



Review of Evolution of Payments in Nigeria between 2000 & 2019

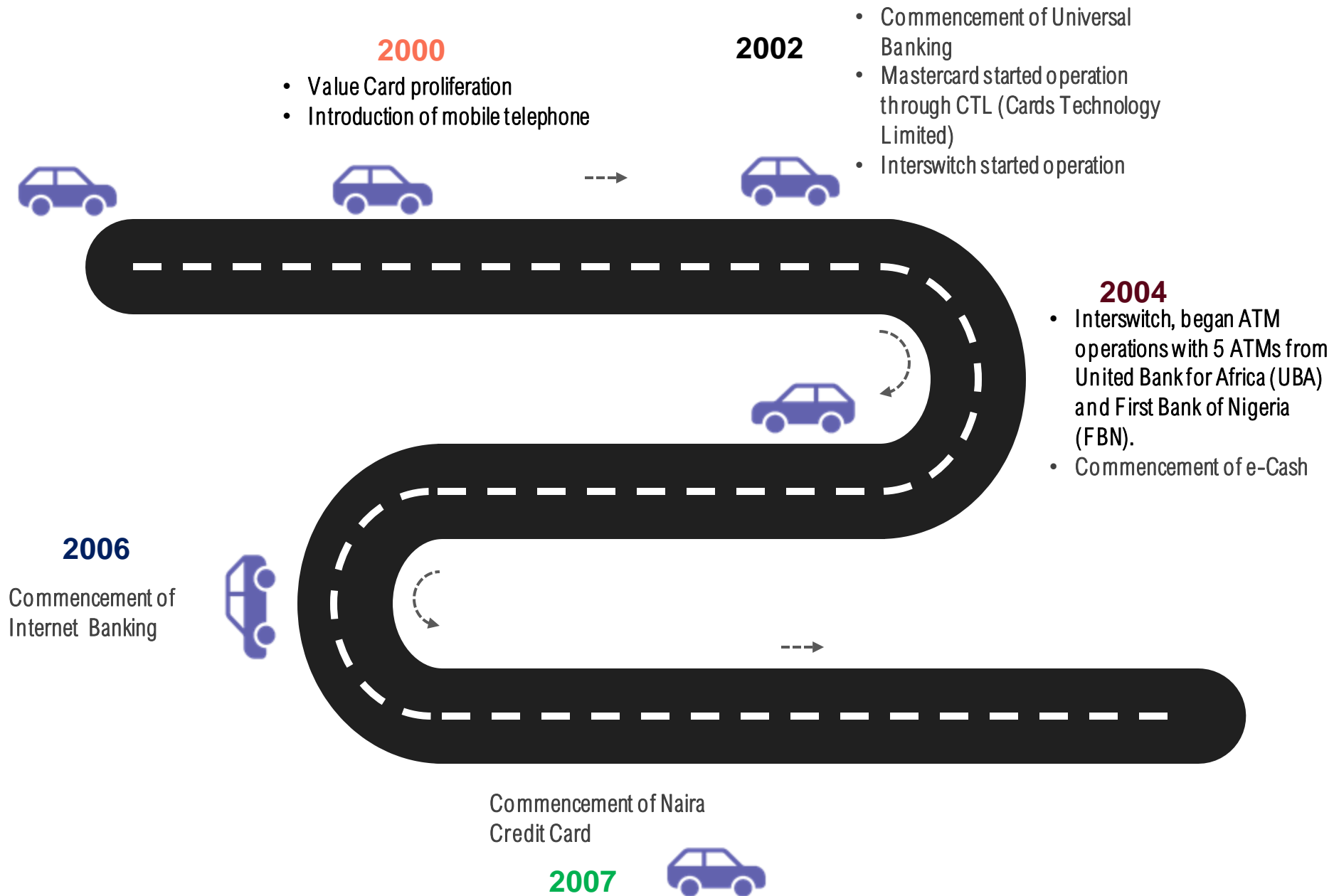
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Background

- More and more banked customers are migrating from the traditional banking platforms like cheques, over-the-counter (in-branch) transactions etc. to the digital platforms like USSD, mobile banking and web.
- Between 2000 and 2018 digital payments have grown by about 400%
- Digital payments have also grown with a CAGR of 30% while cheque payments have declined by a CAGR of 26% between 2000 and 2018
- In Q1 2019, over N23trn worth of payment transactions were generated from about 500m transactions (about three times the Nigerian 2019 expenditure budget)
- Financial inclusion growth has been slow up till 2018 with major policy thrust from the CBN

