Third Annual Symposium

of the

NIGERIAN MICROFINANCE PLATFORM

Enhancing Savings Mobilization Through Mobile Money, Agent/Branchless Banking and Digital Money and Other FinTech Solutions to Achieve Financial Inclusion

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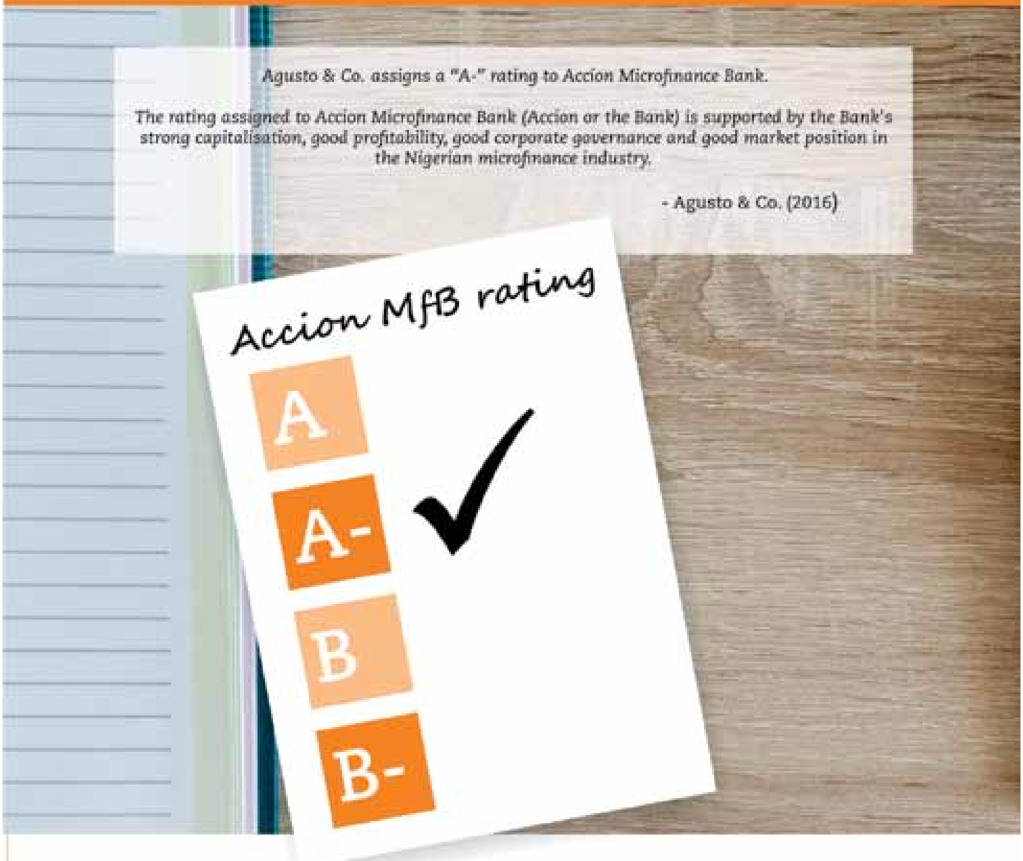

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Executive Summary

The third annual symposium of the Nigerian Microfinance Platform was held on Wednesday, 24th May, 2017 at Chelsea Hotel, Central Area, Abuja with the theme: Enhancing Savings Mobilization through Mobile Money, Agent/Branchless Banking and Digital Money and other FinTech Solutions to Achieve Financial Inclusion. The Symposium was supported by Accion MfB, Fortis MfB, Hasal MfB, NPF MfB, La Fayette MfB, LAPO MfB, and AFOS Foundation, and brought together directors and senior management of the member banks of the Nigerian Microfinance Platform, regulators and other stakeholders. Delegates in legal practice, the academia, the commercial banking sector as well as consulting firms were also represented.

The Chairman of the occasion was the Deputy Governor of the Central Bank of Nigeria (CBN), Dr. Joseph Nnanna, who was represented by Mrs. Tokunbo Martins, Director, Other Financial Institutions Supervision Department {OFISD} CBN, who also delivered the convener's address. Goodwill addresses were delivered by Alhaji Umaru Ibrahim, MD/CEO, Nigeria Deposit Insurance Corporation (NDIC) and Mr. Hans Joachim Maurer, the MD/CEO of AFOS Foundation, who was represented by Mr. Bernhard Vester, Coordinator, Africa, AFOS Foundation. Three technical papers were delivered by Mr. Joshua Etopidiok, Director of Special Insured Institutions Department, NDIC, Mrs. Linda Quaynor, Managing Director, EFInA and Mrs. Angela Wambugu, Associate Director of MicroSave Limited, Kenya.

From the survey report of the EFInA 2016 Access to Financial Services, it was evident that the number of financially excluded adult Nigerians increased from 39.5% in 2014 to 41.6% in 2016. As such, it was agreed that for the variance to be bridged, a savings culture should be promoted through affordable, convenient channels like digital financial services (DFS) to attain the set target for financial inclusion. Some of the ways to achieve this are for the banks to collaborate and review their methods and approach to service delivery, leveraging technology such as FinTech to design customised digital financial services to those that are financially excluded.

Similarly, there is a need to focus on those geopolitical zones with the highest adult population size in tandem with the largest size of informal savings. The opportunities that abound in these areas recommend that MfBs should embrace FinTech to service these people at the bottom of the pyramid and explore the opportunities to bundle micro-savings products along with micro-insurance and micro-pension products to further deepen their offerings.

Conversely, MfBs should understand the risks inherent in embracing technology, because in as much as the potentials are huge, so also are the emergent risks. Regulators and supervisors should also continue to review these technological solutions and products that could have high impact on banks' assets, proffer advice and issue regulatory policies to guide how individual banks and stakeholders deploy these solutions.

The panel discussion that followed was moderated by Mrs. Modupe Ladipo, Chairman, EFInA Board of Directors and the discussants were Dr. Godwin Ehigiamusoe, Managing Director, LAPO Microfinance Bank Limited (represented by Mr. Elijah Osadebanwen) , Mr. Akin Lawal, Managing Director, NPF Microfinance Bank Plc (represented by Mr. Jude Ohanehi), Mr. Guilluame Valence, Managing Director, Advans La Fayette Microfinance Bank, Mr. Rogers Nwoke, Managing Director, Hasal Microfinance Bank Limited and Mr. Tiko Okoye, Managing Director, Fortis Microfinance Bank Plc.

The panel discussion concluded that indeed, the deployment of technology to offer digital financial services will enhance service delivery as well as bring more people into the formal financial sector whilst reducing operational cost. The real challenge however lies in the cost of this technology, as many MfBs can hardly afford it. It was therefore agreed that the shared service approach should be adopted. This is currently noted in the unified technology (IT) platform subsidised by the CBN for the MfBs.

The shared agent network model can also be engaged through the microfinance association to reach and service those in remote areas. Alternatively, MfBs can also collaborate and join resources to have their own agency network. There was a consensus that the regulators should provide more support to MfBs through consumer awareness and education, so as to gain public trust, while the MfBs will also work on the quality of their service.

In the communiqué delivered by Mrs. Tutu Ogunnaike, former Deputy Director, OFISD, CBN, it was reiterated that financial inclusion can only be achieved when there is a collaborative arrangement between the operators, to deploy digital financial services using shared products and services in savings mobilization.

Communiqué

At the end of the symposium, a number of key decisions, recommendations and resolutions evolved, and they are listed as follows:

INSERT - Mrs. Tutu Ogunnaike presenting the key symposium Outcomes and Communique

1. Achieve financial inclusion target of 80% by year 2020.
2. Regulators to provide incentives for innovative products and services to the microfinance sub-sector.
3. Operators should collaborate in order to design mobile driven banking products and services to people mostly in the rural parts of Nigeria. The viability of microfinance banks imbibing digital financial system (DFS) in savings mobilization and providing financial services that will drive financial inclusion, is hinged on effective and cost-friendly collaborations.
4. The type of products designed should be customised and specific for the profile of the different customers and not a one-size-fits-all approach.
5. MfBs should explore the opportunities to bundle micro-savings products along with micro-insurance and micro-pension products to further deepen their offerings.
6. Fast track digital financial payments system in microfinance banks and invest in digital technology. While it may be expensive for some MfBs, shared technology platforms can be easy to deploy. Microfinance banks should therefore intensify partnership towards a shared digital platform.
7. In embracing technology, the emergent risks should be identified, understood and adequately managed. Similarly, financial and operational risks must be carefully managed and mitigated by the regulatory framework to avoid moral hazards.
8. MfBs should look at the option of giving free advisory services to customers as a form of subtle marketing.
9. Microfinance banks should build the capacity for their staff to use the IT platforms to provide seamless banking services.
10. Review banking methods and approaches to service delivery, using technology such as FinTech.
11. Encourage savings mobilization mostly in the North Central, North East and North West geopolitical zones of Nigeria.

12. Develop marketing strategies that would attract those that save at home and other informal places.
13. Capable MfBs should be included in the cheque clearing system. MfBs should collaborate to promote this course.
14. The Association of Microfinance Banks needs to work to develop a self-regulatory system that enables them to address their risk factors, engage regulators and promote sustenance within the sector.
15. Microfinance banks should engage in shared agent network through their association, managed by a third party such as the approved CBN super-agent or, MfBs can join resources to have their own agency network.
16. Operators should have a holistic survey to get better understanding of what will create customers' trust in microfinance banks.
17. Improve consumer awareness about successful microfinance banks in order to boost confidence in the sub-sector.
18. Microfinance banks should continuously review the quality of the services they offer.
19. Extend credit bureau services to more microfinance banks.
20. Expand stakeholder linkages and collaboration to create an enabling environment for microfinance banks.
21. MfBs should look at the option of sub-associations / sub-committees for the different tiers of MfBs because they all have their unique challenges – National, State and Unit.

Welcome/ Opening Remark

Dr. Okwu Joseph Nnanna, Deputy Governor, Central Bank of Nigeria

Mrs. Tokunbo Martins, Director OFISD, CBN, who represented the CBN Deputy Governor, **Dr. Nnnanna** welcomed everyone to the third annual symposium of the Nigerian Microfinance Platform. In his remark, he stressed the importance of the microfinance sub-sector since the microfinance policy was launched in 2005. In as much as the potentials are enormous, so also are the challenges daunting. Notwithstanding, the CBN will continue to play a prominent role to ensure the stability of the sub-sector as well as the entire financial system.

Director of OFISD, Mrs. Tokunbo Martins delivering the opening speech as representative of the Deputy Governor, Central Bank of Nigeria

This is reinforced by the fact that the sub-sector is expected to cater for the bottom of the pyramid persons, provide assistance to the low end of the market, in order to cultivate good banking habits as well as give financial and non-financial services to these categories of people. This invariably will help to reduce poverty at the grassroot. On the other hand, microfinance banks should also act responsibly in discharging these duties.

The theme of this event *"Enhancing Savings Mobilization through Mobile Money, Agent/ Branchless Banking and Digital Money and other Fintech Solutions to Achieve Financial Inclusion"* could not have come at a better time when technology has begun to change the narratives. It is therefore, paramount for the sub-sector to engage and deploy technology to deliver its services even as the nation tries to achieve its set target of reaching a large number of financially excluded persons. Clearly, all the new initiatives powered by IT, such as the combined effects of mobile money with the active involvement of Telcos, cryptocurrency among others, cannot be ignored. This is evident in the noticeable transition from debit advices by SMS alert and local server based storage to cloud computing, visiting bank branches to drawing cash from ATMs, online applications, etc.

In spite of these tremendous benefits that technology brings, it also comes with emergent risks. Hence, bank assets should always be protected by mitigating such risks. Equally, regulators and supervisors should continue to study these channels and products that could have very high impact on how the banking system is run, proffer advices and issue regulatory policies to guide how individual banks and stakeholders deploy these solutions.

In his final note, he assured the participants that the CBN will continue to support and promote the uniqueness of the sub-sector, while it ensures a strong and stable financial system in the interest of the populace.

Goodwill Address

Managing Director / CEO, Nigeria Deposit Insurance Corporation (NDIC), Alhaji Umaru Ibrahim, FCIB, mni

Alhaji Ibrahim who was represented by Mr. Sunday Oluyemi, welcomed everyone to the third annual symposium of the Nigerian Microfinance Platform. He emphasised that the gathering provided an opportunity for the industry stakeholders to deliberate on the challenges as well as prospects for the maximum use of innovative financial services solutions (mobile money, agency/branchless banking and digital money) in savings mobilisation.

Mr Sunday Oluyemi, representative of the MD, NDIC delivering his opening address

It was noted that the previous year's symposium pushed for consolidation in the MfB sub-sector as a strategy to achieve sustainable operations. NDIC however, also encouraged the MfB operators to embrace the fundamentals for growth initiatives, with emphasis on strategic planning, effective risk management and robust corporate governance. For this year's symposium, the theme could not be more apt at a time where traditional banking approaches are being sidelined for digital banking platforms through the use of IT-although this has not been fully optimised by the MfBs in their service delivery. According to the EFInA Access to Financial Services report (2016), financial inclusion ratio deteriorated from 39.5% in 2014 to 41.6% in 2016, meaning that additional 2.1 million adult Nigerians became financially excluded despite the fact that 60.4% (58.22 million) of the adult population have access to a mobile phone. Hence, there is the urgent need for MfBs operators and regulators to fast track the deployment of digital financial payments systems into the MfB space.

Globally, investment in financial technology is on the rise and financial inclusion initiatives using IT have been used to drive economic growth in some jurisdictions such as Tanzania and Kenya. For instance, M-Pesa has been widely used to deepen financial inclusion for the poorest socio-economic groups and in fact, recent statistics indicated that M-Pesa used in Kenya and Tanzania resulted in an addition of over 21 million and 7.5 million of financially included people respectively. A similar occurrence is witnessed in China as well.

Alhaji Ibrahim urged all the MfB operators to devise IT strategies that can be used to bring on board more women and youths into the Nigerian financial system and proffered the following suggestions:

- MfBs (especially the national ones) should collaborate to understand the peculiarities of the Nigerian rural populace, women and youths towards designing mobile-driven banking products and services.

- Provide incentives for innovative products and services in the MfB sub-sector.
- Support for capacity building for MfBs operators and telecommunication companies to provide seamless banking services by cherry-picking the emerging 'Block Chain Technology'.

In his final words, he encouraged participants to challenge and expand their frontiers of knowledge and skills in financial inclusion and FinTech, because by so doing, the target to achieve financial exclusion of 20% by 2020 will be attainable.

Managing Director/ CEO, AFOS Foundation, Mr. Hans Joachim Maurer

Mr. Maurer was represented by Mr. Bernard Vester who highlighted the mission of AFOS as to serve the economically active poor. This mission is best achieved in Nigeria through the support given to the sub-sector to allow for affordable and demand-driven financial products.


Mr. Bernard Vester, giving the opening remark from AFOS Foundation

To achieve this, AFOS promotes:

- Value-driven organisational development;
- Corporate governance;
- Management development; and
- Savings mobilisation.

On the other hand, the sub-sector must also invest heavily in technology in order to reach out to the rural areas. This explains the reason why AFOS engaged MicroSave Consulting from Kenya to prepare a shift change towards a digital savings culture.

