tier 3 accounts require obtaining, verifying and maintaining copies of all required documents for opening an account.

4.3 Banking Industry

4.3.1 Central Bank of Nigeria

Deposit Money Banks

The Central Bank of Nigeria published a circular outlining four key changes for the banking industry in July 2016. These are:

- Bank customers can make cheque deposits of not more than N2 million in value into their savings accounts. Prior to this development, bank customers could only make cheque deposits into their current accounts
- Banks and other financial institutions are to remove fixed interest rates on credit cards
- Banks will henceforth begin to embed customers' Bank Verification Numbers on their payment cards
- Banks are to discontinue actual address verification as a condition for account opening for customers with the BVN

Treasury Single Account

The Central Bank of Nigeria (CBN) in August 2016 barred nine banks from participating in the foreign exchange market for failing to return a total of $2.334 billion of Nigerian National Petroleum Corporation (NNPC)/Nigerian Liquefied Natural Gas (NLNG) Company's US dollar deposits to the federal government's Treasury Single Account (TSA) domiciled with the Central Bank, as directed by the Presidency in 2015. In addition to suspending them from the FX market, the affected banks, according to industry sources, may face further financial fines. However, CBN has lifted this ban after the CEOs of the affected banks presented an acceptable plan to repay all the outstanding dollars as stated above.

International Money Transfer Operators

The Central Bank of Nigeria (CBN) has licensed 11 new international money transfer operators (IMTOs) to do business in the country's foreign exchange market. The spokesperson of the bank, Isaac Okorafor, said the licensing was in furtherance of CBN's efforts to liberalise the market and ensure liquidity by making foreign exchange more readily available to end users. These newly licensed IMTOs are required to operate in Nigeria in line with the existing guidelines on international money transfer services (2014).-

Bank Verification Number (BVN)

The Central Bank of Nigeria (CBN) has announced a further extension of the Bank Verification Number (BVN) registration deadline to December 31, 2016 for Nigerians in the Diaspora. The BVN registration which involves capturing of customers' physiological or behavioural attributes such as fingerprint, and signature among others, has commenced in some banks' headquarters and branches across the country and for Nigerian bank customers living abroad. The CBN's Director of the Banking & Payments System Department, Dipo Fatokun, in a circular said the extension is to ensure that all Nigerian bank customers in the diaspora are given an opportunity to enrol. According to him, all Nigerian bank customers in diaspora should have their BVN linked to their accounts by January 1, 2017. Any bank customer without the BVN will be deemed to have "inadequate KYC" and such account will be operated as "No Customer Initiated Debit," until the account holder obtains and attaches a BVN to the account.

The locations provided to further drive enrolment are in the United Kingdom, Dubai, South Africa, China, Saudi Arabia, Canada, France, Turkey, India, Australia and the United States of America.

A total of 47.3 million customers had been enrolled in the Bank Verification Number scheme as at September 2016. This is compared to the 14.6 million customers who had completed BVN enrolment as at September 2015 (previous year).

4.4 Deposit Money Banks

Fidelity Bank

The Central Bank of Nigeria has granted Fidelity Bank Plc a licence to operate electronic commerce services in Nigeria. This development would enable the lender to empower Micro, Small and Medium Enterprises (MSMEs) in line with its strategic business objectives. The platform which is dubbed 'The Fidelity GreenMall,' is an online marketplace with fully integrated e-commerce capabilities for online payments, delivery logistics, advertising, and business networking opportunities, among others. The Managing Director/Chief Executive Officer, Fidelity Bank, Mr. Nnamdi Okonkwo said that given the rapid increase in internet penetration, there would be an opportunity to further open up new markets for the MSMEs using technology.

First City Monument Bank

As part of its commitment towards youth empowerment and sustainable economic growth, First City Monument Bank Limited (FCMB) kicked off a capacity building programme for youths in Lagos tagged: "Empowered for the Future (E4F)". The initiative is a 12-month peer-to-peer economic empowerment, sexual and reproductive health promotion project for in-school and out-of-school adolescents. The financial institution is organising this in partnership with a Nigeria-based Non-Governmental Organisation (NGO), Youth Empowerment Foundation (YEF). The initiative, according to a statement, was in line with the bank's Corporate Social Responsibility (CSR) agenda, which it stated focuses on poverty alleviation, economic empowerment and environmental sustainability.