Evolution of Payments in Nigeria



Evolution of Payments in Nigeria.....\contd

2009

Verve Cards commence operation



2010

- Introduction of NUBAN
- Commencement of e-commerce (online shopping) in Nigeria



2011

Commencement of NIBSS Instant Payment (NIP)



2012

- Commencement of Mobile Money
- Licensing of Paga, Teasymobile, Eartholeum and other Banks
 - Commencement of Interoperable POS
 - Introduction of cashless policy



Payment through USSD started



2013



Evolution of Payments in Nigeria.....\contd

2014

- Commencement of BVN
- Outbound cross-border remittance



2015

Introduction of Treasury Single Account (TSA)

2016

- Fintech penetration
- Flutterwave
 - Paystack e.t.c.

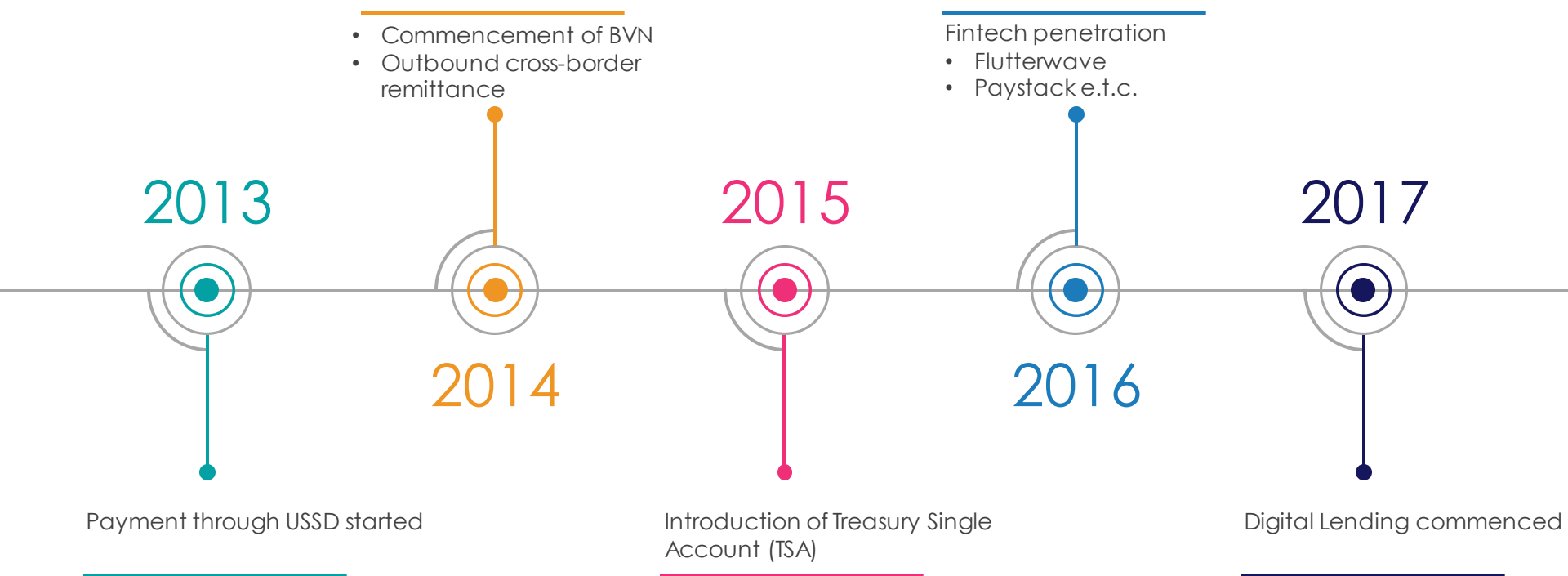


2017

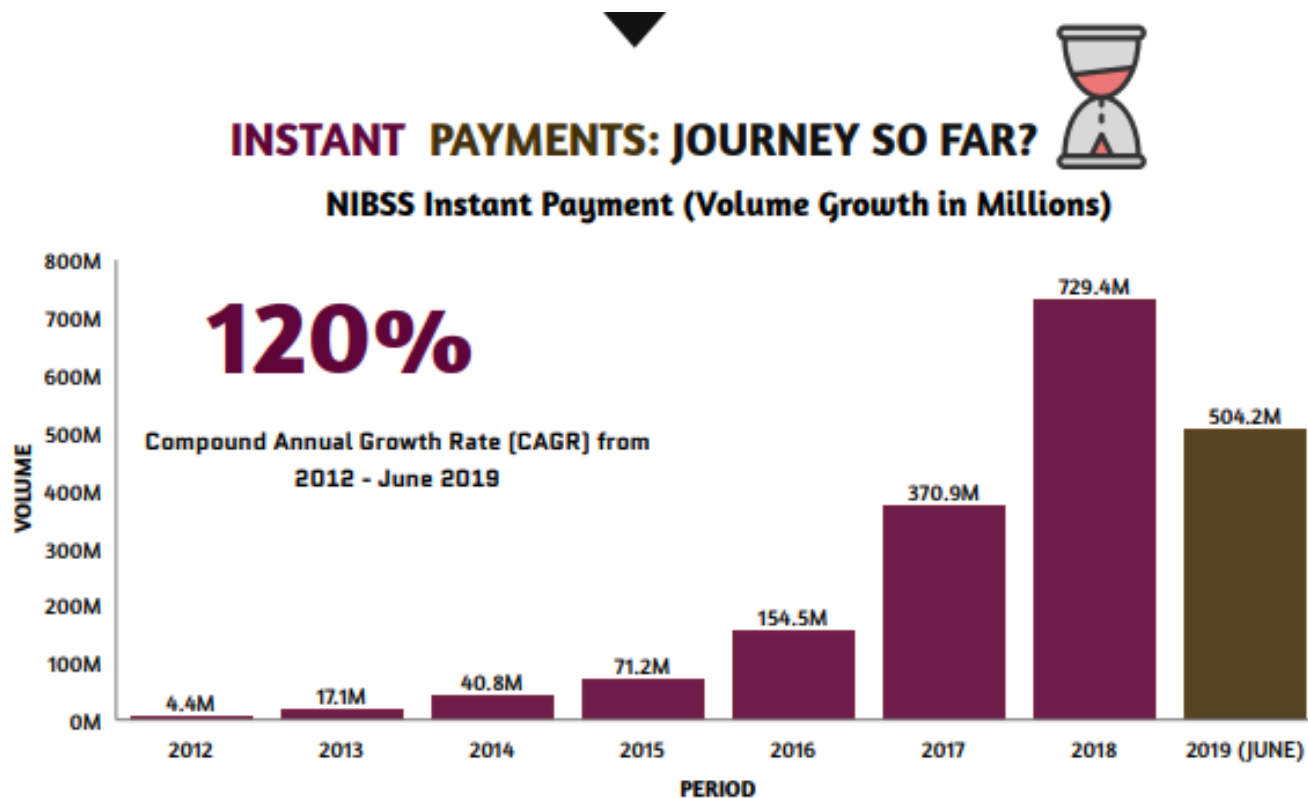


Digital Lending commenced

Evolution of Payments in Nigeria Contd.



Payments: Journey So Far



SOURCE: NIBBS

The chart above which shows the annual trend of electronic payments from 2012 to 2019 (H1) by NIBSS reveals Compounded Annual Growth Rate (CAGR) of 120% i.e. transaction volume doubles yearly. This is a strong indication of the rapid growth of digital payments with great potentials to do more as the financial inclusion rate increases.

Regulatory Journey

< 1999

1994 Establishment of Nigerian Interbank settlement System

2000-2003