Convener's Address

Mrs. Tokunbo Martins, Director, OFISD, CBN;
Policy Plans for Enhancing Digital Financial Services for Savings Mobilization by MFBs

Mrs. Martins reiterated the displeasure on the rise in the number of financially excluded persons by 2.1 percent from 39.5% in 2014 to 41.6% in 2016 according to the latest figures released by EFINA. These figures along with the data from CBN and news report on the growing volume of currency outside the formal banking system further suggests that there is a huge opportunity that the microfinance banks can harness. MfBs should therefore, identify and understand the reasons why people choose to keep their funds outside the formal banking system. Equally, they must develop attractive financial products that would bring in the 'truant' funds, while growing their balance sheets as well as find their place in the new focus of Government to finance Micro, Small and Medium Enterprises.

In order to achieve this, MfBs need to review their methods and approach to service delivery using technology such as FinTech. FinTech makes financial systems and the delivery of financial services more efficient and the AFOS Project in partnership with MicroSave Kenya is expected to deliver a shared savings product through the use of technology. However, in embracing technology, caution must be exercised as the inherent risks must also be identified, understood and mitigated. Examples of such FinTech landscape include digital and mobile payment, Big data and analytics, Blockchain technology, among others.

Due to the rapid rate of digital transformation in banking, the MfBs cannot be left behind and as such the regulatory body, Central Bank of Nigeria, will provide support in the following ways:

Mrs. Tokunbo Martins, Director OFISD and Convener of the Nigerian Microfinance Platform delivering her techincal paper

MD/CEO, Hasal MfB (Mr. Nwoke), Country Representative, AFOS Foundation (Dr. Achu) and MD, Advans La Fayette MfB (Mr. Valance)

- Unified IT platform with modules for Agent banking, MSME lending, cloud computing, integration with the payment system, among others, which all the MfBs are expected to key into.
- Enrollment of MfB clients into NIBSS Bank Verification Number database. CBN has given a deadline of 31st July 2017 for this to be completed.
- Facilitated use of credit bureau services for MfBs.
- Virtual Currency and Blockchain Technology Committee to explore its potential benefits and how these benefits can be safely harnessed.

In spite of the enormous benefits, the use of technology will be bringing to the sub-sector, it also poses challenges to the regulators and these include:

- How to facilitate innovation because the CBN expects banks to be competitive among themselves and globally whilst maintaining a safe and sound financial system.
- Promoting financial stability, which is the second core function of the CBN.
- Mitigating cyber-risks such as 'ransom ware', which evolve from some of these innovations.
- Effective management of risks - Operational risks, Credit risks, Compliance/ money laundering risks.
- Data security even outside the cyber space
- Unknown unknowns

Irrespective of the aforementioned challenges, the CBN will continue to support financial inclusion, following the recommendation of the Consulting Group to Assist the Poor (CGAP) such as permission of non-bank retail outlets to serve as agents and consider carefully any restrictions on the range of permissible agents and types of relationships permitted-this has been covered in the CBN Agency guidelines.

Also, to evolve a risk-based AML/CFT approach adapted to the realities of small, remote transactions conducted through agents which the three tier KYC should address, create robust but simple mechanisms for consumer protection, covering problems with retail agents, redress of grievances, price transparency, and consumer data privacy. The Consumer Data Protection in CBN is expected to address issues of this nature.

The CBN will consider and adopt the best practice in some of these jurisdictions and some of the best practises being considered are:

- A global framework developed by the Financial Stability Board for FinTech regulation that will encourage innovation while guarding against abuse, inequity, and risky behavior.
- Payment Service Directive (PSD 2) which mandates banks to open their APIs to allow third party technology build on their data to improve financial services.

However, there must be cooperation with the technological companies or possibly the MfBs could obtain their own license.

- In term of Data operability, there's recognition that new technology brings along with it all sorts of risks and as such Sandboxes are used to mitigate such risks for security purposes, especially in untested projects of FinTech and innovations in the payments space.
- BVN watch-list for fraudsters.

In conclusion, Mrs. Martins pointed out that although innovations resolve current challenges, they also create new ones. Therefore, financial and operational risks must be carefully managed and mitigated by the regulatory framework to avoid moral hazards. The CBN will adopt a proportional approach to regulation of emerging technologies in consultation with the Financial Services Regulation Coordinating Committee (FSRCC) and the industry. FinTech and other digital solutions can be deployed to assure a smooth evolution to a safe, sound and effective financial system with the joint efforts of all stakeholders.

Lead Paper Presentation from the Perspective of a Regulator

Mr. Joshua Etopidiok, Director of Special Insured Institutions Department, NDIC

Mr. Etopidiok also started by making reference to the recently released survey report on Access to Financial Services by EFInA (2016), but with focus on the statistics for payments, savings, credit, insurance and pension. According to the report, the expected target for financially included persons by year 2020 for payments is 70%, while savings is 60%, credit 40%, insurance 40% and pension 40%. However, for year 2016, the figures for payments, savings, credit, insurance and pension were 38%, 36%, 3%, 2% and 5% respectively. The variance to the target year is 32% for payments, 24% for savings, 37% for credit, 38% for insurance and 35% for pension. While financial exclusion had a target of 20% by year 2020, as at 2016, it recorded 41.6% which resulted in a variance of 21.6%. Hence, the real challenge lies in how to bridge the gap positively.

Mr. Joshua Etopidiok, Director, NDIC presenting the keynote paper from the perspective of a regulator

Mr. Etopidiok then shared insights on the strategies to achieve financial inclusion. One of these revolves around capitalising on everyday transactions costs, using big data generated to service the poor and harvest the bottom of the pyramid savings. Also, there must be collaborative effort between the banks and technology companies. For instance, China now allows FinTech to provide credits to its customers. Banks may be under pressure to shrink their costs, but they are also expected to provide faster service at the same time. It is therefore in the best interest of the banks to embrace technology; and digital payment system is one of the approaches to achieve this objective. Some MfBs have now partnered with FinTech companies such as Piggy Bank NG and Lidya in Nigeria to offer these services just as M-PESA in Kenya is being adopted by many other countries.

Nigeria has been identified as a 'Greenfield' opportunity for the FinTech market to thrive with the use of data analytics, artificial intelligence, digital currencies and crowd funding. If indeed the MfBs leverage FinTech solutions, there would be increase in their sales, efficient service delivery which would translate to more micro-credits being given out, reduced operating costs, easier access to loans and lower interest rates.

Still on the EFInA Access to Financial Services 2016 Survey, the formally included segment increased from 45.4 million adults in absolute terms in 2014 to 46.9 million in 2016. This is an increase of 1.5 million adults who have access to Deposit Money Banks (DMBs), MfBs, Mobile Money, Insurance and Pension services. 60.40% of the total adult population of 96.4 million own a mobile phone, while 58.30% of the adult population is less than 35 years of age and the female accounted for 49.20% of the sample size. Drawing on these findings, it can be inferred that the MfBs can leverage FinTech to develop products that would service the remaining 55.22 million unbanked adults with a focus on SMEs, Women and Youths.

In Uganda for example, the Desk officers meet with prospective customers without necessarily selling them financial products upfront, but rather provide them with free advisory services as a way to create buy-in of the customer. This is an option the Nigerian MfBs can look into.

It has been observed that many MfBs and other deposit-taking institutions continue to market their products to an already saturated market (i.e. other bank customers) rather than find new customers within the unbanked category. The 2.1% increase in financially excluded persons was also as a result of recession, loss of jobs, inflation and lower disposable income. Other factors include lack of trust in the formal institutions, low level of literacy and awareness, infrastructural challenges and high bank charges, among others.

In the light of the above, he made the following recommendations:

- Collaborative effort to understand the challenges of the stakeholders.
- Stakeholders' support for an enabling environment through their national associations and platforms.
- Incentives for innovative products and services in collaboration with FinTech.
- Capacity building of staff in the usage of the IT platform to implement FinTech.

He concluded by leaving the participants with the following food-for-thought, which he expected the other paper presenters and panel discussants to address.

- What are the challenges confronting deposit-taking institutions (DMBs, MFBs, and PMBs) in the quest to mobilize deposits and create micro loans?
- What strategies are available to facilitate person-to-person and Business-to-Business payments? Can the transaction costs be further reduced?

A cross section of participants

- How can Agency Banking and ownership of mobile phones be utilized to expand the frontiers of financial inclusion towards achieving the 20% target by the year 2020?

Lead Technical Paper I

Mrs. Linda Quaynor, Managing Director, EFInA
The Status of Savings Mobilisation and its Impact on Financial Inclusion from the Findings from EFInA A2F Surveys

Mrs. Quaynor focused on three areas, which are Savings Trend and Patterns in Nigeria, Impact of Savings on Financial Inclusion and Opportunities for Deepening the Usage of Microfinance Banks.

Mrs. Linda Quaynor, MD, EFInA, presenting the technical paper

She reviewed the trend of gross savings as a percentage of GDP in Nigeria vis-à-vis other economies such as Brazil, Kenya, and Pakistan over the years. Although, Nigeria was trending above the curve in comparison with the other countries, but the issue lies in how much is being saved. According to the World Bank report, Nigeria saved N15.6 trillion in 2015 and in the last ten years the CBN has also implemented policies and programmes to improve savings mobilization. This notwithstanding, the result of the survey by EFInA indicates that Nigeria still lags behind in its financial inclusion initiatives. For instance, between 2014 and 2016, the proportion of financially excluded to total adult population increased from 39.7% to 41.6%.

It is important to also note that out of the 96.4 million Nigerian adult populations, 65.5 million of them save (i.e. approximately about 68%) but in particular, 44.9% of the financially excluded adults are saving but in the informal sector. While among the adults who are formally included, 85.2% of them save. The question then is where are the financially excluded people located?

Going by the geo-political zones,

- The North West has 11 million people saving, but only 4 million are saving in the formal sector while the remaining 7 million are saving in the informal sector. Similarly, 33.3% of the adult population has cell phones. In other words, when Digital Financial services (DFS) products are being developed, the target market should focus around those with cell phones.
- In the North East, 7 million of the adult population are saving, but 5 million (almost 80%) are saving in the informal sector with a cell phone access of 47%.
- In the North Central, 10 million adults are saving, with 60% in the formal sector and 40% in the informal sector. Although, those that are saving in the formal sector are saving less compared to those in the informal sector who are saving

more in the excluded space. Cell phone ownership is 62.2% and this infers a good market for DFS.

- In the south West, 14 million adults (with N208 billion) are saving in the formal sector, while 2 million (N89 billion) are saving in the informal sector. Cell phone ownership is high at 84.2%.
- In the South South, 12 million adults are saving and 8 million have access to N124 billion in the formal sector, while 4 million adults with N82 billion are saving in the informal sector. Cell phone ownership is 65%.
- In the South East, with a population size of 9 million, about 6 million save in the formal sector, while 3 million adults save in the informal sector. Cell phone ownership is 72.7%.

Based on the foregoing, there is a need to focus on the North Central, North East and North West because it has the highest adult population size and also the largest size of informal savings. Hence, the opportunities abound in these areas and MfBs should develop products and services for these groups of people. Mrs. Quanyor further explained the profile of the different categories of savers, deducing that the number of people that save at home and those that save in the financial institutions are almost the same. In addition, many of the savers indicated ease of use, proximity and access as key requirements in choosing their saving methods.

While the number of those that save with DMB continues to rise, the MfBs witnessed a decline between 2012 and 2016. This may suggest that MfBs are not effectively meeting the needs of customers. More so, the MfBs should be able to convert a good share of the over N200 billion deposits saved at home into the formal banking system and develop marketing strategies that would attract those that save at home and other informal places.

With regards to the impact of savings on financial inclusion, the correlation between savings and credit is not happening because the 40% target for credit is yet to be realised. As at 2016, credit recorded 3% of the financial inclusion target. In order words, if savings is encouraged, it would provide an opportunity for the extension of micro-credits to low income borrowers who typically lack collateral, steady employment and verifiable credit history.

The opportunities that abound cannot be over-emphasised and as such, the MfBs should leverage FinTech to provide digital financial services (DFS) to the outstanding 25.7 million adults that do not use formal financial services. Moreover, 43.3% have access to a mobile phone, and 67.5% have formal education. Therefore, the type of products designed should be customised and specific for the profile of the different customers and not a one-size-fits-all approach. Similarly, MfBs should explore the opportunities to bundle micro-savings products along with micro-insurance and micro-pension products to further deepen their offerings.

Technical Paper from International Special Guest

Mrs. Angela Wambugu, Associate Director of MicroSave Limited, Kenya
Progress Report on AFOS Foundation Project on: "Enhancing Savings Mobilization, Mobile Money, Agency / Branchless Banking and Digital Money for MFBs in Nigeria"

Mrs. Wambugu expressed her appreciation to AFOS Foundation for the opportunity to partner in the savings mobilisation project. She invited her colleague Jacqueline Jumah, Digital Finance Expert, MicroSave to share Kenya's success story on how it has deployed digital financial system to achieve its current 75% financial inclusion rate.

Mrs. Angela Wambugu, presenting her technical paper

Jacqueline Jumah of MicroSave, sharing the experience of other countries with DFS.

Ms. Jumah attributed the acceleration of Kenya's financial services inclusion to the use of digital financial services. She explained that mobile money was introduced by the telecommunication company at a time when there were no guidelines and frameworks. And at that time, banks were also not allowed to offer financial services through third parties. The Central Bank of Kenya in 2011, then introduced the agent banking guidelines which allowed banks to provide financial services. It was the openness of the regulator, allowing both mobile network operators and banks to participate,that facilitated the enhancement of financial inclusion in the country.

She added that the Telcos followed the distribution model of the Fast Moving Consumer Goods companies to expand. The banks have leveraged this network to penetrate the rural and remote areas with their financial services.

Furthermore, she cited examples of Tanzania and Bangladesh. In Tanzania, the market is highly fragmented and they are very competitive in pushing their products, very cooperative as well as collaborative, also known as 'co-opetition'. In Bangladesh on the other hand, they have very similar characteristics with Nigeria, in terms of population, size and digital finance guidelines. For instance, the regulations in Bangladeshi states that DFS can only be pushed by banking models and the telecommunication company can only come in to manage the distribution of the services. For Nigeria, the problem lies in how to harness these opportunities to further service those that are excluded in the financial space.

Mrs. Wambugu started her presentation by sharing insights about MicroSave and its different projects in digital finance in Africa. These include advisory and pilot review of MPESA in 2008, support to Equity Bank Kenya in rolling out agent banking 2011-2013, establishment of The Helix Institute of Digital Finance in 2013, and more recently roll out of Agent banking in Uganda and Nigeria, among others. The overall objective of the project Enhancing Savings Mobilisation is expected to facilitate the use of innovative financial services solutions in savings mobilisation as well as the development and deployment of shared savings product.

The concept around the savings product is to develop a savings culture through affordable and convenient channels for the masses and to help them achieve their lifestyle goals, while giving MfBs access to cheaper loanable funds.

She cited two cases; the PMJDY government-led initiative for micro financial inclusion in India. This savings product had about $5.9 billion deposits as at April 2016. However, caution must be exercised in terms of dormancy because customers have varied service needs. The other savings product known as Mzansi is equally a government-led initiative in South Africa. In this case, all the banks were instructed to deploy this product as a directive towards financial inclusion. And as such, there was no buy-in by all the operators compared to the PMJDY product where only selected banks deployed this service. More so, the channel of delivery through branches and use of tellers were costly.

Mrs. Wambugu shared the timeline for the next steps of the savings mobilization project, which is to be concluded by October 2017 and she also highlighted the various concerns on this initiative regarding regulatory reforms. However, some of the issues are industry related and these include the credibility and capability of the MfBs as well as knowledge of agent banking. To address these, there must a change of mindset, change of public perception in particular to the name given to commercial banks as Deposit Money Banks (versus MfBs), among others.

