

# **Nigeria's Progress towards the creation of a robust, trusted and inclusive Financial Services Environment**

**BY**

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# Introduction

- Nigeria launched its National Financial Inclusion Strategy in October 2012 with the goal of reducing the percentage adult Nigerians that are excluded from financial services from 46.3% in 2010 to 20% by 2020.
- Identified barriers to financial inclusion include Lack of Income, Long Distance to Access Points, Lack of Knowledge About Financial Services, High Cost of Services and Cumbersome Requirements for account opening.
- In order to achieve the set target, and to address the aforementioned barriers, different measures and initiatives were put in place by the CBN.



# SIMPLIFIED KNOW-YOUR CUSTOMER (KYC)

- To address the cumbersome documentation requirement for account opening, the CBN introduced the Three-tiered Know-Your-Customer (T-KYC) in 2013 (modified on 1st July, 2016)
- The three-tiered KYC guideline allows individuals who may not meet the formal identification requirements and in banks to operate and enjoy banking services within defined thresholds.
- The simplification consist of lowering the account opening requirements and less-paper documentation (online account opening) in exchange for lower threshold (daily transaction limit and cumulative balance limit) based on the 3 levels
- The CBN T-KYC is one of the initiatives for improving financial inclusion in Nigeria to facilitate easy access to a broad range of formal financial services.



# Bank Verification Number (BVN)

- To address the absence of a unique identifier in the Nigerian banking industry and to facilitate the creation of inclusive financial services environment, the CBN in collaboration with the Bankers' Committee launched the Bank Verification Number (BVN) Project on February 14, 2014, with biometric solution, as a unique identifier for all bank customers.
- The objectives of BVN includes the following:
  - Improve KYC Process within the Banking Sector
  - Increase access, convenience, service levels across the industry
  - Enable greater financial inclusion and integration of financial services into the economy, with its attendant positive impact on economic development



# Benefits of BVN

- BVN enhances the effectiveness of KYC at lower cost.
- Unique identity for customers would impact other areas such as credit check, & non-repudiation of transactions,
- BVN help to increase deterrent controls on financial transactions and reduce/mitigate fraud risk and identity theft
- It enhances the Banking Industry chances of being able to fish out blacklisted customers
- People who cannot write regular signature can still make financial transactions, thus, facilitating financial inclusion
- Promote a safe and sound financial system in Nigeria



# BVN Operations

The BVN operations process involve the following:

- Enrollment (Local & Overseas Enrolment Centers)
- Identification, to ensure no person has more than one BVN
- Verification
- Linking of Customer's BVN to all related bank accounts
- Validation/Enquiry on BVN Portal
- Fraud Management
- Customer Information Update



# Progress Made on BVN

- Nigeria resident's bank account without the BVN after October 31, 2015 had been placed on "Post No Debit" while the effective date for diaspora customers was January 1, 2017
- BVN Project was extended to other financial institutions in 2017
- Customer that do not possess an acceptable means of identification will still be enrolled on BVN but linkage will only be to tier 1 account
- 10.15 million records of BVN were exchanged with NIMC successfully and NIN was issued to the customers that were not already on NIN database . This facilitates issuance of national id card/slip which is acceptable for tier 3 account opening
- Farmers under the Anchor Borrower Program were enrolled on BVN to facilitate account opening and disbursement



# Progress Made on BVN

- Some government agencies were leveraging BVN to verify staff against payroll, with a view to identifying ghost workers.
- BVN Watch-list Framework has been approved
- Fraud and forgery losses had reduced, due to inability of the fraudsters to open multiple accounts in different names for criminal purposes.
- Law Enforcement Agencies were leveraging BVN to fastrack investigation of criminal cases involving transfer of funds or payments into an accounts belonging to a suspected criminals
- NIBSS launched a USSD service (\*565#) for ease of BVN retrieval
- As at December 2017, the implementation of the BVN Project recorded 31,426,091 registered BVNs and 43,959,282- accounts linked with BVN





