TOWARDS A CASHLESS NIGERIA:
Tool and Strategies:
Business Implications
A Presentation of:
Adebisi Shonubi
Managing Director/CEO
Nigeria Inter-Bank Settlement System Plc

AT THE NIGERIA COMPUTER SOCIETY 24TH NATIONAL CONFERENCE
BACKGROUND INFORMATION
The Cash-Less Nigeria Project is an integral part of the shared services project of the Central Bank of Nigeria towards propelling the Nigerian Economy.

### Cash Management
- Industrialize Cash Management & Logistics (Storage, Processing & Movement)

### Payment Systems Transformation*
- Facilitate growth of electronic payments
- Increase availability, reliability and security of electronic channels

### IT Infrastructure & Services
- Increase efficiency and reduce cost of operations/maintenance for IT and infrastructure *(application management, data centre, shared network, shared power, etc)*

### IT Standards
- Align IT standards across the industry to improve efficiency, while driving data integrity and enabling information exchange

### Back Office Operations
- Enable cost reduction through shared back office operations *(centralized processing, collections; etc)*

1. Reduce Industry cost-to-serve by 30%
2. Increase access, convenience and service levels across the Industry
3. Enable greater financial inclusion and integration of financial services into the economy, with its attendant positive impact on economic development

* Payments is the key driver of cost of distribution, which accounts for almost 60% of the industry cost base

Source: Central Bank of Nigeria
Cash-Less Nigeria Policy is aimed at reducing the high and increasing cost of cash estimated to reach ₦192 billion in 2012.

**Direct cost* of cash to Financial system (2009)**

- **Cash in Transit Cost (24%)**
  - ₦27.3bn
- **Cash Processing Cost (67%)**
  - ₦69.1bn
- **Vault Management Cost (9%)**
  - ₦18.1bn*

**A 5-year projection of the direct cost of cash to Financial System**

- **Annual Total Cost (₦Bn)**
  - 2008: 20,000
  - 2009: 50,000
  - 2010: 100,000
  - 2011: 150,000
  - 2012: 250,000

*Does not include bank cash infrastructure costs and employee costs attributable to cash logistics.

Source: Central Bank of Nigeria
Cash Related Transactions Represent Over 99% of Customer Activity in Nigerian Banks as at June 2011.

<table>
<thead>
<tr>
<th>Payment Channel</th>
<th>Transaction Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM Withdrawals</td>
<td>109,592,646</td>
</tr>
<tr>
<td>OTC Cash Withdrawals</td>
<td>72,499,812*</td>
</tr>
<tr>
<td>Cheques</td>
<td>29,159,960</td>
</tr>
<tr>
<td>POS</td>
<td>1,059,069</td>
</tr>
<tr>
<td>Web</td>
<td>2,703,516</td>
</tr>
</tbody>
</table>

Source: Central Bank of Nigeria
Motives of the Cash-less Nigeria Project

The Cash-Less Nigeria Policy was introduced to:

• Engender the accomplishment of the Vision 20:2020
• Modernise Nigeria's payment system in line with international best practices
• Reduce the cost of banking services which culminated into high cost of credit to the real sector
• Drive Financial Inclusion
• Improve effectiveness of Monetary Policy
• Reduce high security & safety risks
• Foster Transparency and Curb Corruption/Leakages
Implementation Modalities of the Cash-Less Nigeria Project

- The Cash-Less Nigeria Policy was heralded with the setting of Cash Withdrawal and Lodgement Limits
- The Central Bank of Nigeria (CBN) introduced the policy with a pilot run in Lagos
- The policy was meant to reduce the volume of physical cash transactions in the economy
- Pilot run in Lagos commenced from April 1, 2012 with a daily cumulative limit of N500,000 and N3,000,000 on cash withdrawals and lodgments by individuals and corporate customers respectively without attracting any processing fees
Individuals and corporate customers that make cash transactions above the limits are to be charged processing fee as follows subject to review every 6 months:

- **Withdrawal above limit**: Individual – 3% above limit; Corporate – 5% above limit
- **Lodgment above limit**: Individual – 2% above limit; Corporate – 3% above limit

Micro Finance Banks and Primary Mortgage Institutions are excluded from the policy of N3,000,000 for corporate bodies to enable them meet the legitimate demands of their numerous customers.

Cash withdrawal and lodgement limits are applicable to customers of MFBs and PMIs.
3rd party cheques above N150,000 shall not be eligible for encashment over the counter. Value for such cheques shall be received through the clearing house.

Exemption granted on lodgment for accounts operated by Ministries, Departments and Agencies (MDAs) of the Federal & State Governments, for the purpose of revenue collections only.