In addition, she highlighted the regulatory reforms that can affect the initiative and this are:

- Clearing and settlement system.
- Licensing and regulations of MfBs.
- Access limitations for BVN registration.
- Cost limitations for DFS deployment.

She made the following suggestions for the regulators to consider:

- Include capable MfBs in NIBSS.

- Define special eligibility criteria for MfBs – governance, core capital requirements, liquidity requirements and the capital adequacy ratios.
- The process of granting access to NIBSS needs to be done incrementally upon attaining specific set targets.
- Public endorsement of MfBs by CBN and NDIC.
- Strengthen self-regulation through the National Association of Microfinance Banks (NAMB). CBN should support in the development of self-regulation guidelines.
- Consider external rating and badge of honour by associations, for solid, well governed and consistent MfBs.
- CBN to consider allowing network of larger MfBs to participate in the customer enrollment process.
- CBN to fast track the rollout of national electronic ID system.
- Shared technology platform as it may be expensive for individual MfBs to implement own platforms
- Shared agent network through the association, which can be managed by third party or possibly the MfBs can join resources to have their own agency network.
- Review cash deposit requirements.
- Abolish/reduce advertising fees on agent outlets.

In conclusion, Mrs. Wambugu emphasised the importance of a strong association that can engage with the regulators and also self-regulate its members, while ensuring capacity building among its association members. She further pushed for the MfBs to have sub-association/ sub-committee for the different tiers of MfBs as they all have their unique challenges.

Comments and Recommendations

- The operators should have a holistic survey to get a better understanding of what gives the customers trust in the MfBs.
- There should be an increase in the consumer awareness of MfBs.
- The regulators should carry out a public awareness on educating the people in rural areas about MfBs as this may boost the confidence of the customers in MfB.
- The credibility issue is market-led and as such the MfBs should review the quality of the service they offer as an industry.
- There is no law that restricts MfBs from BVN registration; it is an issue of capacity. The question is how many MfBs have the capacity to implement BVN registration.

Panel Discussion

The Moderator of the panel discussion was **Mrs. Modupe Ladipo,** Chairman, EFInA Board of Directors

Mrs. Modupe Ladipo, Chairman, Board of Directors, EFInA, moderating the panel discussion

The panel discussants were:

- Dr. Godwin Ehigiamusoe, Managing Director, LAPO Microfinance Bank Limited
- Mr. Akin Lawal, Managing Director, NPF Microfinance Bank Plc
- Mr. Guilluame Valence, Managing Director, Advans La Fayette Microfinance Bank
- Mr. Rogers Nwoke, Managing Director, Hasal Microfinance Bank Limited
- Mr. Tiko Okoye, Managing Director, Fortis Microfinance Bank Plc

Mrs. Ladipo gave a brief introduction of the theme of the symposium and emphasised that the purpose of the panel discussion was to assist MfBs move from cash-based banking to digital based platforms. Microfinance banks should start to invest in digital infrastructures such as mobile applications, internet, ATM cards and POS as this is the way forward in the 21st century. Drawing from some statistical compilations that are globally relevant for developing economies, she highlighted the following:

- 1.6 billion people will be newly included in the database management system
- $4.2 trillion in new deposits
- $3.7 trillion will account for an increase of 6% GDP boost by year 2025
- Creation of 95 million new jobs
- $110 billion annual reduction in government leakage
- $2.1 trillion in new credit

Furthermore, she pointed out the potential benefits for Nigeria if digital financial services are fully deployed and these are:

- 46 million people will be added to the formal financial sector
- 3 million new jobs
- 12.4% increase in GDP by 2025
- $2 billion will be saved in government leakage
- $57 billion in new credit
- $36 billion in new saving

- Cost savings on account will be between 65% - 75%
- Cost savings on transactions will be between 90% - 95%
- Overall cost savings would be between 80% - 90%

To set the tone for discussion by the panellists, Mrs. Ladipo highlighted three major requirements for digital financial services to work in Nigeria as:

1. Widespread digital infrastructure
2. Dynamic financial service regulation
3. Products people prefer to existing products.

She then opened the floor for the panellists to discuss the challenges and opportunities faced by their individual banks in switching to digital financial services.

Dr. Godwin Ehigiamusoe (represented by **Mr. Elijah Osadebamwen**)

Mr. Osadebamwen noted that the use of technology by MfBs to deliver efficient services to customers is inevitable. He then shared the experience of LAPO's transition when majority of its operations were manually operated. It was difficult to implement without errors, but eventually LAPO had all its branches interconnected to the online automated system. The transition process was quite challenging because it required huge investment in technology to allow the operations in all their 200 branches be technologically driven. It was the lessons learnt from that experience and use of the right software that was used to develop the additional 237 branches that LAPO currently has.

Mr. Elijah Osadebamwen, Director, LAPO MFB, making his contribution to the panel discussion

In spite of the success achieved, the bank still experiences downtime periods especially in remote areas where there are little or no networks. In addition, Mr. Osadebamwen stressed that the high cost of the initial investment in digital financing may strongly affect the smaller microfinance banks (Unit MfBs). On the other hand, there is the challenge of network connectivity and infrastructure, particularly in remote areas where the network is poor. Until these issues are resolved, using FinTech to deliver DFS will be daunting.

Going forward, he suggested the need for consumer education and awareness by regulators and the operators to those that reside in the rural areas so as to boost financial inclusion. Also, if the opportunity in digital banking is harnessed with agent banking, it would increase savings mobilisation as well as lower operational cost.

Mr. Valence Guillaume

One of the major challenges faced by microfinance banks in the use of digital financial services is the issue of trust and confidence in the sub-sector by the public. He further pointed out that Advance La Fayette MfB like other MfBs faces the problem of unfair competition with the DMBs because the bank needs to go through them for some of their services, like instant transfer. This therefore raises the issue of service reliability as well as increasing cost. Another challenge the bank faces is how to strike a balance between the bank's financial objectives and social objectives.

Mr. Guillaume Valence MD, ADVANS MfB making his contribution to the panel discussion

Digital financial service is very expensive to implement and it can cost as high as €50,000, which will likely have financial implications for the bank's financial standing. In addition, the inability to build a network of agents and the going concern issues of some of these agent networks equally pose a challenge to the bank.

Mrs. Ladipo *(Moderator)*

To address the matter raised by Mr. Guillaume, she suggested that the regulators should disseminate information on active agents and the areas they are located.

Mr. Akin Lawal (represented by **Mr. Jude Ohanehi**)

NPF Microfinance Bank began operations in 1993 and has grown to 28 branches nationwide. The bank has not done much in digital financial services because of the huge cost of investment, non-availability of ICT infrastructure, lack of technically skilled workforce, the profile of the bank's customers, high rate of poverty and national insecurity.

Mr. Jude Ohanehi, Director, NPF MfB Plc, responding during the panel discussion

The bank has reduced its concentration risk by offering financial services not just to police personnel, but to civilians in the last ten branches opened by the bank. And these branches are now located outside police barracks.

NPF MfB will collaborate with MicroSave on agent and branchless banking, as it hopes to begin providing digital financial services soon.

Mr. Rogers Nwoke

The use of technology has been built into the processes of Hasal MfB since its inception in 2008. The bank engaged the services of InterSwitch, as it was convinced that digital banking was the future of microfinance and operational risks can be better managed on the digital platform. All the branches of the bank are connected real-time online 24/7.

The bank faced impediments in exploring DFS and other FinTech solutions. These included poor infrastructure and development, fear of fraud, low level of financial literacy, high cost, regulatory problems which included forcing the banks to operate cash centres (branches) instead of interaction centres which are more profitable and cost effective, problems of after sales support to all microfinance banks in Nigeria, settlement issues, switching issues, and high cost of recruiting agents, to mention but a few.

Mr. Rogers Nwoke, MD/CEO, Hasal MfB Ltd during the Panel proceedings as a discussant

These challenges notwithstanding, DFS brought opportunities to the bank and these include an increase in deposit mobilization that grew from N6.1 million in year 2010 to N215 million in 2014. Similarly, the bank changed its banking application and this resulted in an increase of N411 million in 2011 to N10.2 billion in year 2016 in electronic transfers. Over 100 POS terminals of the bank are in different places and as at 24th May 201. Hasal MfB has also gone live on NIBSS.

He suggested that the MfBs should be allowed to engage in similar services as the DMBs. However, regulatory check should be on the size or volume of the transactions MFBs can engage in.

Mr. Tiko Okoye

Fortis MfB remains the most digitalized bank in the microfinance subsector, as all the staff of the bank have FORTIS branded ATM cards, which creates confidence in clients. The bank has 64 cooperative branches nationwide, and 14 branches in Abuja. Savings as a credit product is driven through the MPOS and cooperative branches.

DFS is quite expensive and this reduces the profitability of the bank in the short term, requiring that it should be properly aligned with the bank's core banking application. The need for Technology risk to be anticipated and mitigated was also highlighted, as this can cause reputational risk if not well managed.

Mr. Tiko Okoye MD/CEO, FORTIS MfB Plc responding to questions

Mr. Okoye suggested that the government should encourage import substitution by providing incentives for producers of Automated Teller Machines (ATM) in Nigeria. The need for microfinance banks to gain public trust requires support of the regulators just as commercial banks are being supported so as to outlive their founders.

Interactive Session with the Panel

Questions & Answers:

- **Question: Mrs. Ladipo (Moderator)** asked Mr. Olubokola Akinwunmi of CBN why some microfinance banks got their licenses revoked, and when depositors in those banks will have access to their money.

  Response by Mr. Olubukola Akinwunmi (CBN, Banking and Payment Systems)

  NIBSS is ready to give services to microfinance banks and that has been done through mobile money. There is need for collaboration and cooperation on shared agency network and shared infrastructure by microfinance banks in Nigeria.

  Mr. Akinwunmi assured the participants that MfBs can leverage the two approved 'super agents' by CBN. Telcos will also be licensed soon, especially those that are considerably strong and once they are licensed, the bank will create awareness.

- **Question:** Has collaboration on shared services been successful for the commercial banks?

  Response by Mr. Akinwunmi (CBN)

  Online banking platform is a success story today as a result of shared platform by commercial banks. Banks should be ready to collaborate, as shared services and shared data centre reduce operating cost.

- **Question:** What is the comparison between the activity level on a shared platform and individual platform?

  Response by Mr. Akinwunmi (CBN)

  Using the mobile money platform to illustrate, the shared platform is about using same infrastructure, but also collectively agreeing terms and ideas among themselves.

  Response by Mr. Rogers Nwoke

  There should be a framework for MfBs so that they can depend less on commercial banks.

- **Question:** Will training not be a challenge in the digital era?

  Response by Mrs. Wambugu

  MicroSave runs training programmes on agency networks and MfBs can actually subscribe to this. Also, there is no need to force any bank into joining MITC if they cannot see the benefit attached to it.

Mr Olubukola Akinwunmi of CBN, answering questions

MfBs should explore opportunities in partnership that will provide funds for all and also result in profit sharing. Licensing of super agents should be based on distribution and not technology.

Response by Mrs. Martins

The group training is not compulsory for microfinance banks. It is voluntary and would be beneficial to all the parties involved.

- **Question:** How can the cost of deploying DFS be managed with regulatory limits on assets?

  Response by Mrs. Martins

  DFS is better done through shared services, which is far cheaper at a monthly cost of only N23,000.

- **Comment by Femi of Inlaks:**

  There are significant benefits in shared platform, coming from Inlaks' experience as a driver in the ICT industry.

- **Comment by Sammy:**

  Collaboration will not work unless microfinance banks are unified, as has happened in the case of NAMB. The Nigerian Microfinance Platform should thread with caution.

  Response by Mr. Nwoke

  Shared platform will be a very big success if MfBs collaborate

  Response by Dr. Oluyemi

  NDIC can provide soft loans to microfinance banks having liquidity issues and therefore, MfBs can leverage this opportunity. MfBs should participate in the shared platform and NDIC has provision for insurance for mobile money operators.

- **Comment by Mrs. Martins**

  Consolidation in the microfinance subsector remains important. Perhaps entry barriers are too low, meaning the entire industry needs to be restructured.

Mr. Anate Joseph of Triple A MfB making a contribution

Mr. Olufemi Muriano, answering questions on the proposed CBN shared IT platform

Mr. Nwoke should develop a concept paper on the benefits of interaction centres instead of cash centres (branches) for MfBs.

- **Mrs. Ladipo (Moderator)** requested each discussant to state one contribution their banks would make over the next one year.
    - **Mr. Guilluame,** Advans La Fayette Microfinance Bank: Collaboration through the microfinance platform
    - **Mrs. Quanyor:** EFInA: Expanding through innovation
    - **Mrs. Wambugu,** MicroSave: Capacity building
    - **Mr. Osadebamwen,** LAPO Microfinance Bank Ltd: Take agent banking to all Nigerian states
    - **Mr. Ohanehi,** NPF Microfinance Bank Plc: Increase partnership with other MfBs
    - **Mr. Nwoke,** Hasal Microfinance Bank: Collaboration with microfinance banks and registered association
    - **Mr. Okoye,** Fortis Microfinance Bank Plc: Achieve financial inclusion by 100% in one year and 400% by 2021
    - **Mrs. Martins, CBN:** Listen and support
    - **Mr. Etopidiok, NDIC:** Encourage operators to do the right things

Mrs. Ladipo (Moderator) brought the session to a close and reiterated the following mentioned points:

1. The competitors of Microfinance banks should not be deposit money banks
2. Collaboration is key
3. MfBs should have a platform to push grievances to government.

Enagaged participants

Vote of Thanks

The vote of thanks was given by Mr. Rogers Nwoke, who thanked everyone present at the event and further expressed deep appreciation to the Deputy Governor, CBN, Dr. Joseph Nnanna who was represented by Mrs. Tokunbo Martins. He extended his gratitude to the MD/CEO, NDIC, Alhaji Umaru Ibrahim; the Director, OFISD, Mrs. Tokunbo Martins; and the Director, Special Insured Institutions Department, NDIC, Mr. Joseph Etopidiok all of whose support could not be quantified.

Special thanks also went to the EFInA team, MicroSave, all the panel discussants, the AFOS Foundation, Mrs. Tutu Ogunnaike, rapporteurs, the MC, Mr. David Adelana and the organising committee. He urged every participant to explore, collaborate and form a strong partnership for greater success.

Mr. Rogers Nwoke giving the vote of thanks on behalf of the Nigerian Microfinance Platform

Chairman’s Closing Remarks

Deputy Governor, Central Bank of Nigeria: **Dr. Joseph Nnanna**

Mrs. Tokunbo Martins gave the closing remarks on behalf of Dr. Joseph Nnanna. In her short remarks, she expressed that the programme has been worthwhile and every participant should go out with much determination to embrace all that have been decided upon.

The symposium was officially declared closed by 3:50pm.