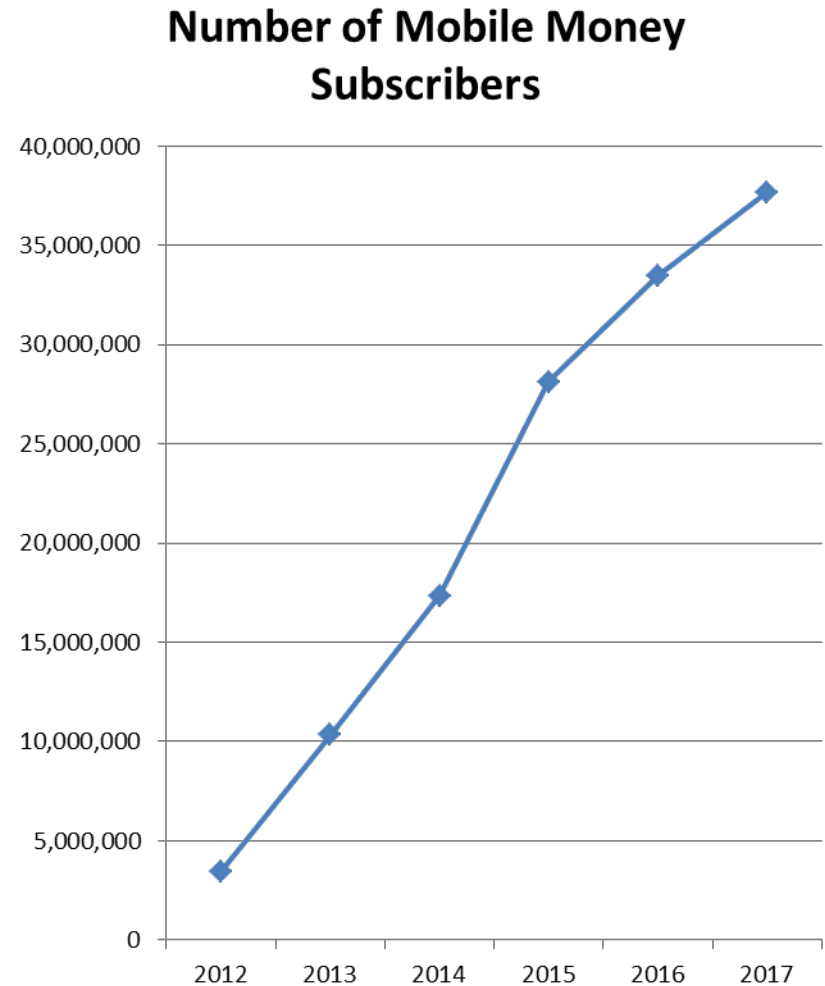
# BVN/NIN Harmonization Effort

- 14.04 million BVNs were provided to NIMC in 6 cycles out of which 10.15 million records were successful, 64.73 thousand were unsuccessful while 3.82 million were pending.
- The harmonization exercise is a welcome development, but its progress is slow, due to the following challenges:
  - It takes a long time to receive the NINs after BVN data was provided
  - The process of providing the data needs to be reviewed by NIMC as inadequate bandwidth to get the data over the network remains a challenge
  - The major bottleneck lies with the review of the “hits” to ascertain false positives or otherwise. This is a manual process at NIMC
  - There is no means of updating the records that have been provided and this implies that some of the data at NIMC may be the old data used for enrollment of BVN for which customers have made changes