Heritage Bank

As part of its efforts to deliver on the Central Bank of Nigeria's financial inclusion mandate, Heritage Bank in August 2016 conducted a workshop for children between the ages of 8 and 11. The highlights of the workshop, which marked the maiden edition included financial literacy coaching presentation skills, creative writing, practical sessions, movie outing and other exciting treats.

United Bank for Africa

United Bank for Africa (UBA) and MasterCard have announced a partnership that would see UBA act as the issuer for MasterCard in 18 new markets in Africa. This partnership would focus on the increased payments infrastructure across Africa, including the roll out of point of sale and mobile point of sale technology. The statement said that the aim was to ensure merchants were able to accept the cards when introduced into these markets.

Stanbic IBTC Bank

Stanbic IBTC Bank is collaborating with Google to train youths and Small and Medium-scale Enterprises (SMEs) operators in Nigeria on digital skills. A statement issued by the bank said that the collaboration would facilitate capacity building for SMEs in the country, adding that beneficiaries would be trained on skills and value of digital marketing. The initiative aims to digitally empower no fewer than 1,000 SME operators in one year.

SunTrust Bank

SunTrust Bank (STB) Limited, a newly licensed regional deposit money bank, began operations in August 2016, becoming the first bank to be issued a fresh licence by the Central Bank of Nigeria (CBN) since 2001. Following the launch in Lagos, CEO and president of the Dangote Group, Alhaji Aliko Dangote said that the technological services of the bank will distinguish it from other banks across the country. The financial technology bank was created with the aim to develop and provide a broad range of unique financial services and products and becomes the first bank in the country that is run with minimal branches and has no tellers or counters. The bank is also focused on driving mobile money in the South-South and South West regions where it is licensed to do business, to increase the number of financially included Nigerians.

Skye Bank

The Central Bank of Nigeria has provided a loan to Skye Bank Plc to boost its liquidity after the lender breached requirements on capital and lending.,'' The Acting Director, Corporate Communications, CBN, Mr. Isaac Okoroafor, said in an emailed response to questions that the short-term lending facility will allow new management to ensure that some withdrawals it suffered in the wake of the undue panic of July 2016 do not adversely affect its operations. He said the CBN had also issued guarantees to the bank's depositors and creditors as a demonstration of its health.

Wema Bank

Wema Bank Plc has disclosed its plans to raise additional N20 billion debt capital in the next few weeks. Speaking at a media parley in Lagos, the Managing Director of Wema Bank, Segun Oloketuyi, explained that the Tier 2 capital will position the bank for further growth after it obtained a banking licence upgrade from the Central Bank of Nigeria (CBN). He noted that the bank is fully prepared to scale up its operations to cover locations in the Northern and Eastern parts of the country.

Zenith Bank

Zenith Bank Plc has launched a new mobile banking solution to make banking simpler and interesting. The bank's *966# Eazybanking solution, which was launched in the second quarter of

2016 into the Nigerian market, is expected to complement the efforts of the Central Bank of Nigeria (CBN) to build a cashless economy and enhance financial inclusion. The Unstructured Supplementary Service Data (USSD) banking solution enables people to perform financial transactions on all known mobile phones (Feature, Smartlite or Smart), without having to go on the internet or download a mobile app.

4.5 Electronic Payments Channels

Figures released by the National Bureau of Statistics (NBS) have revealed that a total of 463.1 million financial transactions worth N33.87 trillion were settled by the banking sector between January and July 2016. The NBS stated that the Nigeria Inter-Bank Settlement Scheme's (NIBSS) Instant Payment System, with a total amount of N19.33 trillion, accounted for the highest settlement made by banks. This was followed by the Nigeria Electronic Fund Transfer (NEFT) with N7.7 trillion, while payment through cheques and Automated Teller Machines (ATMs) followed with N3.3 trillion and N2.6 trillion, respectively. Others are payments through Point of Sales Terminal (N367.9 million); Internet/web payments (N67.0 million); mobile payments (N381.4 million) and electronic bills payments (N171.3 million).

4.6 Agricultural Finance

Anchor Borrower's Programme

Edo State

Farmers in Edo State have become beneficiaries of a N2 billion loan from the Central Bank of Nigeria (CBN) Anchor Borrower's Programme, guaranteed by the state government. The loan is consistent with one the apex bank's Anchor Borrowers' Programme aimed at jobs creation, reduction in food imports and diversification of Nigeria's economy. Speaking during the flag-off of the programme in Benin City, the Governor of the state, Adams Oshiomhole said that the private sector's involvement was needed to create employment and wealth for people especially those in the rural areas and the Central Bank will provide the funding, guaranteed by Edo State Government.