Appendices

THE NIGERIAN MICROFINANCE PLATFORM

Supported by

Program of Events

08:30 - 09:00	**Registration of Participants** Arrival of discussants, Guests of Honour, Lead paper presenters/Special Guest of Honour, Keynote Speaker and the Chairman.
09.00 – 09.10	**Introductions/Recognitions by the Master of Ceremony** **Mr. David Adelana,** Principal Manager, Central Bank of Nigeria (CBN)
09.10 – 10.00	**Opening Statements by the Chairman** **Dr. Okwu Joseph Nnanna,** Deputy Governor, Central Bank of Nigeria **Messages:** **Alhaji Umaru Ibrahim,** MD/CEO, Nigeria Deposit Insurance Corporation (NDIC) **Mr. Hans-Joachim Maurer,** MD/CEO AFOS Foundation – Germany **Senator Rafiu Ibrahim Adebayo,** Chairman, Senate Committee on Banking, Insurance and Other Financial Institutions **Senator Dada Joseph Gbolahan** Chairman, Senate Committee on Public Account

10:00 – 10:30	**Convener's Address:** ***Regulatory challenges and policy plans for enhancing the exploration of Digital Financial Services and other Fintech Solutions for Savings Mobilization by Microfinance Banks in Nigeria*** **Mrs. Tokunbo Martins,** Director, Other Financial Institutions Supervision Department (OFISD) CBN and Convener of the Nigerian Microfinance Platform (NMP)
10:30 – 11:00 11:00 – 12:00	**Keynote Paper from the Perspective of a Regulator:** ***Imperative reforms for the safeguard of deposits and management of abuses to ensure optimum exploration of Digital Financial Services (DFS) and other Fintech Solutions for Savings Mobilization by Microfinance Banks*** **Mr. Joshua Etopidiok,** Director, Special Insured Institutions Department, Nigeria Deposit Insurance Corporation (NDIC)
12:00 – 12:30	**Tea/Coffee Break**
12:30 – 1:00	**Technical Paper:** ***The status of Savings Mobilization and its impact on Financial Inclusion in Nigeria*** **Mrs. Linda Quaynor,** Managing Director of EFInA **Technical Paper from International Special Guest:** ***Preliminary outcomes of the project on "Savings Mobilization, Mobile Money, Agency/Branchless Banking and Digital Money for Microfinance Banks in Nigeria".*** **Mrs. Angela Wambugu,** Associate Director, MicroSave Ltd., Kenya
1:00 – 2:30	**Panel Discussion:** ***Impediments to the exploration of Digital Financial Services and other Fintech Solutions for Savings Mobilization by Microfinance Banks in Nigeria*** **Moderator** • **Mrs. Modupe Ladipo**, Chairman, Board of Directors, EFInA **Discussants** • Dr. Godwin Ehigiamusoe, MD/CEO, LAPO MfB Ltd. • Mrs. Bunmi Lawson, MD/CEO, ACCION MfB Ltd. • Mr. Rogers Nwoke, MD/CEO, Hasal MfB Ltd. • Mr. Guillaume Valence, MD/CEO, Advans La Fayette MfB • Mr. Tiko Okoye, MD/CEO, Fortis MfB Plc • Mr. Akin Lawal, MD/CEO, NPF MfB Plc.

2:30 – 3:00	Question & Answer Session
3:00 – 3:20	Presentation of summary of Key Symposium outcomes and 'takeaway tasks'/Communiqué Mrs. Tutu Ogunnaike, Former Deputy Director, OFISD-CBN
3:20 – 3:35	Presentation of plaques and letters of appreciation to presenters and Guests
3:35 – 3:45	**Vote of Thanks** **Mr. Rogers Nwoke,** MD/CEO Hasal MfB – on behalf of Nigeria Microfinance Platform
3:45	**Closing remarks by Chairman** **Dr. Okwu Joseph Nnanna,** Deputy Governor, Central Bank of Nigeria
4:00	**Lunch**

Appendix B

List of Officials

S/No.	Names	Position
1.	Dr. Joseph Nnnanna	Deputy Governor, CBN
2.	Mrs. Tokunbo Martins	Director, Other Financial Institutions Supervision Department (OFISD)
3.	Alhaji Umaru Ibrahim	MD/CEO, Nigeria Deposit Insurance Corporation (NDIC)
4.	Mr. Joshua Etopidiok	Director, Special Insured Institutions Department, Nigeria Deposit Insurance Corporation (NDIC).
5.	Mr. Hans Joachim Maurer	MD/CEO, AFOS Foundation
6.	Mrs. Linda Quaynor	Managing Director of EFInA
7.	Mrs. Angela Wambugu	Associate Director, MicroSave Ltd, Kenya
8.	Mrs. Modupe Ladipo	Chairman, EFInA Board of Directors
9.	Dr. Godwin Ehigiamusoe,	Managing Director, LAPO Microfinance Bank Ltd
10.	Mr. Tiko Okoye	Managing Director, Fortis Microfinance Bank
11.	Mr. Rogers Nwoke,	Managing Director, Hasal Microfinance Bank
12.	Mr. Guilluame Valence,	Managing Director , Advans La Fayette Microfinance Bank
13.	Mr. Akin Lawal,	Managing Director, NPF Microfinance Bank Plc
14.	Mrs. Tutu Ogunnaike	Former Deputy Director, OFISD-CBN

Appendix C

List of Participants

S/No.	Names	Organisation
1	Sogbesan Ayoola	AB MfB
2	Aminu Abdullahi	Abokie MfB
3	Ojuh Peter	ABUCOOP Mfb
4	Oladele Olasehan	ABUCOOP MfB
5	Aminu Umar	ABU-MfB
6	Enyi Paul	Accion MfB
7	Arowojolu Abiodun	Accion MfB
8	Bernhard Vester	AFOS Foundation
9	Kenneth Achu	AFOS Foundation
10	Mary Samuel-Ipaye	AFOS Foundation
11	Funmilayo Akinwale	AFOS Foundation
12	Alaba Odifa	Atlas MFB
13	Odenigbo Joe	Atlas MfB
14	Jude Onuoha	Atlas MfB
15	'Laide John	BAA Consult
16	Adesoye Paul	BAA Consult
17	Barr. Peter Oiwo	Boji Boji MfB
18	Ganiyu A. Isiaka	Bunkasa MfB
19	Bernard Nwobodo	Business Suport MfB
20	Akinlade Idowu	CBN
21	Olatunde Agbeja Fehintola	CBN
22	Ekpo Bassety-Duke	CBN
23	K.A.Olatinwo	CBN
24	O.L.Owolabi	CBN
25	Akinwunmi O.A.	CBN
26	Fatokun Dipo	CBN
27	Adelana David	CBN / MC
28	Idongesit Emenyi	Cornerstone Insurance Plc
29	Francis Alawari	Cosmopolitan MFB
30	Aluko Ayodeji	CRC Credit Bureau
31	Khanoba Collins	Crossover MfB
32	Helen Amromaja	FITC
33	Joseph Onyeabor	Fortis MfB
34	Samuel Hezekiah	Fortis MfB

35	Thompson Jombai	Fortis MfB
36	Aress Swile Abutu	GIZ
37	Kikelomo Collins - Chibele	GIZ
38	Valentine Whensu	Global
39	Hauwa Tliga Kassan	GOWANS
40	Yado Philip A.	Hamda Mfb
41	Cynthia Sai	Hasal MfB
42	Badmus Ruskiyat	Hasal MfB
43	Adedapo Adebimpe	Hasal MfB
44	Abraham Blessing	Hasal MfB
45	Ada Anya	Hasal MfB
46	Benjamin Mapac	Hishlard MfB
47	Janet Odidi Obuotor	Hitech Gadgets Ltd
48	Olufemi Muraino	Inlaks
49	Jimoh Fatai	Inlaks
50	Olanipekun Morenike	Inlaks
51	Giwa, O.A	Inlaks
52	Gabriel Agbo	Jamis MfB
53	Asabe Abdullahi	Josad MfB
54	Akposyouwi S.M	Kedpoly MfB
55	Adetokun Adedayo	LAPO MfB
56	Igiewe Efosa E.	LAPO MfB
57	Iyoha Blessing	LAPO MfB
58	Osadebainwen Elijah	LAPO MfB
59	Kunle Shittu	LAPO MfB
60	Samuel Nnoemenan	LAPO MfB
61	Utoware Blessing	LAPO MfB
62	Ibrahim Mohammed	Leadership
63	Emmanuel Michael	Letshego MfB
64	TAT Danjuma	Light MFB
65	Kazeem O.A.R	Microcred
66	Omar Niaz	Microcred
67	Jacqueline Jumah	MicroSave Consulting
68	Yusuf Gyallesu	NUT Endwell MfB
69	Simon L. Arduhur	Mwaghavul MfB
70	Ogbu Oche Emmanuel	NAMB
71	Imagie Elochukwu	NAMB

72	Nasiru A. Baba	NAMB
73	Eddy Orok	NAMB FCT
74	Shikin N. Caleb	NAMB HQ
75	Eld Femi Jegede	NAMB Oyo
76	Adekanmbi Amosu	NAMB Oyo
77	Jibrin M. Usman	NAS MfB
78	Kayode Oyedeji	National Assembly
79	S.A Oluyemi	NDIC
80	J.J Eto Pidiok	NDIC
81	D.N. Amuzie	NDIC
82	Ayodele Ariyo	News Direct
83	Ramat Isa	Njenwinze
84	Tizhe J. K	NPF MfB
85	Ohanehi Jude	NPF MfB
86	Sunday Zovoe	NPF MfB
87	Ibyodinina Vera	NPF MfB
88	Fatima Olajumoke	NPF MfB
89	Ufuoma Eghwerehe	OIKO Credit
90	Ejembi Bernard Ijoh	Otukpo MfB
91	Christian Aghaegbuna	Safe Haven MFB
92	Chioma Mordi	SCGN
93	Anate Joseph	Triple A
94	Abimbola Olaboedi	Walle MfB
95	Kpedi Justina	Wetland MfB
96	Stephen M. Somo	
97	Angela Wambugu	MicroSave

Appendix D

List of Sponsors

S/No.	Organisation
1.	ACCION Microfinance Bank Limited
2.	Advans La Fayette Microfinance Bank Limited
3.	AFOS Foundation
4.	B. Adedipe Associates Limited
5.	Fortis Microfinance Bank Plc
6.	Hasal Microfinance Bank Limited
7.	LAPO Microfinance Bank Limited
8.	NPF Microfinance Bank Plc

Appendix E

List of Organising Committee Members

S/No.	Name	Organisation
1.	Ifeoma Akpojiyovwi	ACCION MfB
2.	Sixtus Ekeocha	ACCION MfB
3.	Michael Olatunde	ADVANS LAFAYETTE MfB
4.	Achu Kenneth	AFOS
5.	Mary Samuel-Ipaye	AFOS
6.	Funmilayo Akinwale	AFOS
7.	Oni Taiwo	AFOS
8.	Samuel Jesushola	FORTIS MfB
9.	Lilian Bassey	HASAL MfB
10.	Kunle Shittu	LAPO MfB
11.	Fatima Olajumoke	NPF MfB

Appendix F

Rapporteur Team

S/No.	Name	Organisation	Role
1.	Dr. 'Biodun Adedipe	BAA Consult	Editor-in-Chief
2.	Olaide John	BAA Consult	Rapporteur
3.	Paul Adesoye	BAA Consult	Rapporteur

Appendix G

Communique Team

S/No.	Name	Organisation
1.	Adetutu Ogunnaike	Consultant
2.	Samuel Jesushola	FORTIS MfB
3.	Lilian Bassey	HASAL MfB

Appendix H

Media Team

S/No.	Name	Organisation
1.	Ifeanyi Onueba	Punch
2.	Lucy Ladidi Elakpo	Guardian

Appendix I

List of Acronyms

S/No.	Acronym	Definition
1.	ATM	Automated Teller Machine
2.	CAC	Corporate Affairs Commission
3.	CBN	Central Bank of Nigeria
4.	DMB	Deposit Money Bank
5.	DFS	Digital Financial Services
5.	EFInA	Enhancing Financial Innovation and Access
6.	ICT	Information and Communications Technology
7.	MfB	Microfinance Bank
8.	NAMB	National Association of Microfinance Banks
9.	NCC	Nigerian Communications Commission
10.	NDIC	Nigeria Deposit Insurance Corporation
11.	NIBBS	Nigeria Inter-Bank Settlement System Plc.
12.	NMP	Nigerian Microfinance Platform
13.	NPF	Nigeria Police Force
14.	OFISD	Other Financial Institutions Supervision Department
15.	POS	Point-of-Sale
16.	SEC	Securities and Exchange Commission

Opening Address

Dr. Okwu Joseph Nnanna, *Deputy Governor, Central Bank of Nigeria*

CHAIRMAN OPENING ADDRESS

on the occasion of

THE 3RD ANNUAL SYMPOSIUM OF THE NIGERIAN MICROFINANCE PLATFORM ON MAY 24, 2017

- Chairman, Senate Committee on Finance, Senator Rafiu Ibrahim Adebayo
- Directors of CBN, OFISD and NDIC, SIID
- Managing Directors of Microfinance Banks
- Distinguished Paper Presenters and Panelists
- Other Invited Guests
- Members of the Press
- Ladies and Gentlemen

all protocols duly observed.

It is an honor and privilege for me to be here at this Symposium and to perhaps, chair the event.

It is common knowledge that the microfinance bank sub-sector has evolved since the launching of the Microfinance Policy in 2005. The potentials are enormous and so are the challenges, daunting. As regulator and supervisor of the sub-sector, the CBN has continued to play a critical role in ensuring the stability and soundness of the entire financial system, of which the sub-sector, plays a major role. Microfinance, by expectation is expected to cater for the bottom of the pyramid persons and assist the lower-end of the market to cultivate banking habit, provide financial and non-financial services to this category of individuals and by so doing, reducing the poverty level at the grassroots. This is expected to be performed with all sense of responsibilities, considering that microfinance banks should be run profitably and sustainably.

The theme of this year's symposium, **"Enhancing Savings Mobilization through Mobile Money, Agent/Branchless Banking and Digital Money and Other Fintech Solution to Achieve Financial Inclusion"** the third in the series, could not have come at a better time. Virtually all facets of our lives had been touched or influenced by the advent of technology in a very significant way. While the Nation tries to achieve the set target of reducing the number of financially-excluded persons, it is paramount to continually engage technology to assist in bridging this gap. Indeed, technology is changing the ways in which banking services are being offered and delivered. The combined effect of mobile money with the active involvement of the telcos, the usage of business correspondents and even, the so called 'cryptocurrency' despite the little or no-awareness on its implications, amongst other new initiatives powered by information technology, could not be waived aside.

We are moving from debit advices to SMS alerts, local server-based storage to cloud-computing, visiting bank branches to drawing cash at ATMs, filling transfer forms to wiring cash vide USSD codes and/or online apps, and many more! While there are tremendous benefits owing to the use of fintech solutions to banking, there are considerable downsides too. Very recently, the media was inundated with a virus known as 'Ransomware' which could only be possible due to the interconnectivity between various technological gadgets we use today. This and many more, are challenges which the increasing use of technology has brought to our doorstep. As we have embraced these technologies though, we should make it a point of duty to always seek for ways of protecting the banks' assets from breaches.

It is in the light of these that regulators and supervisors should continually study these channels and/or products that could have very high impact on how banking businesses are run, proffer advices and issue regulatory policies to guide how individual banks and stakeholders deploy these tools. It is my firm belief that the array of industry specialists and experienced microfinance bankers that had been lined up to share their very useful insights into this all-important theme would do sufficient justice to it.

On a final note, I want to assure you that the CBN will continue to hold this sub-sector as vey key and important, promote its uniqueness and support all laudable initiatives within it, to ensure a virile, strong and stable financial system in the interest of the populace. We are at the CBN are looking forward to continue this co-operation and collaboration with sector participants and further contribute to the strengthening of the financial sector in Nigeria.

Having said this, I wish all participants a very successful symposium. Thank you very much and may God bless you all.

