



**THE CHARTERED INSTITUTE OF BANKERS OF  
NIGERIA CENTRE FOR FINANCIAL STUDIES  
(CIBNCFS)**

**COMMUNIQUE ISSUED  
AT THE END OF THE  
BREAKFAST SESSION ON PAYMENT SERVICE  
BANKING: IMPLICATIONS FOR THE FINANCIAL  
SERVICES INDUSTRY**

**HELD AT THE BANKERS HOUSE  
VICTORIA ISLAND, LAGOS**

**DATE: SEPTEMBER 26, 2019**

## 1.0 Background

The Breakfast Session on Payment Service Banking: Implications for the Financial Services Industry was held on Thursday, September 26, 2019 at the Bankers House, Victoria Island, Lagos. The objective of the session was to discuss the benefits and possible implications of payment service banking on the financial services industry. In particular, the Panel discussion was expected to x-ray modalities for operations of Payment Service Banks in Nigeria; case studies/best practices in other climes; the benefits of the penetration of the Payment Service Banks in Nigeria.

In his opening address, The Director, CIBN Centre for Financial Studies, Prof. Olalekan Asikhia, cited the 2018 EFINA Access to Financial Services survey findings, which stated that 36.8% of the adult population in the country are financially excluded. It is in a bid to promote financial inclusion in the country that the Central Bank of Nigeria issued an exposure draft on the guidelines for the licensing, regulation and operations of payment service banks in Nigeria in October of the same year.

He noted that with the growing usage of mobile phones in Nigeria, the Payment Service Banks (PSBs) already have a ready market to deploy their services using user friendly mobile applications. He then however noted that despite the numerous opportunities and benefits that PSBs are to bring with their introduction, they are not without their challenges. One of such challenge is onboarding rural customers who lack access to and understanding of basic telephone services let alone the digitized solutions offered by PSBs.

## 2.0 Keynote Address

The Keynote Address was delivered by Mr Ademola Adeleke, Assistant Director, Payment Systems Management Department, Central Bank of Nigeria representing Mr. Samuel Okojere, Director, Payment Systems Management Department, Central Bank of Nigeria. In the address, Mr Adeleke introduced PSBs as specialized banks established to promote financial inclusion and enhance access to financial services for low income earners and unbanked segments of the society by leveraging on technology He stated that the primary benefit expected from the introduction of PSBs, is to achieve the financial inclusion target, which is to ensure that more than 80% of bankable adults in the country have access to Financial Services by 2020. He noted that affordability of financial services is critical to achieving greater access to financial services. It is therefore expected that PSBs will enhance competition and deliver value to customers especially those who have hitherto being unbanked.

He also noted that while PSBs are not expected to extend credit, their activity will provide a basis for banks to collaborate and channel credit as may be necessary and to stimulate economic activities at the grassroots through the provision of financial services.

Finally, Mr Adeleke argued that while we reckon that competition between PSBs may be tense, it is important that we shun the tendency for de-marketing practices to avoid weakening the banking industry. He therefore implored the banking industry to desist from such practices and embrace collaboration for the benefit of participants and most importantly the financial system. He concluded by saying he is convinced that the introduction of PSBs to the banking industry holds great promises for all banks and the financial system at large.

## **2.1 Dignitaries Present**

**The following dignitaries were present at the Breakfast Session:**

### **Facilitators**

- a.) Mr Ademola Adeleke, Assistant Director, Payment Systems Management Department, Central Bank of Nigeria representing Mr. Samuel Okojere, Director, Payment Systems Management Department, Central Bank of Nigeria.
- b.) Mr Mohammed Babajika, Director of Policy, Competition and Economic Analysis, Nigerian Communications Commission representing the Executive Vice Chairman and CEO, Prof. Umar Garba Danbatta
- c.) Mr Olusegun Zaccheaus, Analyst, KPMG Nigeria representing Mrs Bisi Lamikanra, Partner & Head of Advisory Services, KPMG Nigeria
- d.) Mr Oluwaseun Adesanya, Group Head, Strategy & Innovation, SystemSpecs.
- e.) Mr. Olufemi Balogun, Mobile Banking and Digital Business, 9mobile.
- f.) Professor Olalekan Asikhia, Director, CIBNCFS

## **3.0 Highlights of the Session**

The following are highlights of the session:

### **3.1 Overview of Payment Service Banks**

- The financial inclusion project started as far back 2010 with Mobile Money.
- As technology evolved, the need aroused to develop a framework that can drive Mobile Money. This led to an agreement between the CBN and NCC to drive financial inclusion through Mobile Money
- Mobile Money has about 3% of the entire bank population, of which 2.7% are already banked. This implies that Mobile Money has only impacted the banking industry with 0.3%
- A committee was formed with the aim of monitoring the Mobile Money, advising the regulators, and sourcing for possible solutions to drive inclusion.
- The exposure draft on the guidelines for licensing and regulations of PSBs was released October, 2018.