2002 Full implementation and live operation of Nigeria Automated Clearing System (NACS)

2002 Reduction of clearing cycle to T+3 (local) and T+5 (upcountry)

2003 Definition of guidelines for e-banking

2004-2005

2004 New settlement framework for cheque clearing.

2006-2008

2006 Implementation of RTGS System Temenos T24

2006 Establishment of National Central Switch (NCS)

2006 Cheque standard and cheque Printers Accreditation

2007 Payments System Vision 2020 (PSV 2020)

2007 Harmonization of clearing cycles(upcountry and local) at T+2.

Regulatory Journey...../contd.

2009-2010

- 2009** Issuance of Mobile Payment Regulatory Framework
- 2009** Guidelines on Transaction switching
- 2009** Guidelines on Stored Value/ Prepaid Cards
- 2009** Establishment of Direct Debit Rules
- 2010** Directive enforcing a cheque cap of N10 million
- 2010** Migration to EMV Cards
- 2010** Guidelines on ATM Operations
- 2010** Nigeria Uniform Bank Account Number (NUBAN)

2011-2012

- 2011** Issuance of Cash-less policy circular
- 2011** Guidelines for card issuance and usage in Nigeria
- 2011** License of 6 PTSPs for deployment and maintenance of POS
- 2012** Introduction of charges on cash withdrawal/deposit charges above the cash-less policy threshold (Lagos)
- 2012** Implementation of cheque truncation in Lagos
- 2012** Reduction of clearing cycle from T+2 to T+1 in Lagos

