

## GOOGLE CODE IN 2019



**-RAGHVI GUPTA**

### **Digital Financial Services Mobile Money Ecosystem**

**Who are the major mobile money players in Nigeria?**

- Paga
- PocketMoni
- VCash



**How widely is Mobile Money used in Nigeria? Is it interoperable?**

In the past decade a mobile-money revolution has swept through much of Africa, enabling the unbanked to make transfers, pay bills and save. Half of the world's 866m mobile-money accounts are in Africa, not counting services which need users to belong to a bank. But not many are in Nigeria, its largest economy and most populous country, with 200million people, where mobile money was used for transactions worth just 1.4% of gdp last year (compared with 44% in Kenya). Four-fifths of Nigerians have never heard of it.

#### **PAGA**

Services/Products- Paga's mission is to make it simple for people to access and use money. Paga is a leading payments and mobile money business.

Cost structure- A filing fee of \$75 is required for a new PAGA claim notice and any initial employer response [cure or other response] to a new PAGA claim notice.

No. of users-8 million Nigerians

Transaction volume of PAGA- Daily transaction limit is dependent on the KYC level of Paga account. KYC 1: N50, 000 per day KYC 2: N200, 000 per day and so on.

### **PocketMoni**

Services/Products-Formally called M-Teller, PocketMoni Mobile Money is a service that enables to create an e-wallet on your mobile phone for making payments, fund transfer, as well as for receiving money. PocketMoni is one of the Mobile Money services in Nigeria, that will help one survive in a cash-lite or cashless Nigeria.

Cost structure- It's Mobile Money service comes with a monthly access charge of N150.

No. of users- 8 million

Transaction volume of PocketMoni- Daily transaction limit is N1million for PocketMoni.

### **VCash**

Services/Products- VCASH is fully licensed by the Central Bank of Nigeria to deploy mobile payment services.

Cost structure-Any person registered for VCASH in Nigeria who has also been seen and verified by a VCASH agent can enjoy this new service. Regulatory requirements mandate a one-time face-to-face verification to be able to accept a Western Union. There is no cost.

No. of users- 2 million

Transaction volume of VCash- The Central Bank of Nigeria (CBN) has introduced a new policy on cash-based transactions which stipulates a cash handling charge on daily cash withdrawals that exceed N500,000 for Individuals and N3,000,000 for Corporate bodies.

# Digital Infrastructure

## Level of adoption of electronic money in Nigeria



The payment system of a country plays a crucial role in its economy; however, despite the benefits of e-Payment and efforts by financial authorities, Nigeria still has a low e-Payment adoption rate. In this regard, there is an urgent need to investigate the factors that affect individuals' intention to adopt e-Payment.

In Nigeria, cash still dominates retail payments, but digital transactions, especially mobile payment are growing strongly.

A significant share of Nigerian population remains either unbanked or underbanked. Nigerian citizens often neglect banking and prefer storing cash or use local solutions for making transactions such as community banking.

The Central Bank of Nigeria has targeted financial inclusion with the help of SANEF, a network of 500,000 agents. By extending the core financial services, the bank aims to achieve a minimum of 80 percent financial admittance by 2020.

The 21 licensed mobile money service operators present in Nigeria have achieved different levels of success. However, the telecom operators are struggling to get license for introducing their respective mobile money services.

Paga launched its services as Nigeria's first licensed mobile money platform. It was launched only 9 years ago. Today, while many other mobile money platforms have been launched in the Nigerian market, Paga dominates with 8,000,000+ users.

Major players in Nigerian mobile payment market include Paga, PocketMoni, and VCash.

## Have there been any national laws passed to ease transition away from cash?



Regulatory limitations currently stifle solar companies seeking to scale in Nigeria through DFS integration. The Central Bank of Nigeria's regulatory framework allows for two models of mobile financial services: bank-led and non-bank-led, but specifically excludes mobile network operators from providing mobile financial services directly to their customer base.

In 2015, the CBN published both a Regulatory Framework for Mobile Money Services in Nigeria and Guidelines on Mobile Money Services. The Regulatory Framework makes provision for only two specific models, namely bank-led, or non-bank led (a corporate organization duly licensed by the CBN). Mobile money was one of the major segments of the Nigeria e-payment ecosystem primed by the CBN to drive its financial inclusion vision, in which 80 percent of Nigerians will be established in the national banking system by 2020. However, mobile money operators (MMOs) have had little success in supporting the country's financial inclusion targets. This is due to a lack of proper understanding of the conditions of their licenses, limited funds, poor infrastructure in rural areas, and limited customer access due to limited agent network rollouts<sup>5</sup>. Most of the licensed MMOs in Nigeria are believed to have remained inactive and many have yet to officially commence payment platform operations. Consequently, the CBN has recently taken the decision to raise the capital requirements for licenses from N500 million to N1 billion at the end of December 2017 and now to N2 billion, with a caveat that any operator that fails to meet the 1 July, 2018 deadline for the new capital requirements will have its licenses revoked, further reducing participation.