- The PSBs will evolve from telecommunication companies, fast moving consumer goods companies, chain store and postal services.
- The PSB will perform various activities which include but are not limited to, maintaining savings account and accept deposits from individuals and small businesses, which shall be covered by the deposit insurance scheme
- The PSBs are authorized to invest in securities of the federal government.
- The PSBs are expected deploy at least 25% of their resources in rural areas
- The PSBs shall not grant any form of loans, advances and guarantees
- PSBs have the potential to add about 40 million excluded individuals into the banking system over the next 5years.
- Data privacy and protection is an important aspect which would ensure the success of Payment Service Banking operations
- Super-Agent is a channel that helps facilitate financial services for a bank while PSBs are financial Institutions who own their own channels and provides financial services. The difference between the two is that PSBs can accept deposits and open accounts. Two different licenses are needed for each.
- Collaborations between the two entities would prove beneficial and efficient financial Inclusion strategy.
- The CBN has granted Approvals-in-Principle to 3 new Payment Service Banks. Approvals in principle indicates there is still a lot of work to be done. The CBN would continue to work with the PSBs to ensure successful operations.
- The liquidity of PSBs would be managed by deposit money banks
- Financial services performed in the informal sector are ten (10) times that of the regulated (formal) sector
- The rural economy is cash driven and technological solutions must cater for such. The game changer must be trust that leverages on technology to provide financial services through the communications network.
- It is estimated that N4.1trillion worth of deposits would be mobilized by PSBs in the first five years
- Financial Inclusion is not only about access to finance but the relationship between the agent and customer. This is the game-changer
- Regulations should be dynamic, changing as technology changes
- Constant Stakeholder engagements are essential to the success of regulations for the PSB operations
- NCC and CBN must actively work together through the Joint Technical Committee to ensure that PSBs are adequately regulated

## 4.0 Recommendations for Stakeholders

Recommendations from the session are outlined below as follows:

### 4.1 Regulators (NCC, CBN)

- Should adequately regulate agents to avoid illicit activities such as data breaches

- All regulatory agencies should harmonize policies to ensure synergy
- CBN should consider revising the 25/75 ratio of deposit of all cash by the PSBs with the CBN
- The CBN should review the policy around PSBs that restricts them from being able to give any form of credit either directly or indirectly
- Policy drivers should understand the needs of those they are trying to formulate the policies around
- The CBN should review the policy that entails the PSBs having at least 25% of deployment in rural areas. This percentage seems too low
- Licenses should not be an open sky policy but limited.

#### 4.2 Payment Service Banks (PSBs)

- The PSBs should leverage on strategic partnership with banks to take advantage of the numerous opportunities and benefits it represents
- PSBs should ensure a robust distribution network with numerous access points. This would ensure successful operations.
- PSBs who have Telcos as parent companies should leverage on already existing retail outlets
- PSBs focus their operations on the unbanked and underbanked Nigerian
- Think outside the box and develop innovative well-structured model to reach Nigeria's financial inclusion target
- Innovative strategies should create a compelling case which would convince customer to open PSB accounts.
- PSBs should manage customers in such a way that they are not competing with banks for their already existing customers
- PSBs and banks should thoroughly review exposure drafts released by the CBN and identify position/give input in a timely manner
- Value system must be collaborative. PSBs must connect with every ecosystem player to ensure greater impact of operations.

#### 4.3 CIBN Center for Financial Studies (CIBNCFS)

- The Centre should provide information on the transaction volume of the PSBs after operations have begun.
- The CIBNCFS should conduct a study on the four successful PSBs in India to know what model they have employed and identify best practices for Nigeria
- The Chartered Institute of Banker of Nigeria, CIBN, should provide ground breaking accreditation courses for PSBs to ensure Ethics and Professionalism in the Banking Industry as the PSBs are regulated as Banks.

#### **4.4 Key Performance Indicators for Payment Service Banks Over the Next 6 -12 Months**

- How many accounts would be opened in the next 12 months
- What is the volume of transactions in the financial ecosystem? Is this due to operations of PSBs?
- Is penetration to the target area (rural area) achieved

#### **5.0 Conclusion**

In conclusion, resource persons agreed that customer trust is the most important aspect in the success of agent banking and in turn the payment service bank operations. Agents who are to be deployed for such operations are to be adequately trained in this respect. It was also agreed that regulatory institutions should adequately regulate agents to avoid illicit activities such as data breaches. Finally, Key Performance Indicators for Payment Service Banks over the next 6 -12 months should be put in place. Such Indicators would ultimately assist in measuring the performance of the payment service banks and what aspects need to be improved.

**Prof. Olalekan Asikhia**

Director

CIBN Centre for Financial Studies