Appendix K

Opening Statement

Senator Prince (Dr) Gbolahan Dada, *Vice Chairman, Senate Committee on Public Account*

PROTOCOLS

The Organisers of this event,

Distinguished Senators here present,

Invited Guests,

Gentlemen of the Press,

Members of the Public,

Ladies and Gentlemen,

Other protocols duly observed.

I consider it a great honour and privilege to be in your midst today. I congratulate the Microfinance Platform for organizing this third annual symposium.

I have gone through the issues to be addressed by various experts in this symposium. I am convinced that we are all going to be more educated than we were at the end of this symposium.

While wetting my appetite to learn from our experts on the topic of this symposium titled *"Enhancing savings mobilization through mobile money, agent/branchless banking and digital money and other fintech solution to achieve financial inclusion",* I stumbled on something which I would like to pass across.

There is a need to invest heavily in financial technology otherwise called fintech. We also need to address the issue of Data security because of the threats of hacking and the need to protect sensitive consumer and corporate financial data.

In 2014, it was reported that in Europe, $1.5billion dollars was invested in fintech companies with London-based companies receiving $539 million, Amsterdam-based companies received $306 million and Stockholm-based companies received $266 million in investment.

In Nigeria, I doubt if we have any statistics on the amount invested in fintech companies. I urge participants in this symposium to ensure that there is a change in this story in the coming years.

As I close, I wish to bring our attention to key findings of 2016 PWC Global Fintech report. The reports states as follows:

- 95 per cent of bankers believe that some of their business will be given up to FinTech players in the coming years.
- 67 per cent of respondents believe FinTechs will put pressure on margins.
- 59 per cent of respondents are concerned about losing market share.
- 53 per cent of those surveyed fear higher levels of customer agitations.
- 75 per cent of respondents said fintech will have most important impact on increased focus on the customer.
- 56 percent of respondents recognize the importance of distributed ledger technology (i.e., "blockchain").
- 57 per cent are unsure how to respond.

I hope and pray that this symposium will give us a road map on how to utilize all the information we shall acquire to transform and influence the growth of Microfinance Banks in the country.

Once again, I welcome all of us to this symposium. I wish all of us happy deliberation.

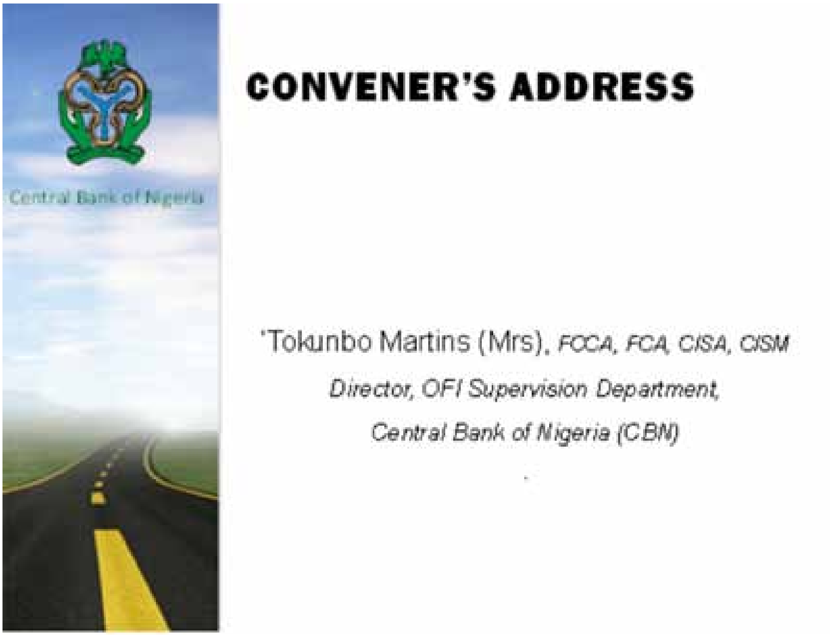
Thank you and God bless.

Slides of Keynote Paper

Appendix L

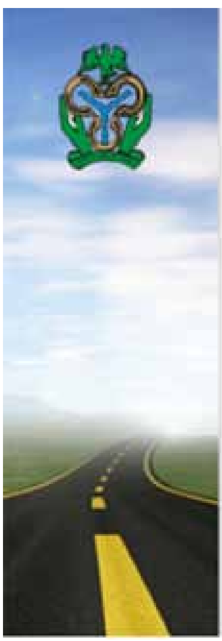
Convener's Address

Mrs. Tokunbo Martins, Director, Other Financial Institutions Supervision Department {OFISD}, CBN; Policy Plans for Enhancing Digital Financial Services for Savings Mobilization by MFBs



PROTOCOLS

- Senator Rafiu Ibrahim Adebayo, Chairman, Senate Committee on Banking, Insurance and Other Financial Institutions
- Senator Dada Joseph Gbolahan, Chairman, Senate Committee on Public Accounts
- Alhaji Umaru Ibrahim, MD/CEO, Nigeria Deposit Insurance Corporation (NDIC)
- Mr. Hans-Joachim Maurer, MD/CEO AFOS Foundation – Germany
- MDs/ CEOs of MFBs
- Executives and Management staff of Central Bank and NDIC
- Members of the press
- Distinguished ladies and gentlemen

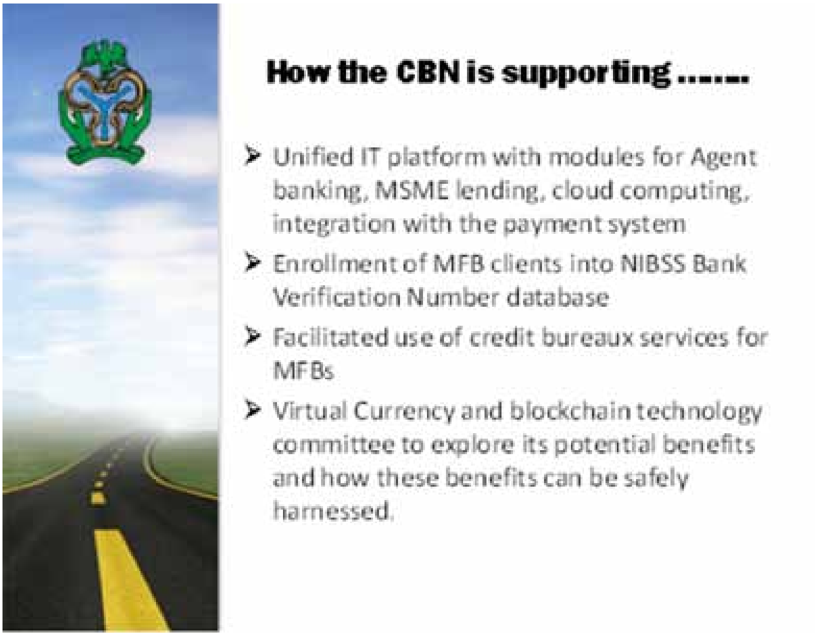


Introduction

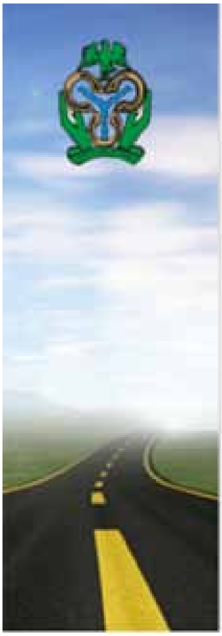
- Financial exclusion is sadly on the rise again according to the latest figures released by EFINA
- Currency outside the formal banking system is also on the increase from data within the CBN
- This is however an opportunity for MFBs to cast their nets deeper and further
- And to aggressively mobilise these 'truant' funds, grow their balance sheets and find their place in the new focus of Government – financing MSMEs


But methods are being revolutionalised!!!!
innovation
digital
financial
Fintech
finance
business
data
technology
global
information
internet
web
service


FINTECH | LANDSCAPE
everisDigital


How the CBN is supporting ......
Unified IT platform with modules for Agent banking, MSME lending, cloud computing, integration with the payment system
Enrollment of MFB clients into NIBSS Bank Verification Number database
Facilitated use of credit bureaux services for MFBs
Virtual Currency and blockchain technology committee to explore its potential benefits and how these benefits can be safely harnessed.


REGULATORY PAIN POINTS
How to facilitate innovation and at the same time maintain a safe and sound financial system.
Promoting financial stability is a core function of the CBN
Cyber-risks
Operational risks
Credit risks
Compliance/ money laundering risks
Data security
Unknown unknowns

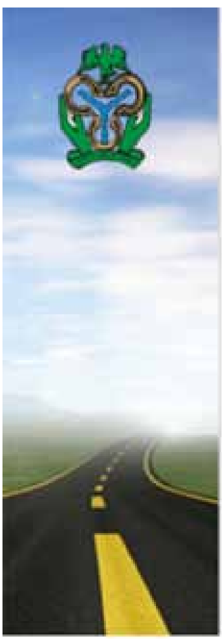


CGAPs RECOMMEDATIONS

Following diagnostic assessments conducted in seven frontline countries, the ***CGAP Focus Note 43_Regulating Transformational Branchless Banking: Mobile Phones and Other Technology to Increase Access to Finance***, examines key issues that policy makers and regulators face. The Focus Note opined on '**proportionate**' regulation of this dynamic and promising phenomenon at the convergence of financial services and telecommunications.

The core content-related recommendations can be summarized as follows:

- Permit nonbank retail outlets to serve as agents— and consider carefully any restrictions on the range of permissible agents and types of relationships permitted
- Evolve a risk-based AML/CFT approach adapted to the realities of small, remote transactions conducted through agents
- Clarify the legal boundaries between retail payments, e-money, and other stored-value instruments and bank deposits
- Create a regulatory category for electronically stored value that allows non-bank participation on defined terms
- Create robust but simple mechanisms for consumer protection, covering problems with retail agents, redress of grievances, price transparency, and consumer data privacy
- Consider the likely longer range competitive landscape today and how to reach the goal of interoperability



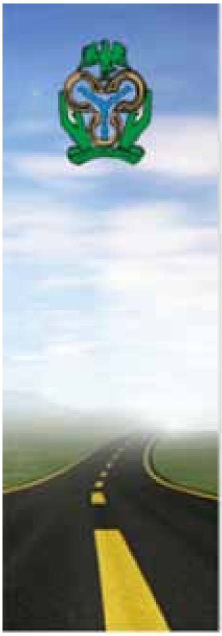
Best Practice Policy Action being considered by the CBN

- FINTECH Regulation – Efforts are being made by the Financial Stability Board to provide a global framework for fintech regulation that will encourage innovation while guarding against abuse, inequity, and risky behavior.

- Payment Service Directive (PSD 2) – mandates banks to open their APIs to allow third party technology build on their data to improve financial services

- Sandboxes for security purposes in untested projects of FINTECHS and innovations in the payments space

- BVN watchlist for fraudsters



CONCLUDING REMARKS

Innovations may solve some current problems, but they could also create new ones. The regulatory framework needs to ensure financial and operational risks are adequately managed and moral hazard avoided. The CBN will adopt a proportional approach to regulation of emerging technologies in consultation with the FSRCC and the industry.

By working together, we can unlock the full promise of fintech and other digital solutions and ensure a smooth evolution to tomorrow's financial system – safe, sound and effectively serving the people who rely on it.

KEYNOTE ADDRESS BY DIRECTOR, SPECIAL INSURED INSTITUTIONS DEPARTMENT, NIGERIA DEPOSIT INSURANCE CORPORATION AT THE THIRD ANNUAL SYMPOSIUM OF THE NIGERIAN MICROFINANCE PLATFORM ON 24TH MAY, 2017

Protocol

A Customer's Journey is the Path the customer travels to satisfy their needs and wants and will typically consist of several separate processes. The Theme "Enhancing Savings Mobilization Through Mobile Money, Agent/Branchless & Other Fintech Solution To Achieve Financial Inclusion" is very apt. Especially coming at the time EFina has just released its 2016 Report on Financial Inclusion.

1.0 Overview Of Strategies In Achieving Financial Inclusion

Financial inclusion revolves around capitalizing on everyday transaction costs, using big data generated to service the poor and harvesting the Bottom of Pyramid Savings.

Ask Bank Supervisors and Operators what has changed most in the past decade, top of their list will be regulations. Such regulations include Stress Tests, Capital threshold, Return on Equity, Cost Control Measures and Stricter Lending. Banks grumble about a surfeit of Rules as well as Capital requirements.

For instance, Dodd Frank Act (2010) which recast American Financial Regulation runs about 848 pages. The Dodd Frank Act thickened the "spaghetti soup". It abolished but created two more institutions, Consumer Financial Protection Bureau (CFPB) and Financial Stability Oversight Council. Complaints about bureaucracy are heard far beyond Wall Street.

About 5,000 Community Banks (CBs) in the USA, equivalent of Nigerians MFBs say regulations are impacting revenues and restricting Loans creation. Besides, the CBs lack skill, the credit risks are locally concentrated and they face competition not only from bigger banks but also from online lending.

2.0 Relationship Between Banks & Technology Companies Becoming Increasingly Collaborative

In 2015, a paper published online under the name of Satoshi Nakomoto discussed and advocated a form of electronic cash which people could pay one another without going through banks. This was through "Bitcoin" riding on "Block Chain Technology". Banks had to adapt to this creative disruption.

Smart phones and less visibly, Cloud Computing have transformed customers' daily lives and the use of money.

Banks cannot ignore Fintech, rather both have to collaborate. For instance, Peer to Peer market place lending (Lending Club & SOA, America) and Rate Setter in Britain (Connect Lenders and Savers).

Britain's Market Invoice allows small companies to borrow against Account Receivables. Recently, Office of the Comptroller of Currency, USA proposed giving special Licences to Fintech.

- China is keying into allowing Fintech to provide Credits to its customers.
- Banks & Fintech should positively embrace each other. Banks are under pressure from Supervisors and Shareholders to reduce costs. Customers and other Stakeholders expect banks to deliver their services faster. Banks know it is better to be first rather than being at the rear.
- Digital Payment System appears the right approach to achieve the Stakeholders' expectation.
- In recent times, a number of MFBs in Nigeria have started to partner with Fintech companies. Piggy Bank NG, a Fintech Start-up, is partnering with MFBs to help Individuals save towards a target. The company has automated the savings process, making it easier for individuals to conduct savings just by uploading their Card Details. Also, Lidya, a Stand-alone Fintech company has attracted more than 20,000 small businesses. Instafin Fintech has enabled MFBs, Cooperatives & Credit Unions and presently serving about 650,000 clients.
- M-PESA, Kenya has since been extended to offer loans and savings products and can be used to disburse salaries or pay bills, which saves users further time and money (because they do not need to waste hours queuing up at the bank). One study found that in rural Kenya, households that adopted M-PESA, incomes increased by 5-30%. In addition, the availability of a reliable mobile-payments platform has spawned a host of start-ups in Nairobi, whose business models build on M-PESA's foundations. Mobile-money Growth in other Countries has been held up by oppositions from Banks and Regulators and concerns over Money-Laundering. Despite the challenges, M-PESA is doing well in other countries, including Tanzania and Afghanistan, and last month it was launched in India. At the same time, operators in some other countries are doing an increasingly good job of imitating M-PESA. Some of the factors behind Kenya's lead cannot be copied due to certain peculiarities; but many of them can, which means it should eventually be possible for other countries to follow Kenya's pioneering example.

