



**TOWARDS A CASHLESS NIGERIA:  
Tool and Strategies:  
Business Implications**

A Presentation of:

**Adebisi Shonubi**

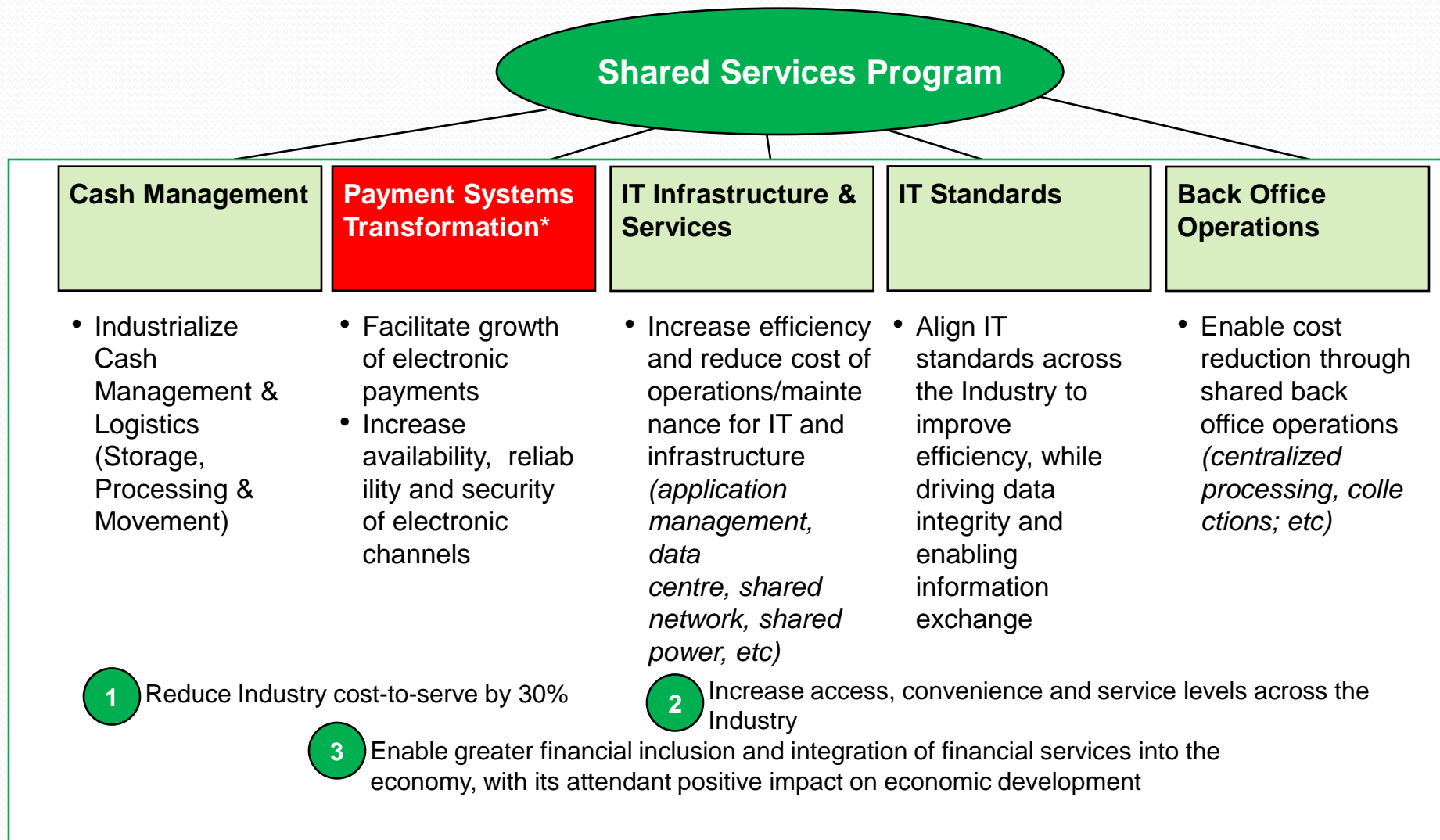
Managing Director/CEO

**Nigeria Inter-Bank Settlement System Plc**

AT THE NIGERIA COMPUTER SOCIETY 24<sup>TH</sup> NATIONAL CONFERENCE  
July 25, 2012.

# 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



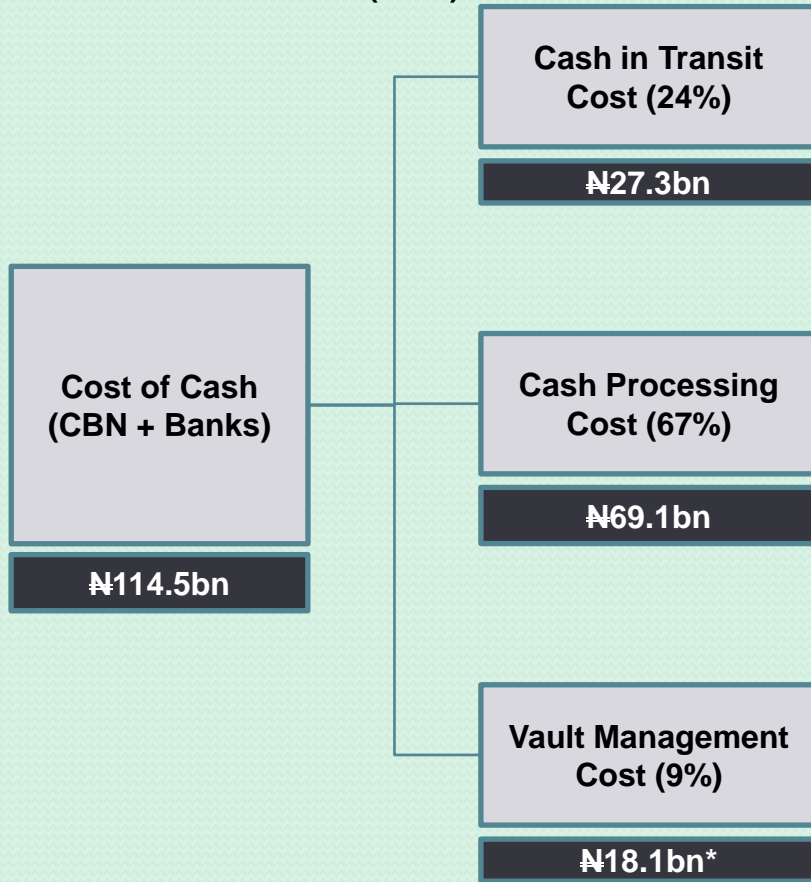
\* Payments is the key driver of cost of distribution, which accounts for almost 60% of the industry cost base