2013

- 2013** Nationwide Implementation of Cheque truncation
- 2013** Reduction of clearing cycle to T+1 from T+2
- 2013** N150,000 limit on encashment of 3rd party cheques
- 2013** Licensed 10 additional PTSPs
- 2013** Compliance monitoring with Payment Card Industry Data and Security Standards (PCIDSS)
- 2013** Issuance of Guidelines for the regulation of Agent Banking in Nigeria
- 2013** Payment System Vision 2020 Release 2

2014

- 2014** Issuance of revised Guidelines for card issuance and usage in Nigeria
- 2014** Abolished fees on cash deposit above the Cash-less Policy threshold
- 2014** Implementation of Bank Verification Number (BVN) Scheme
- 2014** Guidelines on International Money Transfer services in Nigeria.

Regulatory Journey...../contd.

2015

- 2015** Regulatory Framework for Mobile Money Services in Nigeria
- 2015** Guidelines on Mobile Money Services in Nigeria
- 2015** Guidelines on International Mobile Money Remittances in Nigeria

2016-2017

- 2016** Guidelines for the operation of TSA by State Governments
- 2016** Guidelines on Operations of Electronic Payment Channels in Nigeria
- 2016** Guidelines on Transaction Switching in Nigeria

2018

- 2018** Guidelines for Regulation of Payment Service Banks
- 2018** Regulation for Bills Payment in Nigeria
- 2018** Circular on the Regulatory Framework for use of USSD in the Nigerian Financial Service System
- 2018** Regulation of instant (Interbank) Electronic Funds Transfer Services in Nigeria
- 2018** Regulation for Direct Debit Scheme in Nigeria (Revised)