Enugu State

At least 5,000 farmers in Enugu State would benefit from a N1 billion CBN's Anchor Borrower's Programme loan for rice farmers. This is aimed at encouraging interested rice farmers in the state to go into full scale commercial rice farming. The CBN Governor, Godwin Emefiele noted that that the CBN strongly believes that with the present economic situation, developing agricultural sector and acting as a financial catalyst to the economy by targeting specific sectors which can create jobs on a mass scale, reduce poverty broadly, boost inclusive economic growth and conserve scarce foreign reserves in the country would be a way out of the economic problem. According to the CBN Governor, Nigeria's food import bill is both exceptionally and unsustainably high and relying heavily on food importation fuels domestic inflation, which in turn depletes foreign reserves, displaces local production and creates unemployment in the country.

Kano State

The Wheat Farmers Association of Nigeria (WFAN) in Kano State commenced the registration of its members who are interested in the CBN's Anchor Borrower's Programme. The registered wheat farmers are expected to use the loan to cultivate the commodity during this year's dry season farming. The programme was introduced by the Federal Government to support farmers to boost rice and wheat production in the country. Under the CBN Anchor Borrowers' scheme, each farmer is expected to collect seedlings, fertiliser, chemicals and water pump which represent a total package of N220,855. Each farmer is also expected to cultivate one hectare of land and repay the loan after harvesting the commodity.

According to the Kano State Governor, Gov. Abdullahi Ganduje, over 5,540 registered rice farmers will also benefit from the CBN's Anchor Borrower's Programme in the state.

Ogun State

Active farmers and players in Agriculture and Agribusiness in Ogun state are on the verge of securing credit facilities to bolster their businesses as the state House of Assembly recently approved the state government's request to access N5 billion commercial agricultural credit schemes from the Central Bank of Nigeria (CBN). Thousands of farmers across the 20 local government areas of the state under the auspices of the All Farmers' Association of Nigeria (AFAN) have complained of dearth of finance to further invest in agricultural plantations and engage in agribusiness, but with the approval of the N5 billion loan from the CBN, experts said that the economic lifeline would boost investment in agribusiness as the loans would be made available to the farmers on a single digit interest rate.

Agricultural Credit Guarantee Scheme

A total of N1,993.5 billion was guaranteed to 12,405 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in the second quarter of 2016. The amount represented a 21.6 per cent increase above the level in the preceding quarter, but indicated a 25.7 per cent decline below the level in the corresponding period of 2015. Sub-sectoral analysis showed that food crops got the largest share of N1,369.5 billion (68.5 per cent) guaranteed to 9,607 beneficiaries, livestock got N350.6 million (17.6 per cent) guaranteed to 1,149 beneficiaries, while fisheries had N89.5 million (4.5 per cent) guaranteed to 385 beneficiaries.

United States Agency for International Development

The United States Agency for International Development (USAID) says it has earmarked $2 million to support the Nigerian government's effort to develop the agricultural sector. It added that it would partner with local agribusinesses such as Babban Gona company and Hello Tractor to assist farmers in accessing smart tractors and improved seeds. The US Embassy Deputy Chief of Mission, Mrs. Maria Brewer, stated that the two-year partnership was also aimed at ensuring profitable markets for over 45,000 farmers in seven states across the federation.

The Babban Gona company would address the challenge of farmers by forming strong cooperatives called Trust Groups, which would enable maize, rice, and soybean farmers to gain access to new markets and sell at premium prices. Hello Tractor recognises the need among smallholder farmers for consistent and sustainable mechanisation services and would design a versatile smart tractor with eight attachments to serve the farmers' needs throughout the farm production cycle.

African Development Bank

The African Development Bank has approved a $9 million equity investment (approximately 12 per cent of the fund's capitalisation) in the Fund for Agricultural Finance in Nigeria (FAFIN) to provide expansion capital to agricultural small and medium-sized enterprises (SMEs). The Fund is jointly sponsored by the German KfW Development Bank and the Government of Nigeria, through the Federal Ministry of Agriculture and Rural Development (FMARD). The Fund Manager is Sahel Capital (Mauritius) Limited, a fund management firm incorporated in Mauritius in 2013.