3.0 Fintech & Banks In Nigeria:

The Journey So Far

- Digitization, Settlement and Fintech Market Segment - Nigeria identified as a "Greenfield" opportunity.
- Data & Analysis

- Artificial Intelligence
- Payments
- Digital Currencies
- Crowd Funding

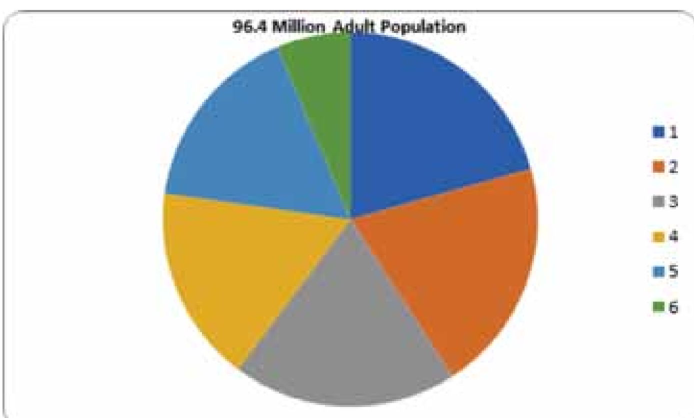
4.0 Opportunities In Fintech Collaboration

- Enhancing Value Proposal & Driving Sales
- Enhancing "Be Where Your Clients Are" to serve them better
- Reducing Operating Costs
- Easier Access to Loans
- Lower Interest Rates

5.0 EFina Access To Financial Services 2016 Survey

In 2016, Formally Included Segment increased from 45.4 million adults (2014) to 46.9 million (2016), an increase of 1.5 million adults who have access to DMBs, MFBs, Mobile Money, Insurance and Pension Services.

The finding revealed that 40.1 million (adults) representing 41.6% are financially excluded.



60.40% - own Mobile Phones
61.90% - Rural
58.30% - Under 35 Years
50.80% - Male
49.20% - Female
19.10% - rely mainly on Farming

Source: EFina

- **Opportunities**
    - Large number of unbanked, not just BOP (Bottom of the Pyramid).
    - Develop a menu of financial products to attract 55.22 million Adult user of mobile phones.
    - Focus on SMEs.
    - Focus on Women and Youths (underserved) to reverse loss of productivity.

6.0 Observed Emerging Trends

- MFBs and Other Deposit-Taking Institutions continued to focus on population that already had some level of financial stability.
- 2.1% increase in financially excluded due to (effect of recession, loss of jobs, inflation and lower disposable income).
- Shrinkage Access to Formal Institutions as a result of:
    - lack of trust
    - less income to save
    - low level of literacy and awareness
    - infrastructural challenges
    - high bank charges
    - lack of understanding of banking terms
    - long queues

Projections Towards Achieving 20% Financial Exclusion Target By 2020

Focus Areas	Target By 2020	2012	2014	2016	Variance To 2020 Target
Payments	70%	20%	24%	38%	32%
Savings	60%	25%	32%	36%	24%
Credit	40%	2%	3%	3%	37%
Insurance	40%	3%	1%	2%	38%
Pensions	40%	2%	5%	5%	35%
Financial Exclusion	20%	39.7%	39.5%	41.6%	21.6%

Source: EFina (2016)

7.0 Way Forward

- Collaborative effort to understand the challenges of the Stakeholders (Research).
- Supporting Stakeholders Linkages for an enabling environment (Advocacy).
- Providing incentives for innovative products and services in collaboration with Fintech.
- 60.4% of 96.4 million Adult Population has access to mobile phones yet only 41.6% or 40.10 million had banking services showing a yawning gap of 18.12 million requiring attention (58.22 million – 40.10 million).
- Supporting capacity to implement (Capacity Building).

8.0 Food For Thought

- What are the Challenges Confronting Deposit-Taking Institutions (DMBs, MFBs, and PMBs) in the quest to mobilize deposits and create micro loans?
- What strategies are available to facilitate person to person and Business to Business payments? Can the transaction costs be further reduced?
- How can Agency Banking and ownership of mobile phones be utilized to expand the frontiers of Financial Inclusion towards achieving the 20% Target by the year 2020?

Thank you for listening

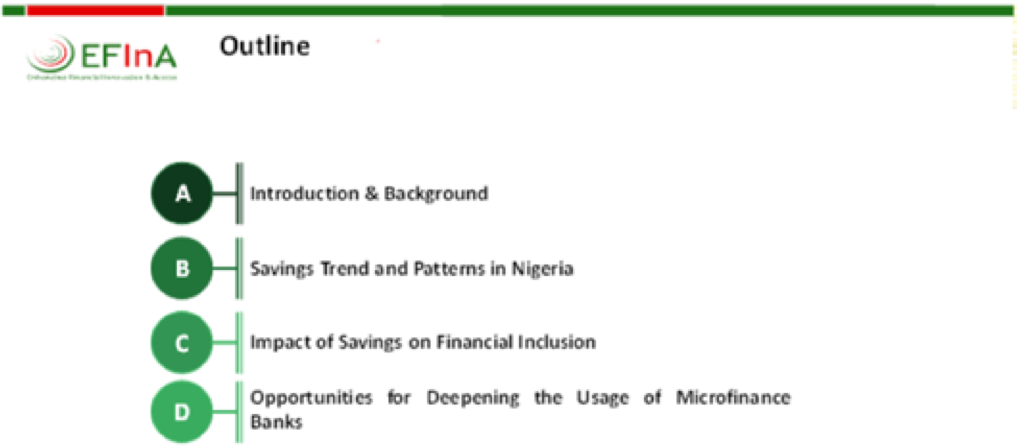
Slides of Technical Paper

Appendix N

Lead Technical Paper I

Mrs. Linda Quaynor, Managing Director, EFInA

The Status of Savings Mobilisation and its Impact on Financial Inclusion from the Findings from EFInA A2F Surveys


EFInA
Outline
A Introduction & Background
B Savings Trend and Patterns in Nigeria
C Impact of Savings on Financial Inclusion
D Opportunities for Deepening the Usage of Microfinance Banks


EFInA
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EFInA

Background

About EFInA

- Enhancing Financial Innovation & Access (EFInA) is a financial sector development organization that promotes financial inclusion in Nigerian
- EFInA's vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system . EFInA adopts a holistic approach to impact the market at three levels – micro, meso and macro levels

Purpose of Presentation

- This presentation is focused on the current status of savings mobilization and its impact on the overall financial inclusion in Nigeria based on the outcomes of the EFInA 2016 Access to Finance (A2F 2016) Survey
- It also seeks to examine the opportunities and approaches for MFBs to consider in savings mobilization

Leveraging A2F 2016 Research

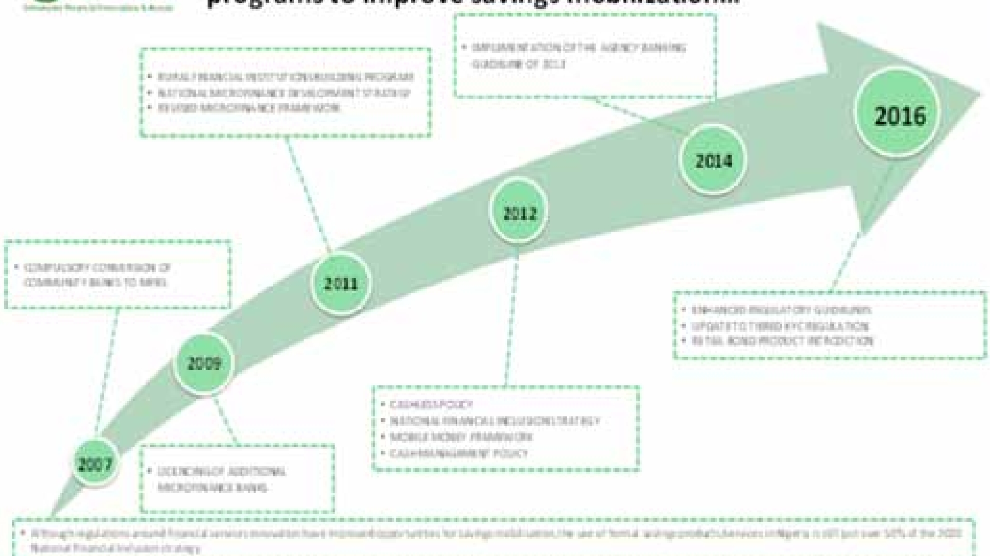
- A2F research identifies the financial needs of the adult population and gives service providers data and analyses to develop innovative products to serve them
- Provides insights into regulatory and market obstacles to growth and innovation in the financial sector

Approach & Methodology

- The A2F research is conducted biennially since 2008. The size of the participants included in each of the survey was over 20,000 with a proportional representation across states. Nationally representative sample of Nigerian adults (18+) across all 36 states and FCT Abuja
- Results were weighted by the National Bureau of Statistics (NBS) to provide for the total adult population and benchmarked to national population estimates for verification

EFInA

Over the last 10 years, CBN has implemented policies and programs to improve savings mobilization...



6

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... including the National Financial Inclusion Strategy with specific objectives and targets...

	Focus Areas	Target by 2020	Status as at 2010	2012	2014	2016
% of Total Adult Population	Payments	70%	22%	20%	24%	38%
	Savings	60%	24%	25%	32%	36%
	Credit	40%	2%	2%	3%	3%
	Insurance	40%	1%	3%	1%	2%
	Pensions	40%	5%	2%	5%	5%
	Financial Exclusion	20%	46.3%	39.7%	39.5%	41.6%

... however, Nigeria is still behind in its Financial Inclusion Targets

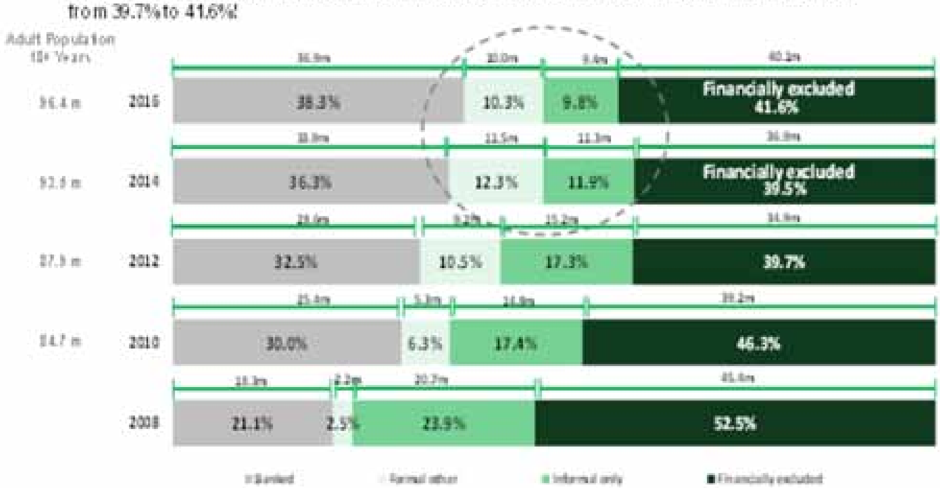
Source: CBN NFIS Report

| 7

EFInA

Adult population growth has outpaced the growth in the banked population with financially excluded population growing from 39.2 million in 2010 to 40.1 million in 2016

- Between 2012 and 2016, the proportion of financially excluded to total adult population increased from 39.7% to 41.6%!



Source: EFInA Access to Financial Services in Nigeria survey | 8

EFInA

Outline

A Introduction & Background

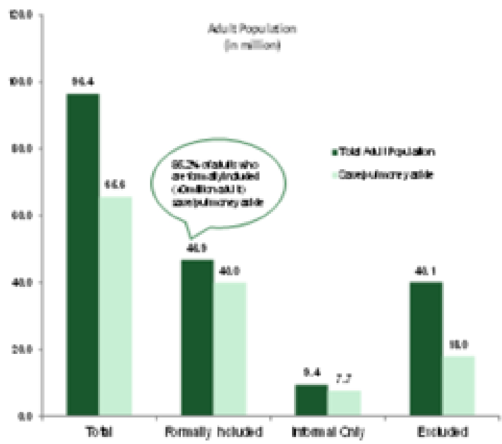
B Savings Trend and Patterns in Nigeria

C Impact of Savings on Financial Inclusion

D Opportunities for Deepening the Usage of Microfinance Banks

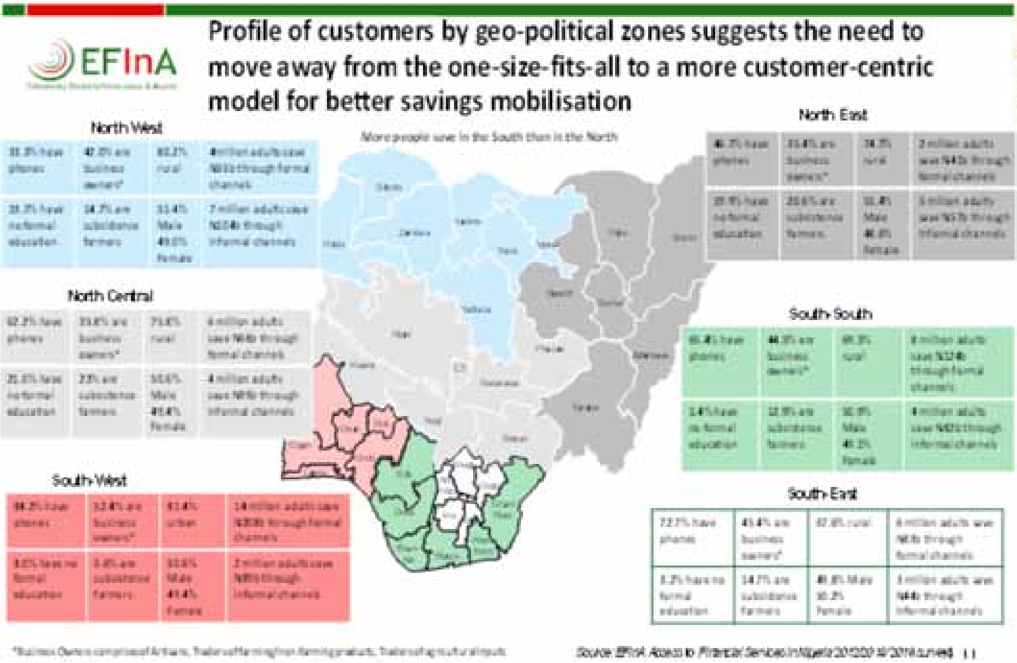
EFInA

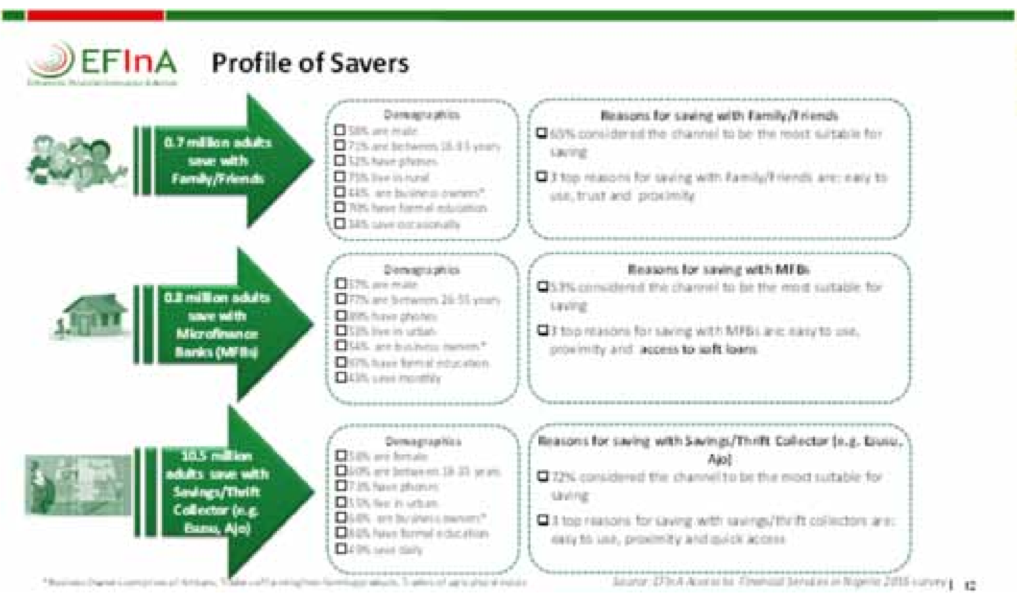
85% of adult population in Nigeria save money through the formal, informal and other channels