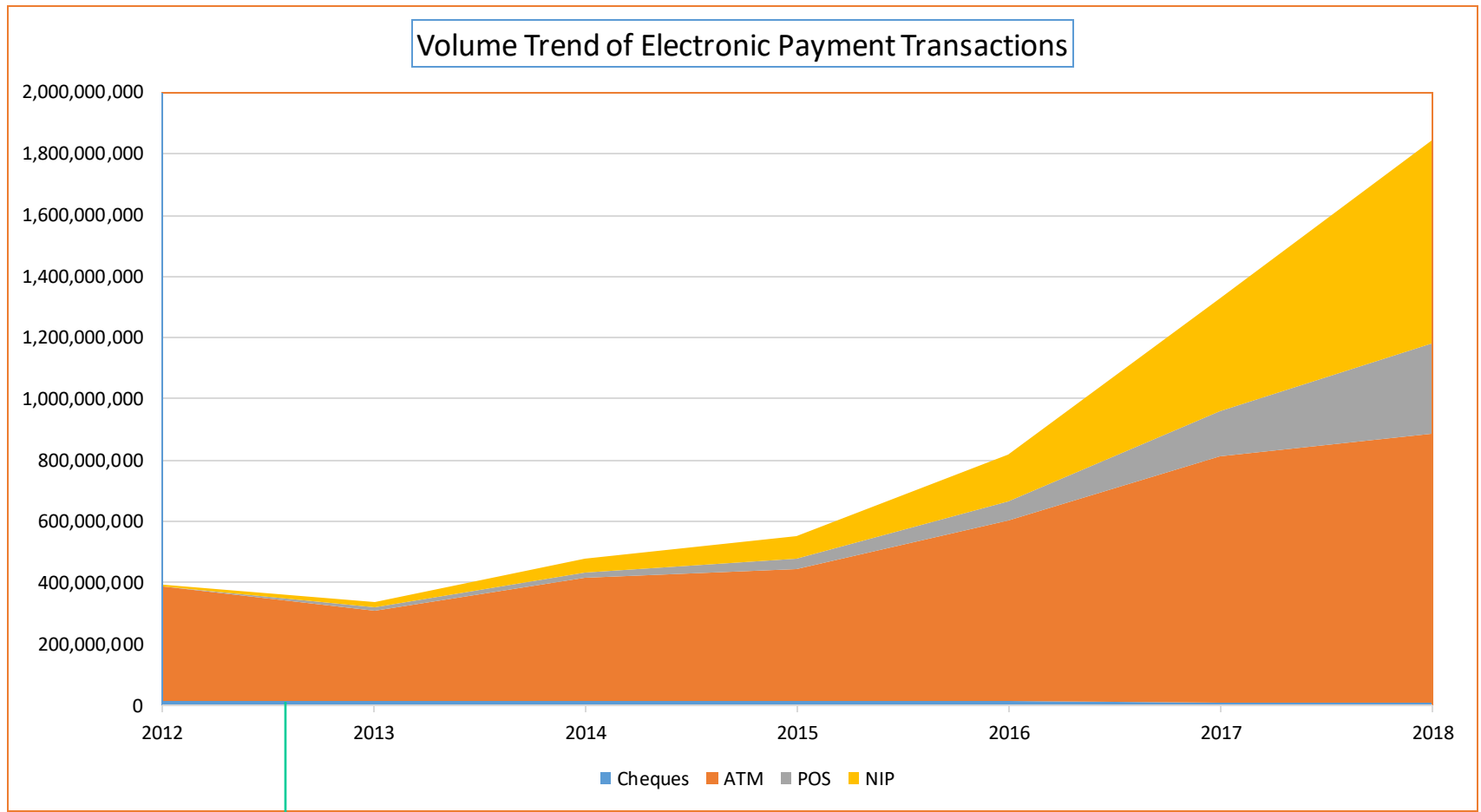
2019

- 2019** Regulation on Electronic Payments and Collections for Public and Private Sectors of the Economy
- 2019** Regulation for the Operation of Indirect Participants in the Payment System

Key Industry Metrics

	2000	2010	2019
No of Banks	64 commercial Banks 24 merchant Banks	24	23 commercial Banks 2 non-interest Bank, 5 merchant Banks, 3 PSBs
Bank Accounts	12,989,993	43,209,198	124,116,098
Debit Card issued	0	20,910,344	92,894,384
No of ATMs Live	0	10,003	17,808
No of POS Deployed	0	11,455	287,759
Cheque processed	2,893,979	10,097,340	8,401,947
Interbank Transfers	0	26,088,634	803,149,223
Mobile Payment	0	0	217,841,265

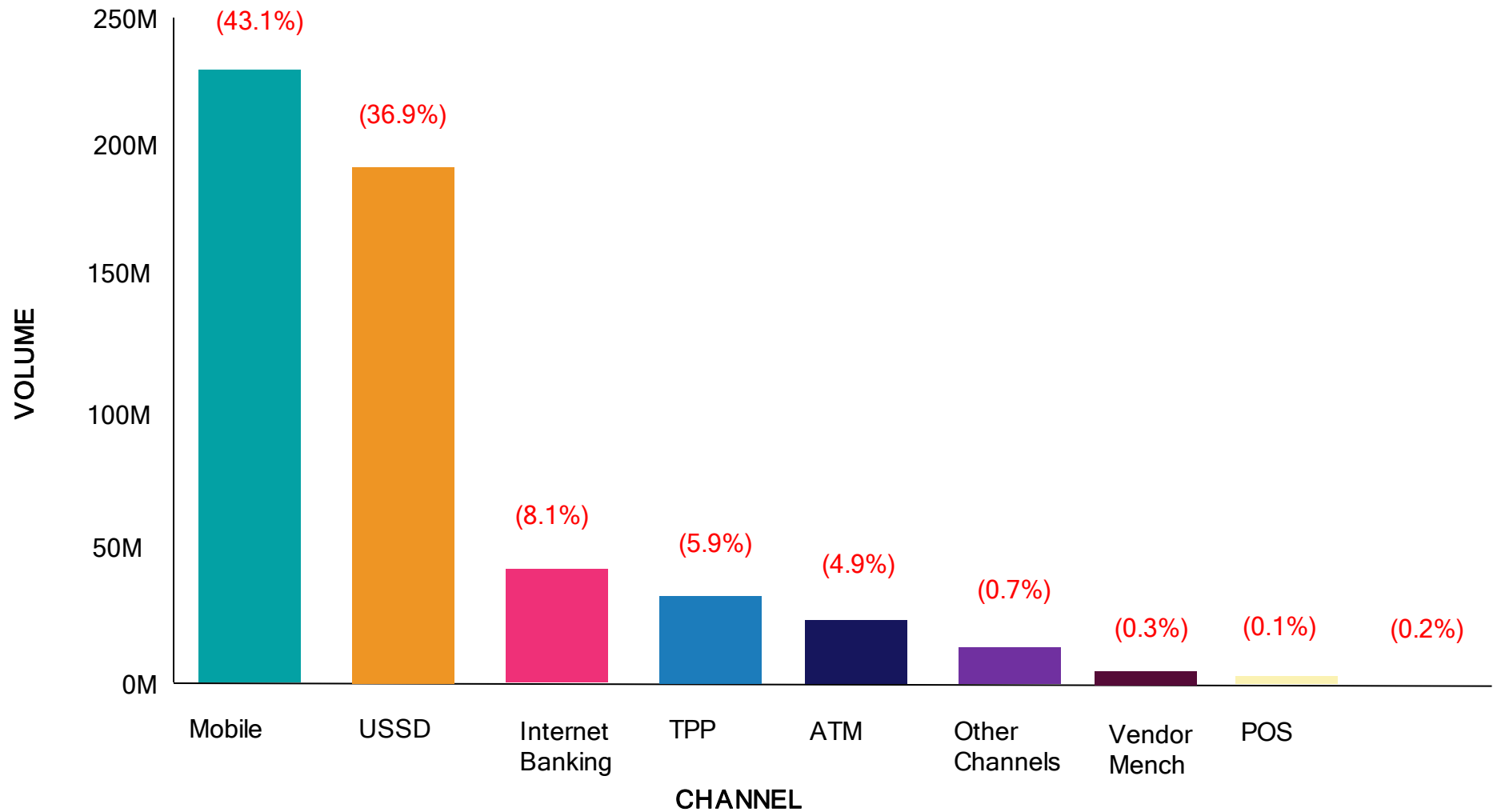
Volume Trend of Electronic Payment Transactions