Nigeria Incentive Based Risk Sharing System for Agricultural Lending

Managing Director, Nigeria Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL), Mr. Aliyu Hameed has said that NIRSAL had between 2013 and mid-2016 trained 157,000 farmers/primary producers in 6 value chains including rice, cocoa, cotton, tomatoes, sesame, and soybeans. NIRSAL uses credit guarantees to address the risk of default and provides technical assistance and incentives to both financial institutions and borrowers to bridge understanding and increase capacity to pay back credits.

Federal Ministry of Agriculture and Rural Development

Worried by the high unemployment rate which experts claim has hit about 13.3 per cent, the Federal Ministry of Agriculture and Rural Development (FMARD) has announced plans to establish skill acquisition centres to engage youths with agricultural skills to earn a living and address future food shortages in the country. The Minister of Agriculture and Rural Development, Chief Audu Ogbeh noted that with an anticipated increase in Nigeria's population, which he put at 500 million by the year 2050, there is need for the government to engage the nation's teeming unemployed youths in agriculture by setting up skill acquisition centres to reduce the unemployment level in Nigeria. He noted that the federal government had already acquired 100 hectares of land at Gaobe, in Kuje Area Council of the Federal Capital Territory (FCT) for the establishment of the skill acquisition centres.

Bank of Agriculture

In support of the diversification drive of the Federal Government, the Bank of Agriculture (BOA) is considering a single digit interest rate for farmers in the country. Managing Director and Chief Executive of the bank, Prof. Danbala Danju said that the Federal Ministry of Agriculture and Rural Development, in conjunction with the BOA, was considering the review, as well as other incentives to ensure massive investments in agriculture. Danju said that about 75,000 farmers have benefited from loans from the BOA in the last three months and targets about 300,000 farmers for the wet season, with the hoping of increasing the number as operations are being scaled-up in various parts of the country.

4.7 Micro, Small & Medium Enterprises

Bank of Industry

The Bank of Industry (BoI) has partnered with Ecobank Nigeria to aid financial intermediation services to Small and Medium Enterprises (SMEs) as part of measures to drive inclusive growth and development in the country. The Acting Managing Director of BoI, Waheed Olagunju, explained that the partnership is aimed at providing the necessary support required to encourage SMEs in terms of funding and capacity building. He emphasised the fact that most SMEs lack the capacity to make judicious use of loans borrowed.

In the same vein, the BoI has also collaborated with insurance companies to indemnify loan facilities and assets of Micro Small and Medium Enterprises (MSMES) in the country. Olagunju said the collaboration through the National Insurance Commission (NAICOM) is aimed at expanding its lending operations to assist business owners at the micro level, who are unable to secure loans from the bank because of collateral challenges.

Diamond Bank

Diamond Bank has said that its recent collaboration with Microsoft on Small and Medium Enterprise (SME) growth in Nigeria is capable of empowering the 35 million registered SMEs in the country by 2017, through its Diamond Mobile Point of Sales (MPoS) devices. Both firms have pledged to scale up SME business in Nigeria in the next one year by providing the right technology tools that will empower Nigerian businesses in today's digital world. Through this collaboration, Diamond Bank will offer Microsoft Office 365 technology solution free of charge to SMEs for a period of six months, after which the SME can begin monthly subscription on the solution. The bank also stated that the MPoS devices could be operated offline and online and has the capacity to enhance business productivity among SMEs in the country.

4.8 Insurance

Nigeria Deposit Insurance Corporation

The Nigeria Deposit Insurance Corporation has granted approval for an upward review of its maximum deposit insurance coverage for the Primary Mortgage Banks (PMBs) from N200,000 to N500,000 per depositor. The corporation stated that approval had also been given to extend the differential premium assessment system to the PMBs. The differential premium assessment system is an approach that takes into consideration the risk each lender poses to the system and encourages such a lender to adopt sound risk management practices.

National Insurance Commission

The National Insurance Commission (NAICOM) has suspended bancassurance partnership deals between insurance companies and banks indefinitely, following a disagreement with the Central Bank of Nigeria. In addition, the insurance regulator has also suspended the distribution of insurance products through channels such as airlines, online or web-based aggregators, telecoms companies, and other platforms not approved by NAICOM.