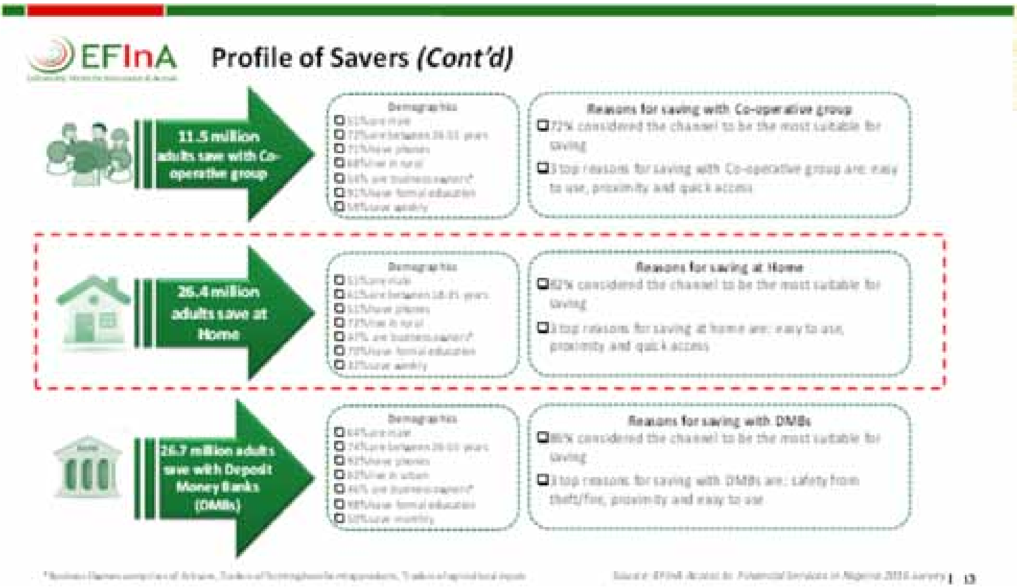


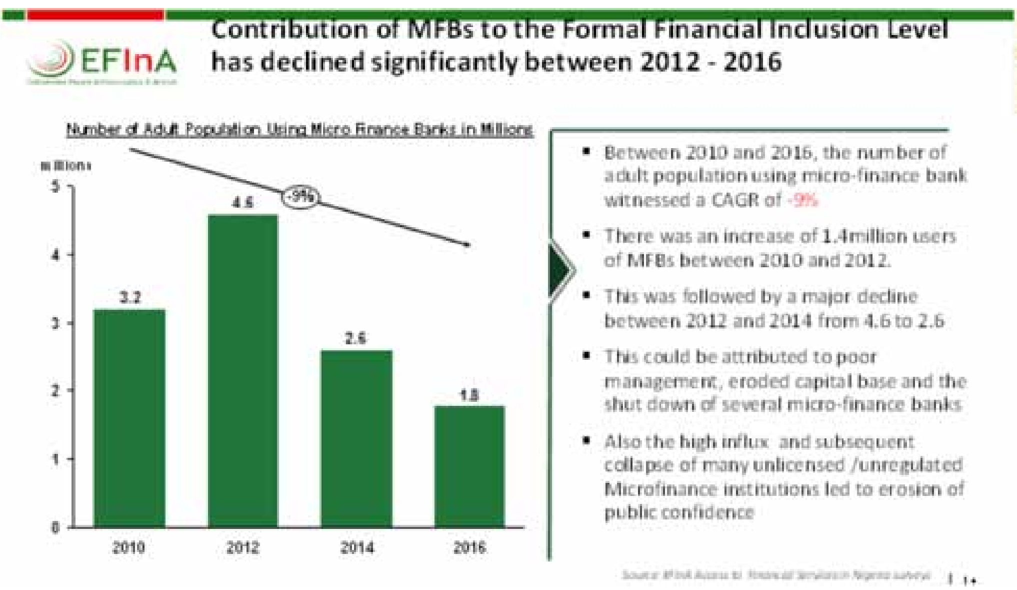
- Of the total adult population, 68% save/keep money aside
- 44.9% of the financially excluded adults are saving
- Among the adults who use formal financial products, 85.2% save/put money aside

Source: EFInA Access to Financial Services in Nigeria 2016 survey | 10


EFInA
Profile of customers by geo-political zones suggests the need to move away from the one-size-fits-all to a more customer-centric model for better savings mobilisation
North West
North East
North Central
South-South
South-West
South-East

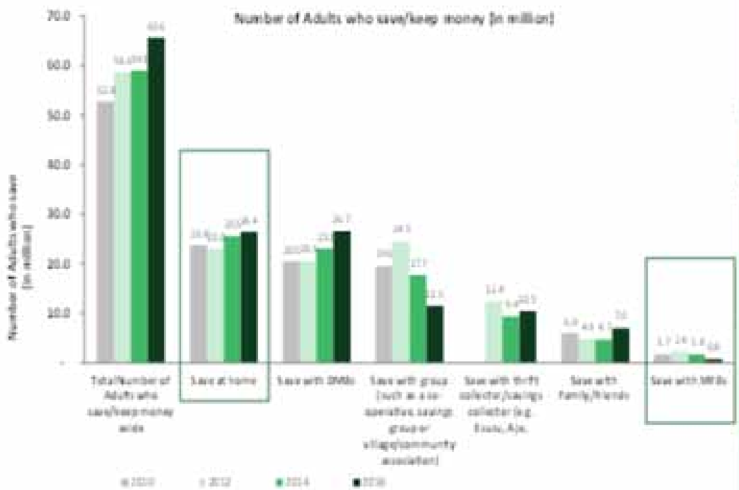

EFInA
Profile of Savers
0.7 million adults save with Family/Friends
Demographics
Reasons for saving with Family/Friends
0.8 million adults save with Microfinance Banks (MFBs)
Demographics
Reasons for saving with MFBs
10.5 million adults save with Savings/Thrift Collector (e.g. Esusu, Ajo)
Demographics
Reasons for saving with Savings/Thrift Collector (e.g. Esusu, Ajo)


EFInA
Profile of Savers (Cont'd)
11.5 million adults save with Co-operative group
Demographics
Reasons for saving with Co-operative group
72% considered the channel to be the most suitable for saving
3 top reasons for saving with Co-operative group are: easy to use, proximity and quick access
26.4 million adults save at Home
Demographics
Reasons for saving at Home
82% considered the channel to be the most suitable for saving
3 top reasons for saving at home are: easy to use, proximity and quick access
26.7 million adults save with Deposit Money Banks (DMBs)
Demographics
Reasons for saving with DMBs
86% considered the channel to be the most suitable for saving
3 top reasons for saving with DMBs are: safety from theft/fire, proximity and easy to use
13


EFInA
Contribution of MFBs to the Formal Financial Inclusion Level has declined significantly between 2012 - 2016
Number of Adult Population Using Micro Finance Banks in Millions
millions
5
4
3
2
1
0
3.2
4.6
2.6
1.8
-9%
2010
2012
2014
2016
Between 2010 and 2016, the number of adult population using micro-finance bank witnessed a CAGR of -9%
There was an increase of 1.4million users of MFBs between 2010 and 2012.
This was followed by a major decline between 2012 and 2014 from 4.6 to 2.6
This could be attributed to poor management, eroded capital base and the shut down of several micro-finance banks
Also the high influx and subsequent collapse of many unlicensed /unregulated Microfinance institutions led to erosion of public confidence
14

EFInA

There is huge potential to increase financial inclusion by attracting the population that 'save at home'



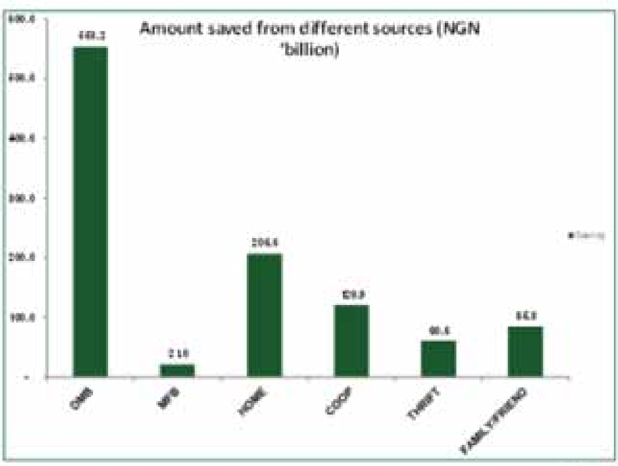
- The total number of adults who save money increased from 52.8 million in 2010 to 65.6 million in 2016.
- However, there has been a significant reduction in the number of people who save with MFBs between 2012 and 2016 while increasing with DMBs in the same period
- This may suggest that MFBs are not effectively meeting the needs of customers

Note: in 2016, "save with group" and "save with thrift/savings collector" were reported together

Source: EFInA Access to Financial Services in Nigeria 2010/2012/2014/2016 survey | 15

EFInA

Attracting the 'save at home' population can potentially add over NGN200bn to the formal banking system



- Given the profile and location of the adult population that 'save at home', MFBs are well positioned to convert a greater percentage of the over NGN200 billion deposits into the formal banking system.
- To do this, MFBs will need to develop an approach that addresses the peculiar needs of the adult population that 'save at home'
- This will entail a combination product offering and delivery channel strategies

Source: EFInA Access to Financial Services in Nigeria 2016 survey | 16

EFInA

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EFInA

Savings Mobilisation is critical to Financial Inclusion by enabling Financial Access to Individuals at the Bottom of the Pyramid

Access to Financial Services

Through savings, the Bottom of the Pyramid (BoP) are able to access other financial services products

Comments

- Effective financial inclusion interventions with potential to transform the lives of those with limited access to financial service; enabling poor people to engage in meaningful economic opportunities
- Microsavings consist of small deposits offered to lower income families or individuals as an incentive to store funds for future use
- Microsavings enables better financial planning, which might smooth income, and potentially increase longer term income
- Savings provide an opportunity for the extension of microcredits to low income borrowers who typically lack collateral, steady employment and verifiable credit history

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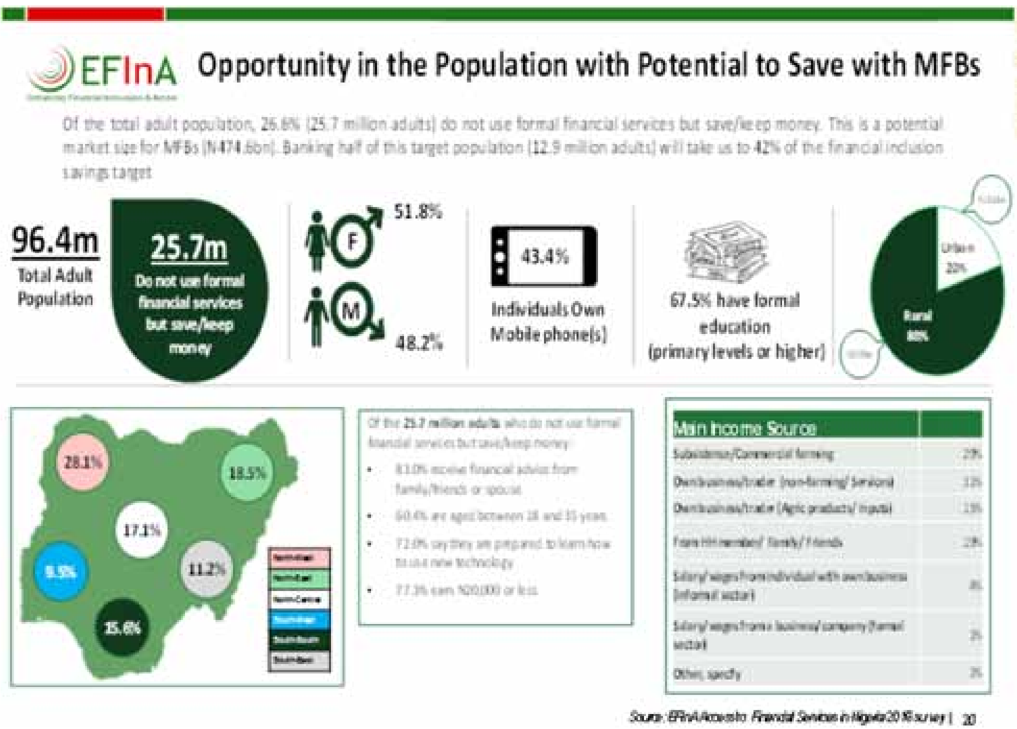
EFInA
Outline
A
Introduction & Background
B
Savings Trend and Patterns in Nigeria
C
Impact of Savings on Financial Inclusion
D
Opportunities for Deepening the Usage of Microfinance Banks


EFInA
Opportunity in the Population with Potential to Save with MFBs
Of the total adult population, 26.6% (25.7 million adults) do not use formal financial services but save/keep money. This is a potential market size for MFBs (N474.6bn). Banking half of this target population (12.9 million adults) will take us to 42% of the financial inclusion savings target
96.4m
Total Adult Population
25.7m
Do not use formal financial services but save/keep money
51.8%
F
M
48.2%
43.4%
Individuals Own Mobile phone(s)
67.5% have formal education (primary levels or higher)
Urban 20%
Rural 80%
28.1%
18.5%
17.1%
9.5%
11.2%
15.6%
Main Income Source

EFInA — Opportunities for MFBs

1. Typically, customers use microfinance banks for loans to increase their capital for business growth and save small amounts

2. MFBs have the potential to gain customer loyalty due to close presence and proximity to some of their customers

3. Current economic recession could drive demand for microfinance account with microloan and savings account

4. There are available market studies which are useful tools to gain insight into customer needs and preferences

5. 3-Tiered KYC – designed to ensure that the un(der)banked are not be precluded from opening accounts or obtaining other financial product and services due to a lack of acceptable means of identification

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EFInA — Summary and Recommendations to Improve Savings through MFBs

NGN309b

Is the potential market size of savings deposit for MFBs.

With over 80% of the target residing in the rural areas.

As such, there should be a focused strategy in the rural areas

72%

of the target population say that they are prepared to learn new technology...

...and 43.4% of the target population has mobile phones

DFS

MFBs should therefore leverage on Digital Financial Services...

...to automate savings collections and loans disbursements

INNOVATION

MFBs will need to be innovative in terms of products development to respond to varying customer characteristics/needs...

... and give a better value proposition to customers for deposit mobilisation

TOUCH POINTS

MFBs will need to expand touch points...

...through innovative mobile and agency banking channels

BUNDLING

MFBs will need explore opportunities to bundle micro savings products...