Cheque transactions thinning out

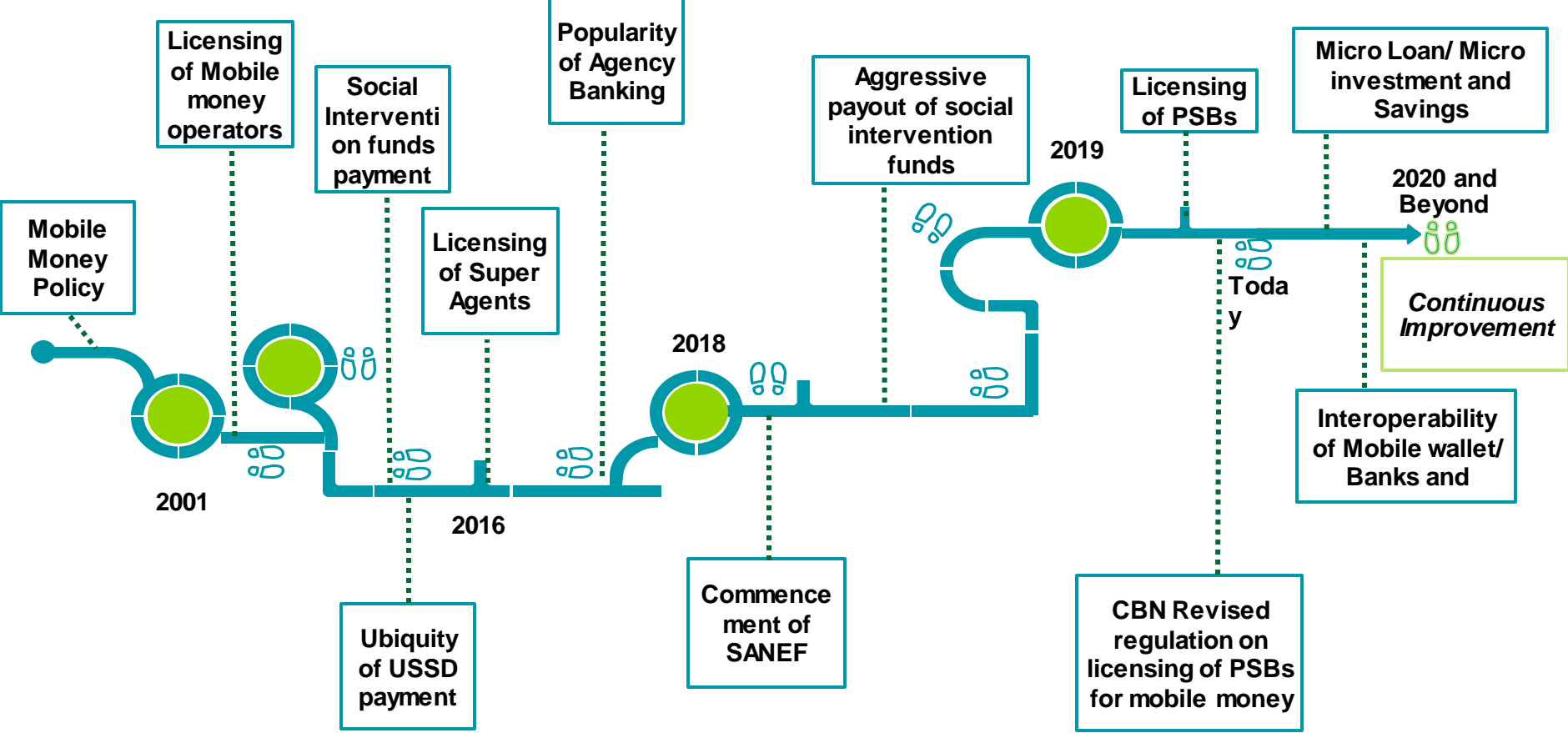
Current Status of Payments

2019 (Jan - Jun)