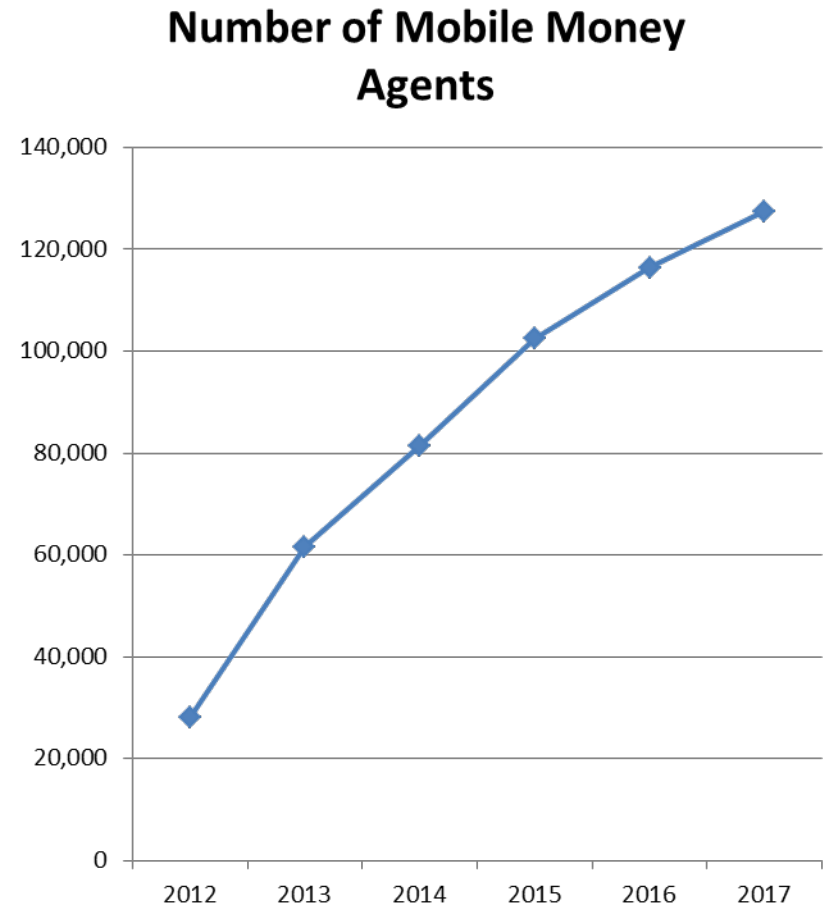
# Progress made on Mobile Payments

- Guidelines and Regulatory Framework was issued in 2009
- Bank-led and Non-Bank-led models allowed
- 23 mobile payment operators fully licensed
- Interoperability between the mobile operators
- Upward review of daily transaction limit and balance limit on mobile money wallets
- Pass-through NDIC Insured
- USSD Banking is growing rapidly
- Transactions volume and value increased from 2012 to 2017 stood at 184,778,392 and N2,817 billion, respectively