Banks to cease cash in transit lodgement services rendered to merchant-customers and to be replaced by CBN licensed CIT providers.
Alternates to Cash Payments

I. Cheque
II. Bank Transfer (at the Bank Branch or Internet Banking system)
   • Same-Day Inter-Bank Transfer
   • NIBSS Instant Payments (NIP)
   • Standing Orders
   • Direct Debits
III. Payment Cards
   • Automatic Teller Machines (ATM)
   • Point of Sale (POS) Payments
IV. Mobile Payments (micro-payments)
Role of Nigeria Inter-Bank Settlement System (NIBSS) Plc

- NIBSS is owned by all Licensed Deposit Money Banks in Nigeria and the Central Bank of Nigeria (CBN).

- NIBSS – a shared infrastructure company of the Bankers Committee with a mandate to continuously enhance the Nigeria Payments System.

- NIBSS Board comprise Deputy Governor (Operations), CBN, as Chairman, representatives of Banks and NIBSS MD/CEO

- NIBSS has operated for 19 years.

- Has eight (8) operating offices - Lagos, Abuja, Port Harcourt, Kano, Benin, Ibadan, Enugu and Ilorin.
## Banks & NIBSS Initiatives towards promotion of e-Payment

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
| 1 | CHEQUE           | • Operators of the Nigeria Automated Clearing System (NACS), which has reduced clearing to T+2  
    |                  | • Soon to commence Cheque Truncation, which will reduce clearing to T+1 |
| 2 | BANK TRANSFER    | • Same-Day Inter-Bank Transfer (NEFT)                            
    |                  | • NIBSS Instant Payments (NIP)                                   
    |                  | • Automated Direct Credits & Debits (NEFT)                       
    |                  | • Central Mandate Management System (CMMS)                       |
| 3 | CARDS            | • Nigeria Central Switch (NCS)                                   
    |                  | • POS Transaction Aggregator (Interoperability, Terminal Monitoring, Global statistics) |
    |                  | • T+1 Merchant Settlement                                        |
| 4 | MOBILE PAYMENT   | • Interoperability                                               
    |                  | • Settlement                                                     
    |                  | • Cash In / Cash Out                                             |
| 5 | CAPACITY BUILDING| E-Payment Training Facility                                     |
The Position of NIBSS in Cash-Less Nigeria Project

Acquiring Side
- Acquiring Bank
- Mobile Payment Operators
- POS Terminals

Issuing Side
- GTBank
- Interswitch
- eTranzact
- Unified Payments
- Other Banks

International Gateway for Retail Payments
E-Payment Challenges

1. E-payment systems are not immune from the general infrastructure problems – Power, Telecoms, etc.
2. Incessant GPRS network down-time. Every voice network down-time translates to GPRS down-time.
3. NIBSS has made available various technologies (GPRS, WiFi, CDMA, DSL, LAN) to ensure reliable POS operations.
4. Many telcos have been engaged to provide a workable POS connectivity solutions. POS Cluster connections are being put in place also.
5. These measures are stabilising POS operations.
EMPIRICAL E-PAYMENT STATISTICS
CHEQUE VOLUME PROCESSED BY NIBSS

- Jan-12: 642,229
- Feb-12: 999,814
- Mar-12: 1,188,548
- Apr-12: 860,230
- May-12: 1,116,927
- Jun-12: 964,710
The chart shows the value of cheque payments processed by NIBSS from January to June 2012. The values are as follows:

- January 2012: 449,033,223,389
- February 2012: 683,570,768,732
- March 2012: 862,505,804,721
- April 2012: 616,346,075,179
- May 2012: 678,818,930,937
- June 2012: 607,890,726,941
NUMBER OF POS TERMINALS REGISTERED ON NIBSS PLATFORM

<table>
<thead>
<tr>
<th>MONTH</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN</td>
<td>5,720</td>
</tr>
<tr>
<td>FEB</td>
<td>42,327</td>
</tr>
<tr>
<td>MARCH</td>
<td>93,133</td>
</tr>
<tr>
<td>APRIL</td>
<td>110,729</td>
</tr>
<tr>
<td>MAY</td>
<td>117,192</td>
</tr>
<tr>
<td>JUNE</td>
<td>151,717</td>
</tr>
</tbody>
</table>
Conclusion

- NIBSS is committed to the Cash-Less Nigeria Project of the Central Bank of Nigeria
- The Nigeria populace possess the numeracy acumen required for the success of the Cash-Less Nigeria Project far above the utopian literacy skills
- The adoption and continued encouragement of the use of POS Terminals is a major step for the success of the Cash-Less Project
- We strongly believe that the enhancement of POS adoption relies on high POS availability and connectivity consequently the expansion of TELCO facilities beyond the conventional GPRS to CDMAs
- NIBSS is committed to playing stronger and more frontal roles in policy formulation and initiations in the Nigeria financial system
We at NIBSS are delighted to be associated with the NIGERIA COMPUTER SOCIETY which accounts for the annual organisation of this Conference.
THANK YOU