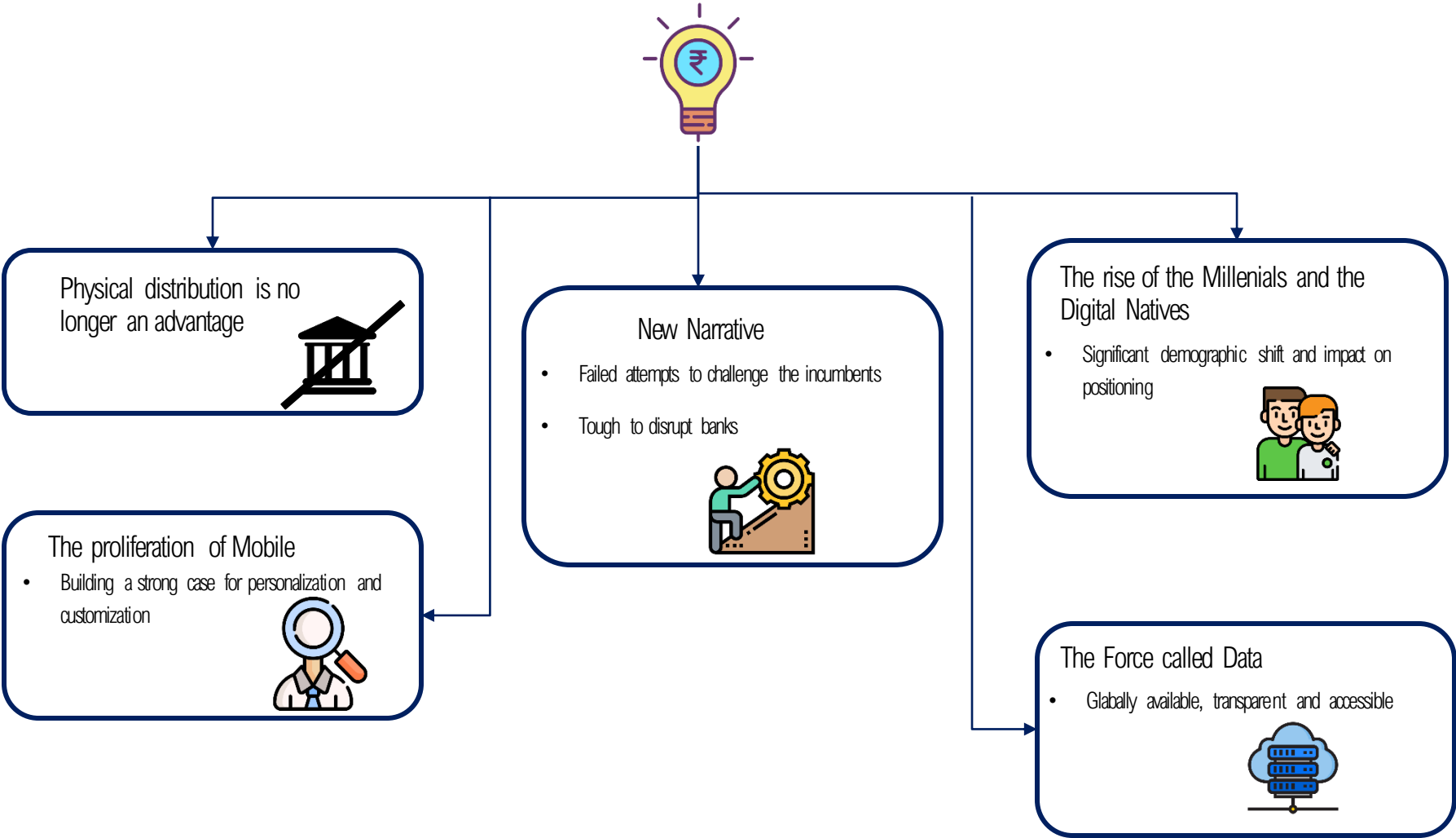
80% of all instant payments, over the stated period, occurred using a Mobile Phone (and or a Tablet).