Lagos Chamber of Commerce and Industry

The Lagos Chamber of Commerce and Industry (LCCI) is set to promote agricultural insurance to enhance food production in the country. Mr Gboyega Olanbiwoninu, Chairman of Insurance Trade Group said that the aim was to mitigate losses suffered due to the outbreak of pests and effects of climate change, reduce food prices and sustain the country's level of food production. The chamber intends to achieve this through strategic partnerships and collaboration with relevant stakeholders in the country. The Insurance Trade group would also be looking at the agriculture, real estate, mining and solid minerals sectors, where insurance penetration is very low.

5 Telecoms Sector

According to the Nigerian Communications Commission (NCC), in August 2016, the number of active lines was 152,800,848. Teledensity reached 109.14 per cent. The table below provides a summary of telephone subscribers in August 2016.

	Number of connected lines	**Number of active lines**
Mobile GSM	**222,695,990**	**152,285,320**
Mobile CDMA	**3,608,272**	**329,093**
Fixed Wired/Wireless	**349,185**	**161,742**
VoIP	**32,925**	**24,693**
Total	**226,686,372**	**152,800,848**

Source: NCC

According to NCC, as of August 2016 in terms of GSM operators, MTN was the market leader with 60,558,569 subscribers (market share of 40 per cent), followed by Globacom with 36,752,012 subscribers (market share of 24 per cent); then Airtel with 32,375,069 subscribers (market share of 21 per cent); and finally Etisalat with 22,599,670 subscribers (market share of 15 per cent).

5.1 Internet Users

The Nigerian Communications Commission stated that the number of internet users through mobile networks in the country in August 2016 was 93.6 million. Of the 93.6 million internet users connecting via mobile networks, 93.5 million were on GSM networks, while 0.06 million were on CDMA networks.

As of August 2016, MTN had 33.8 million internet subscribers; Globacom had 27.0 million internet subscribers; Airtel had 18.5 million internet users; and Etisalat had 15.2 million internet users.

6 Mobile Money

6.1 Africa

6.1.1 South Africa

MTN

MTN has pulled the plug on its local mobile money business, saying it was not viable in a country where around three quarters of the population already had a bank account. MTN launched its South African service in 2012 after the success of Safaricom's M-Pesa in East Africa convinced some executives that the service was the industry's next growth area. However MTN, Africa's biggest wireless phone group, now joins Vodacom in abandoning the service in South Africa, stating that the operating costs of providing a mobile money platform has become prohibitive.

6.1.2 Kenya

Safaricom and Kenya Commercial Bank have stated that Kenyans are borrowing between 25 and 30 million Kenyan shillings daily through the mobile-based KCB-Mpesa credit line. The two firms, which jointly operate the savings and micro-credit platform, said the total loans advanced so far since the launch of the service in March 2015 was Sh10.3 billion. Total savings currently held in the 6.4 million KCB-M-Pesa accounts have reached Sh286.1 million. Safaricom's Chief Executive, Bob Collymore said the huge success of this mobile phone loan product highlights the value of strategic partnerships in delivering innovative solutions that are aligned to customer needs. He also said that the two firms have been able to contribute towards driving the financial inclusion agenda through this platform.

Safaricom

Safaricom's M-Shwari accounts will now earn more at an interest rate of 7.35 per cent. The rate is 70 per cent of the Central Bank rate. Interests on loans will however, initially stay the same at 7.5 per cent. M-Shwari paid interest ranging from two per cent to five per cent, based on a customer's average daily balance. M-Shwari is billed as a banking product for M-PESA customers which enables them to save, earn interest and borrow money using their mobile phones. M-Shwari reportedly has very low default rates with non-performing loans of less than 2 per cent over 90 days.

M-Tiba

Mobile health wallet M-Tiba has registered 45,000 people and signed up 60 healthcare providers after the mobile app was launched in December 2015. The national roll out of M-Tiba is now underway with the first outlets outside Nairobi in Kisumu, Siaya and Mombasa. The M-Tiba mobile health wallet - developed by CarePay, PharmAccess and Safaricom - allows users to send, save and receive funds to access healthcare services using their mobile phones. Safaricom's CEO Bob Collymore said M-Tiba has the potential to extend and transform essential health services for millions of Kenyans.