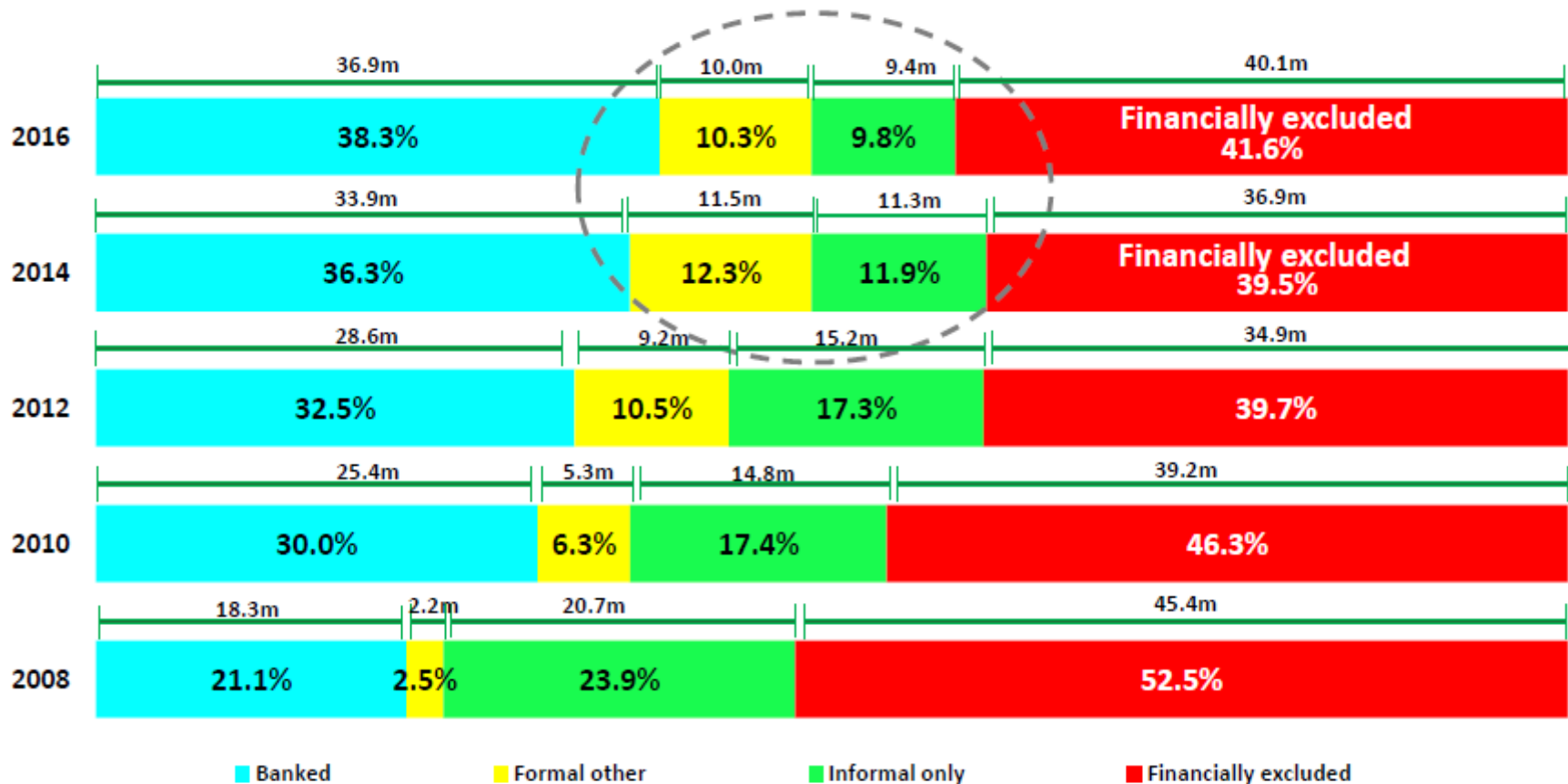


# Progress made on Agent Banking

- Guidelines for the regulations of Agent Banking in Nigeria issued
- Framework for licensing Super Agents issued
- 2 Super Agents, 1 AIP (several applications being processed)
- Implementation of Agent Database system in CBN that assigns unique ID to each agent
- Number of mobile money agents is on the increase



# Progress made on Financial Inclusion



- Source: Efina Survey 2008, 2010, 2012, 2014, 2016



## Other Initiatives on Financial Inclusion

- To reduce the current exclusion rate, the CBN established Financial Inclusion Steering Committee, comprising key stakeholders at each State and FCT in December 2017
- Microfinance Policy Framework for Nigeria
- Financial Literacy Framework and Financial Literacy Campaigns
- Consumer Protection Framework
- Cash-less Nigeria Policy
- Micro Small and Medium Enterprise Development Fund

It is worth noting that all the above initiatives promote financial inclusion which require a strong identifier such as BVN, NIN, password, PIN, etc for them to work properly



# SUMMARY

## **Key Barriers to Financial Inclusion**

- **Cumbersome Requirements**
- **Lack of Income**
- **Long Distance to Access Points**
- **Lack of Knowledge About Financial Services**
- **High Cost of Services**

## **Measures Taken to address the barriers**

- **Three Tiered Know Your Customer Guidelines & BVN**
- **“No Frills” Savings Accounts**
- **Agent Banking and Mobile Money**
- **Financial Literacy and Consumer Protection**
- **Shared Services and GBC**

# Conclusion

- A lot of initiatives and measures were put in place towards the development of a robust, trusted and inclusive Financial Services in Nigeria.
- We are glad that the efforts of CBN and the stakeholders is yielding positive result as the adoption of banking services, over the years is on the increase, reflecting growing public confidence in the system.
- The collaborative effort towards continuous improvement of the inclusive financial system shall be sustained



THANK YOU  
FOR LISTENING!