Financial Inclusion Journey

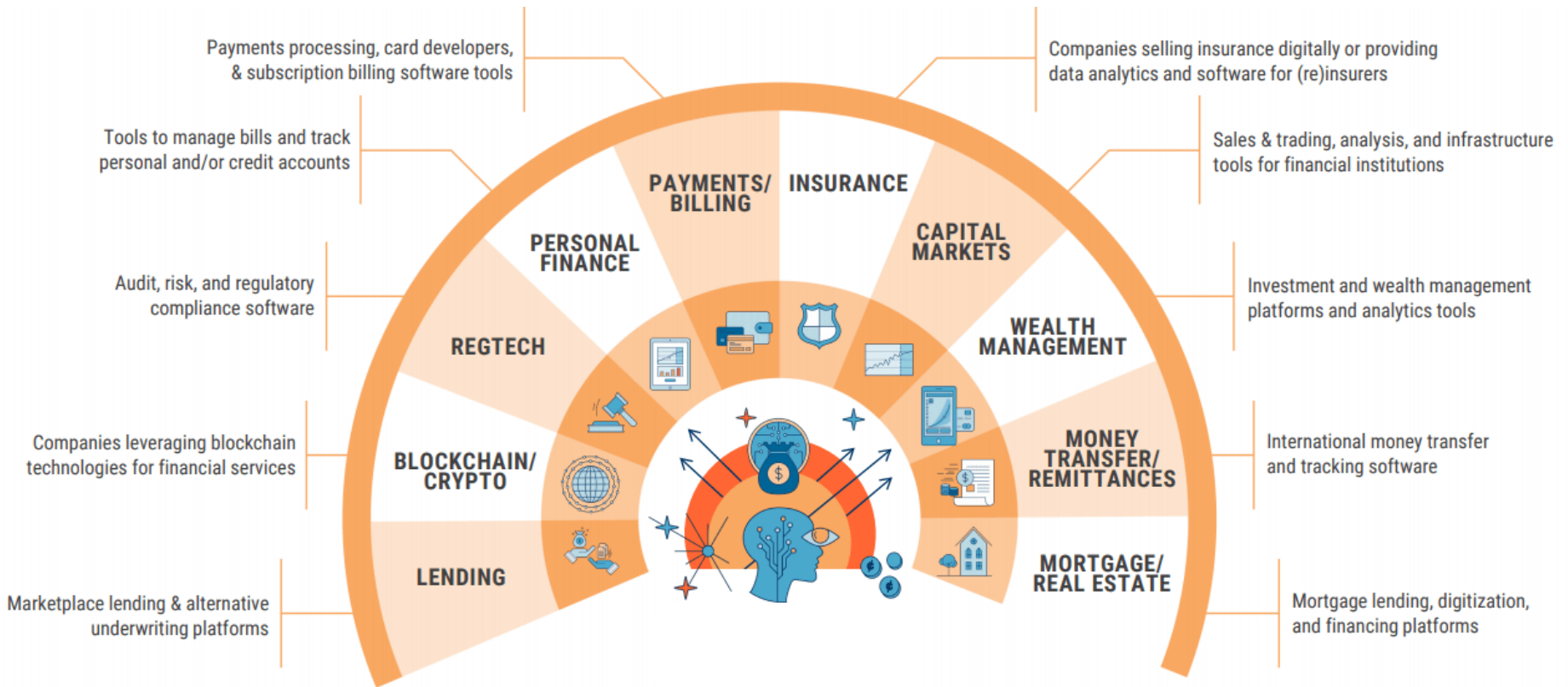


Forces Driving Digital Payment

Each of the highlighted forces come with mineable opportunities



Digital PaymentsToday



Source: CBSINSIGHTS

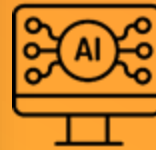
Digital currencies

The rise of digital currencies that will be issued by central banks and corporate players will further accelerate the transformation of products and services.



AI driven cyber security

By 2030 cyber security will be built around enterprise-wide predictive analytics security vulnerability and threat recognition, all powered by AI.



Connected everything

A hyper connected world will be the norm. Interacting with service providers through wearable devices.



Payments

Rewards, partnerships and loyalty points will become the key differentiator between payment products and integrated rewards.



2030



Distributed Trust

Banks of the future will have to reconsider their position as just a financial service provider.



Engagement as a service

Data, machine learning and AI will enable businesses to switch from being just a 'financial service' tool to a more proactive 'enabler of needs'.

THANK
YOU!