CBN has issued the following regulations and regulatory frameworks:

- Regulatory Framework for the Use of Unstructured Supplementary Service Data (USSD) for Financial Services in Nigeria, 2018;
- Exposure Draft Regulatory Framework for Bank Verification Number (BVN) Operations and Watch List for the Nigerian Financial, 2017;

- Consumer Protection Framework (CPF), 2016;
- Regulatory Framework for Mobile Money Services in Nigeria, 2015;
- Regulatory Framework for Licensing Super Agents in Nigeria, 2015;
- Framework for the Regulation and Supervision of Domestic Systemically Important Banks (SIBs) in Nigeria, 2014;
- E-Payment Dispute Arbitration Framework, 2013;
- New Settlement Framework (for Cheque Clearing), 2004.

**Is there a national real-time payment system in Nigeria? What are the payment systems?**



NIBSS Instant Payments (NIP) is an account-number based, online-real-time Inter-Bank payment solution developed in the year 2011 by NIBSS. It is the Nigerian financial industry's preferred funds transfer platform that guarantees instant value to the beneficiary.

## **Mobile Wallets & Payment Systems**

**Who are the major mobile wallet providers?**

Paga, PocketMoni and VCash are the major mobile wallet providers.

**Paga Business Model-** In line with his company's mission to provide all Nigerians with financial access, Paga's inclusive business model enables customers without bank accounts to pay bills, transfer money and undertake other financial transactions online or through a network of local agents for a minimal fee.

**PocketMoni Business Model-** It is a Central Bank licensed mobile money service which enables users create an e-wallet on their mobile phones for making payments, fund transfer, as well as for receiving money. It's a household brand.

**VCash Business Model-** TNetworks and WorldRemit have partnered together to introduce a mobile money transfer service, VCASH.

**Who are major Fintech players? What banks have finlabs or financial innovation labs?**



When it comes to disclosed 2018 deals of over \$5-million, five Nigerian startups fintech startups — Mines, Flutterwave, Paga, Paystack and Lidya — raised close to \$50-million, against South Africa's Jumo and Yoco collective over \$80-million last year.

**Which ones are focused on financial inclusion in Nigeria? What products & services do they offer?**

EFInA launched its AccessToFinance in Nigeria 2018 Survey about a week ago. Financial Inclusion in Nigeria has improved from 58.4% to 63.2%. The goal is to improve Nigeria's financial inclusion rate by 20 percent, bringing it to 80 percent by the end of 2020.

**Reference-** <https://medium.com/biya-focus/pathway-to-financial-inclusion-in-nigeria-2-d89777f4f494>

**Reference-** <https://www.pymnts.com/news/digital-banking/2019/nigeria-turns-to-fintechs-to-boost-financial-inclusion/>

**What are the major trends?**

The financial services sector of the Nigerian economy will be experiencing a makeover with the mobile money revolution. Nigeria has a large population of unbanked with CNN estimating that only 40% of the population has bank accounts. It is also a fact that the biggest percentage of unbanked people live in rural areas in Nigeria. With the rural telephony penetration of telecommunications firms, more people would start

experiencing financial inclusion. To give a fillip to this, the Central Bank of Nigeria mandates that at least a quarter of the service points must be in rural areas. This fintech offering would also open up a new vista for firms and service providers to receive payments through another channel other than the traditional channels.

Industries that will benefit from the fintech revolution

Firms and industries offering services that require receiving deposits and remitting payments to clients would be rubbing their hands in glee at the revolution mobile money would bring to their businesses. A good example is online betting sites in Nigeria 2020. Betting companies like Bet9ja, Nairabet, and Betway would be glad to have the payment channel join the available channels for making payments on their platform. Mobile money is already the preferred mode of making payments in the Kenyan online betting and casino industry, their Nigerian counterparts wouldn't mind jumping in the fray at this point. Apart from making the process of making payments easier, more subscribers can get on their platform with the penetration of financial services to rural areas.

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