6.1.3 Uganda

The Agent Network Accelerator Survey (ANA) report by Helix Institute of Digital Finance and Financial Sector Deepening Uganda (FSDU) says Uganda's fraud rate stands at 53 per cent, closely followed by Tanzania at 42 per cent and Kenya at 22 per cent. It revealed that more than half of Uganda's mobile money agents have reported the highest incidents of fraud among the eight countries studied. The report is based on research carried out on 2,288 mobile money agents interviewed across the country. In spite of provider and regulator efforts, the percentage of agents who report having personally or through one of their employees, experienced fraud in the last year has doubled since 2013, and fraud levels are higher than in any other ANA country.

The Commercial Bank of Africa (CBA) has signed up more than 600,000 subscribers in Uganda on its mobile-banking equivalent of the M-Shwari less than two months after launch. The Nairobi-based lender in August unveiled MoKash in partnership with MTN Uganda, seeking to replicate the success of M-Shwari in the landlocked economy. MoKash is a suite of virtual banking products built on MTN’s mobile money platform where users can save and borrow micro-loans from CBA. The CBA Group managing director, Isaac Awuondo said MoKash is currently processing an average of 2,000 loans per day, with an average loan size of USh18,000 (Sh538). CBA currently disburses loans via M-Shwari to an average of 70,000 Kenyans every day.

6.1.4 Ghana

All mobile money wallet holders on the various telecoms networks in the country will start earning interest from Sunday, September 11, 2016, on the balance in their wallets from the first half of the year. Telcos are expected to pay out an estimated GHS12.2million among mobile money customers in two tranches. The figure represents 80 per cent of the total interests earned on floats, which was estimated at GHS15.2 million cedis as at the end of June 2016. The Bank of Ghana’s Payment Systems Department revealed that mobile money transactions in Ghana reached GHS679.17million as at the end of June 2016, and it is expected to grow even further.

Airtel Money

Airtel Money recently introduced a service charge for money transfer from one customer's wallet to another customer's wallet. The company sent text messages to all Airtel Money customers notifying them of the new policy. This comes on the heels of the newly introduced quarterly interest payment on daily balances in all mobile money wallets in the country.

Bank of Ghana

The Bank of Ghana (BoG) has initiated a project to implement a mobile money payment infrastructure that will enable the seamless transfer of funds from one network provider to another (interoperability). Currently, a mobile money subscriber with an operator like MTN cannot send money to another operator like Tigo, Airtel or Vodafone and vice versa. However, the new infrastructure when completed, would allow for such transfers. The BoG has therefore, begun stakeholder consultations towards the implementation of this infrastructure and has urged the banking industry to be actively engaged in this regard.

6.2 Nigeria

Visa Inc.

Visa is in advanced discussions with leading Nigerian banks to launch its mVisa payment service in the country before the end of 2016, following its debut in India. mVisa, which was unveiled a year ago enables consumers to pay for goods by scanning a QR code on a smartphone or entering a merchant number into their feature phones. Consumers need to have Visa accounts, from which their payment is transferred to the account of the merchant. According to Ade Ashaye, the Group Country Manager for Visa West Africa, mVisa gives Nigerian consumers a reliable, secure and convenient mobile payment option because it allows merchants to accept Visa payments without having to invest in costly point of sale hardware.

eTranzact

eTranzact, an online payment platform, has developed a software application called BankIT which will ease financial transactions in banks. The solution allows bank customers to make payments directly from their bank accounts using their mobile devices. The essence of developing BankIT is to eliminate the need to use cards, hardware tokens or visiting any bank branch by securely integrating with banks and allowing customers access their bank accounts via USSD or BankIT-powered platforms. According to the Chief Executive Officer, Valentine Obi, BankIT has been developed with the philosophy of making payments simple and accessible for the banks, the merchants and the customers. The solution is customised for ease of use and comes with a strong and reliable security mechanism that protects customers against fraud.

Wi-PAY Technologies

Wi-PAY Technologies has been granted an approval-in-principle by the Central Bank of Nigeria (CBN) to run mobile money operations. In a letter to the company, signed by the Director of Banking and Payment System Department, CBN, Dipo Fatokun, the approval is for an initial six months period, during which the company is expected to set up the critical infrastructure, launch the service and meet other regulatory requirements. For the company, the significance is that it will enable the company to roll out and successfully integrate its current range of services to the mobile money platform. This will also mean an end-to-end service delivery, which will include both local and international money transfer, airtime top-up, bills payments and mobile wallet.