...with microinsurance and micropension products to further deepen their offerings

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How EFInA can Help

Enhance collaborative efforts through EFInA's pillars

Research — Review status, understand challenges, leverage opportunities

- Continue to provide credible market information on the Nigerian financial sector
- Disseminate bespoke results at EFInA breakfast series, working groups & at stakeholders' events

Advocacy — Support stakeholder linkages for an enabling environment

- Work closely with regulators & policy makers in Nigeria to foster an enabling environment for innovative inclusive financial services & products for the un-banked & under-banked segments

Innovation Fund — Provide incentives for innovative products and ideas

- Host and facilitate innovation fora to trigger debate and ideas about pertinent issues.
- Financial support for new ideas and approaches to expanding financial access to the un-banked and under-banked segments.

Capacity Building — Support growth of Nigerian capacity to implement

- Provide linkages between local stakeholders and experts who can help with the development & implementation of inclusive products
- Facilitate skills acquisition through opportunities to attend training sessions or interact with success stories within and beyond Nigeria

Primary efforts will target selected thematic areas

Women, Northern Nigeria, Non-Interest finance, Micro Savings, Micro Loans & Micro Insurance

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Data Dissemination Options

EFInA Access to Financial Services in Nigeria 2008 / 2010 / 2012 / 2014 / 2016 surveys

- Comprehensive database where information can be segmented in multiple dimensions, e.g., gender, geopolitical zone, age, education, etc.
- Data will be provided in SPSS or Ms Excel format
- Key findings can be downloaded from the EFInA website

Data Options

- Data request form can be downloaded from the EFInA website
  - Full dataset
  - Limited number of variables
  - Customised analysis

Contact	Website
info@efina.org.ng	www.efina.org.ng

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EFInA Thank You

Source: EFInA Access to Financial Services in Nigeria 2008/2010/2012/2014/2016 surveys 25

Appendix O

Technical Paper from International Special Guest

Mrs. Angela Wambugu, Associate Director of MicroSave Limited, Kenya

Progress Report on AFOS Foundation Project on: *“Enhancing Savings Mobilization, Mobile Money, Agency / Branchless Banking and Digital Money for MFBs in Nigeria”*

About *MicroSave*

- *MicroSave* is a global consulting firm offering **Research, Training and Advisory Services** to financial service stakeholders, primarily focusing on the mass market.
- *MicroSave* has been **in operation since 1998**, and has offices in:
  - Africa – Kenya, Uganda
  - Asia – India, Indonesia, Philippines, Papua New Guinea and Vietnam
- *MicroSave* has implemented several projects in digital finance in Africa including:
  - **Advisory and pilot review of MPESA** in 2008.
  - Supporting **Equity Bank** in its transformation to a bank and subsequently in the rollout of its Agency Banking operations (2011-2013).
  - Established **The Helix Institute of Digital Finance** (2013)
  - Diagnostics and technical assistance to **Banks and MMOs (telcos and 3rd parties)** on Agent Network Management.
  - Presently supporting a number of banks in **Agent banking rollout** in Uganda and Nigeria.

2

Overall Project Objective

- To facilitate the enhancement of the use of **innovative financial services** solutions in **savings mobilization** by microfinance banks.
- To develop and deploy a **shared savings product** using these solutions.

3

Specific Objectives

1. To develop a comprehensive standard **curriculum for training** on savings mobilization using mobile money, agency/branchless banking and digital money for Microfinance practitioners.
2. To organize and deliver up-to-standard **four streams of trainings** on each of these four items to MFB practitioners in Abuja, Kaduna, Ibadan, and Owerri.
3. Develop best-in-class **data collection tools** and use same for the collection of data to develop a shared savings product concept for the microfinance sector during the trainings.
4. Develop a **standard shared savings product** for the microfinance sector by using these innovative solutions and accompany the full stretch of its rollout.
5. Develop and deliver **practical guide on the effective deployment** of these solutions for savings mobilization by the individual banks.
6. To identify the **necessary regulatory / legal reforms** for the maximum use of these solutions by MFBs.
7. To facilitate the development of a **functional advocacy framework** for creating an enabling environment for MFBs to maximize the use of these innovative solutions for financial inclusion.
8. To make a **presentation of the key outcomes** of the project during the Nigerian Microfinance Platform Symposium 2017.

4

DRAFT PRODUCT CONCEPT

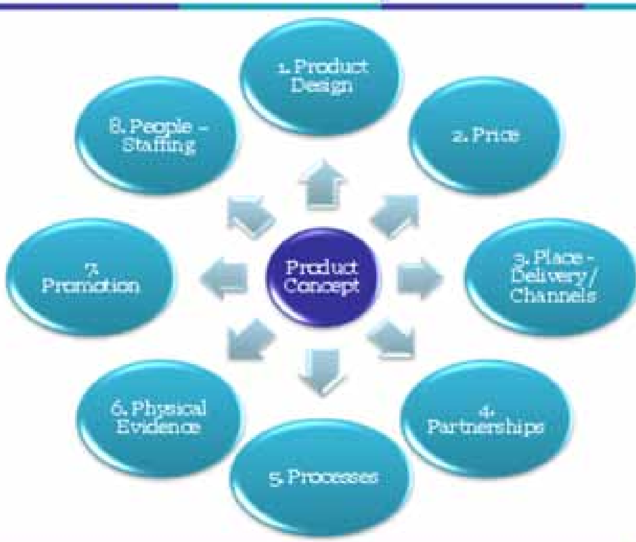
5

Product Positioning

- Promoting a savings culture – through affordable, convenient channels.
- Helping customers achieve their lifestyle goals through saving.
- For MFBs – Access to cheaper loanable funds.

6

The Product Concept



Case Study
PMJDY - India

- Launched 15th Aug. 2014
- \$5.9bil deposits by April 2016
- Nov. 2016 – 255mil a/cs
- Caution – dormancy – need to have broad value proposition

Case Study - Mzansi – SA

- Costly delivery channel – the branch
- Competition between banks and with existing products

7

Next Steps

	Activity	Date
1	Pilot planning support to 2 MFBs	June 2017
2	Pilot preparation by MFBs	July 2017
3	Pilot implementation by MFBs	Aug – Oct 2017
4	Pilot review	Oct. 2017
5	Project Completion Report	Oct. 2017

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ADVOCACY MATTERS

9

1. Clearing & Settlement Systems

- Regulations / cost of accessing clearing and settlement is prohibitive for MFBs.

Recommendations

- Include <u>capable</u> MFBs in NIBSS.
- Define <u>special eligibility criteria</u> for MFBs – governance, core capital requirements, liquidity requirements and the capital adequacy ratios.
- The process of granting access to NIBSS needs to be done incrementally upon attaining specific set targets.

Case Study – Kenya

- MFBs got access to clearing system through associate membership bankers association (heavy lobbying)
- DTSaccos – using a progressive process (WIP)
  - Central Liquidity Facility (CLF) – lend to each other, issue own cheques, etc

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2. Licensing & Regulation of MFBs

- Perception in the public that MFBs are not adequately regulated - hence lack of trust to maintain deposits with MFBs.
- Weak self-regulation

Recommendations

- Public endorsement by CBN and NDIC.
- Strengthen self-regulation through NAMB. CBN support in development of self-regulation guidelines.
- Consider external rating and badge of honour, for solid, well governed and consistent MFBs.

NDIC
Nigeria Deposit Insurance Corporation
Protecting your bank deposits

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3. Access Limitations

- BVN – MFBs by law are not allowed to conduct customer registrations.
- The BVN number expires after 10 years and customer must re-enroll.

Recommendation

- CBN to consider allowing network of larger MFBs to participate in the customer enrollment process.
- CBN to fast track the rollout of national electronic ID system.

Case Study – India
Adhaar & the India Stack
(eKYC, ePayments, eSignatures, Digital Lockers)

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4. Cost Limitations for DFS Deployment

- Cost of technology platform, agent network management.
- Advertising fees for Agents may hinder agent banking operations.

Recommendations

- Shared technology platform.
- Shared agent network – managed by 3rd party.
- Review the cash deposit requirements.
- Abolish/reduce advertising fees on agent outlets.

Case Study – India
Business Correspondence Model – 3rd Party Retail Agents

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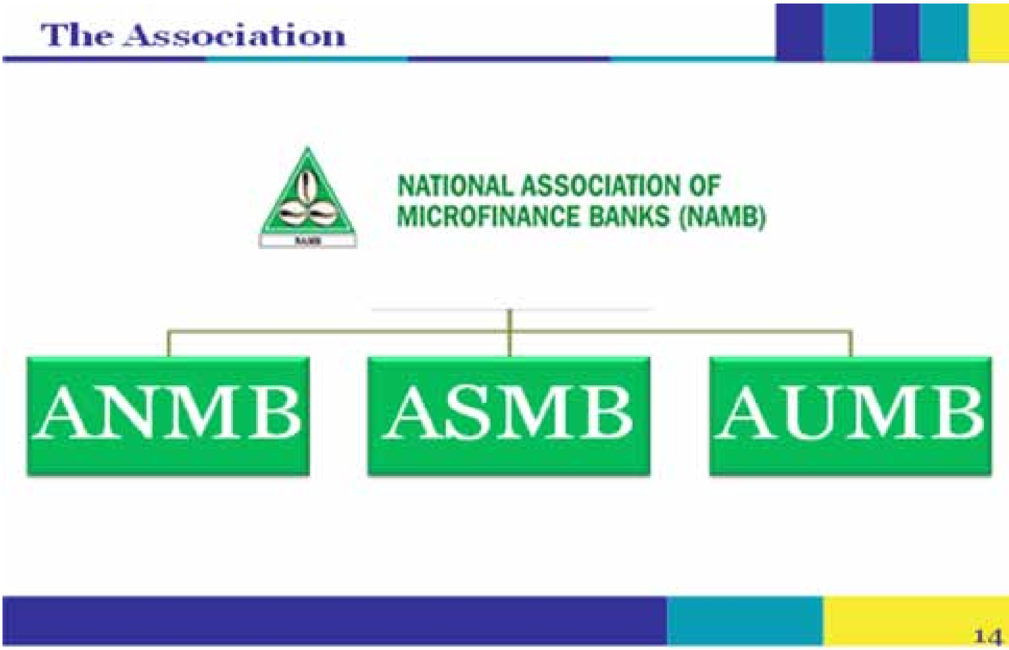
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MICROFINANCE BANKS (NAMB)
ANMB
ASMB
AUMB
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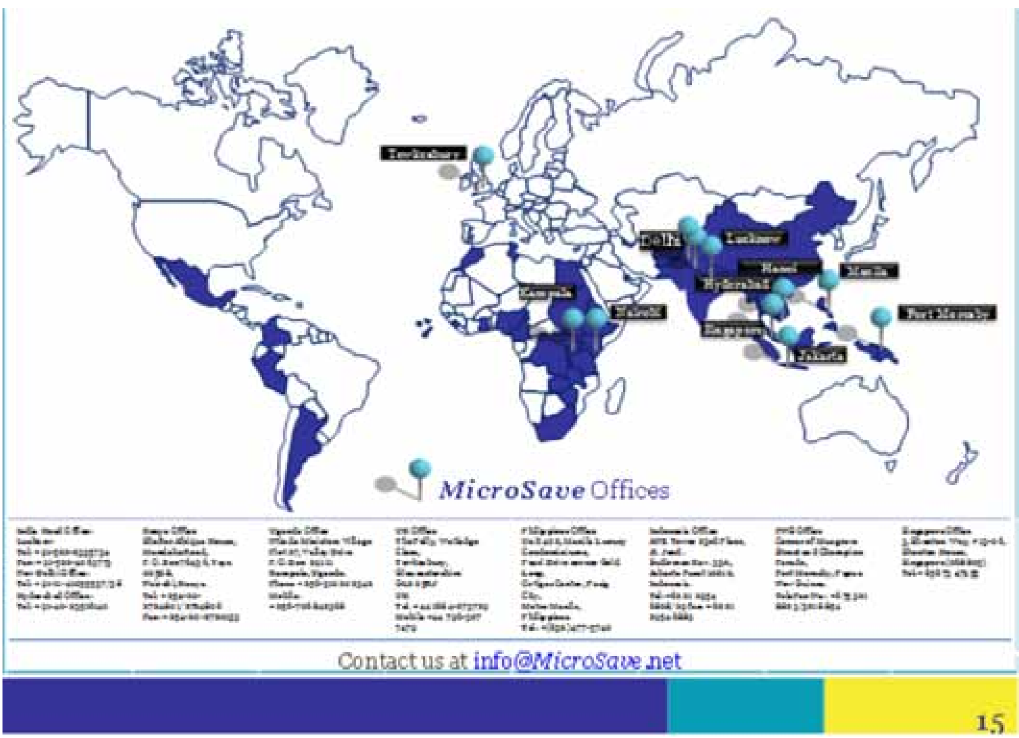
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Manila
Kampala
Nairobi
Port Moresby
MicroSave Offices
Contact us at info@MicroSave.net
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Photo Gallery

Registration

Registration for the symposium

Officials for the Symposium (L - R) - Mrs. Wambugu, Mrs. Ladipo, Mr. Vester, Mrs. Martins, Mr. Etopidiok and Mr. Oluyemi

Dr Kenneth Achu and Funmilayo Akinwale of AFOS Foundation, finalising presentations before the commencement of the symposium

Group photograph of participants

Engaged participants during the Panel discussion

Chioma Mordi of SCGN and Mr. Rogers Nwoke, Hasal MfB MD, CEO

Members of the Organising Committee - Kunle Shittu, Fatima Olajumoke, Lilian Bassey, Mary Ipaye and Samuel Jesushola

Panel Discussion moderated by Mrs. Modupe Ladipo

Team of BAA Consult, Rapporteur for the Symposium

Members of the Communique team - Mrs. Tutu Ogunnaike, Samuel Jesushola and Lilian Bassey

Participants fully engaged at the Symposium

Yusuf Gyallesu, MD, NUT Endwell MfB and NAMB Chairman, Kaduna, flanked with other MDs from the Northern zone

Samuel Hezekiah, Joseph Onyeabor and Samuel Jesushola from Fortis MfB Plc.

Mr. Joe Odenigbo , Managing Director, Atlas MfB, with colleague, Mr. Jude Onuoha

Cross section of delegates from NAMB

An interesting moment at the symposium

Networking at the symposium

Mrs. Olatunde Agbeja, Deputy director, OFISD CBN and Ruskiyat Badmus, Head of Financial Control and Strategic planning, Hasal MfB

Mrs. Ladipo and Mrs. Quaynor having a chat at the symposium

Networking and chatting at the symposium

CBN OFISD Director and NDIC Director, flanked by other participants

Participants from Hasal MfB and NPF MfB

Networking

Members of the organising committee for the symposium. Fatima Olajumoke (NPF MFB) Dr. Achu and Mary Ipaye of AFOS Foundation.

Funmilayo Akinwale (AFOS) and Thompson Jombai (Fortis MFB), ensuring that all the symposium presentations are documented.

Scroll banners of event sponsors

Mrs. Tokunbo Martins presenting awards to the MD of EFInA, Mrs. Linda Quaynor

Mr. Joshua Etopidiok, Director, Special Insured Institution Department, NDIC presenting an award to Mr. Guillaume Verlence MD, ADVANS MFB

Mr. Bernard Vester of AFOS, presenting an award to Mrs. Tokunbo Martins

Mr. Bernhard Vester presenting an award to the Director, NDIC, Mr. Joshua Etopidiok

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...empowering people for a better life

Our Mission Statement

"To create value and wealth for our stakeholders through the sustainable provision of microfinance products and services"

Our Vision Statement

To be the clear leader in the provision of Microfinance services

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