Source: Central Bank of Nigeria

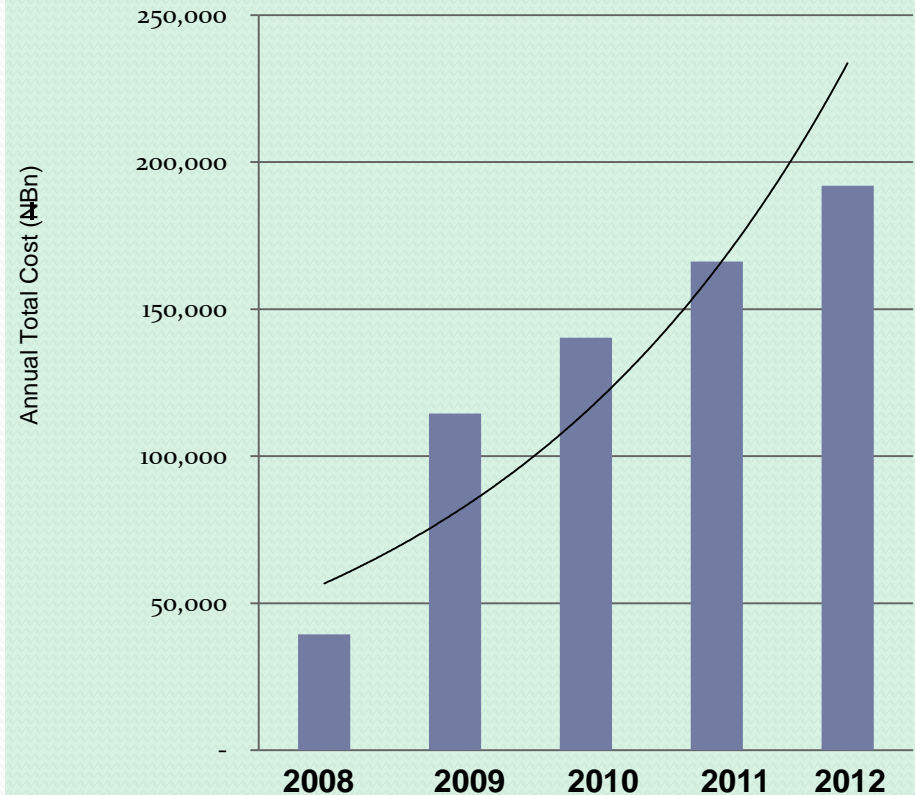


# Cash-Less Nigeria Policy is aimed at reducing the high and increasing cost of cash estimated to reach N192 billion in 2012

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



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

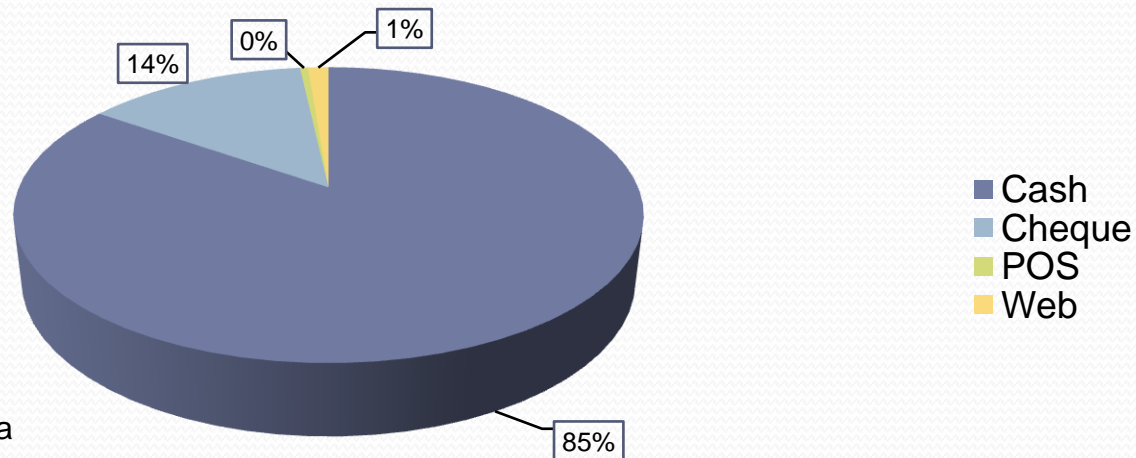


A compilation of actual data from the CBN and 17 banks in the FSI (data extrapolated for 24 Banks).

\*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.

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



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)



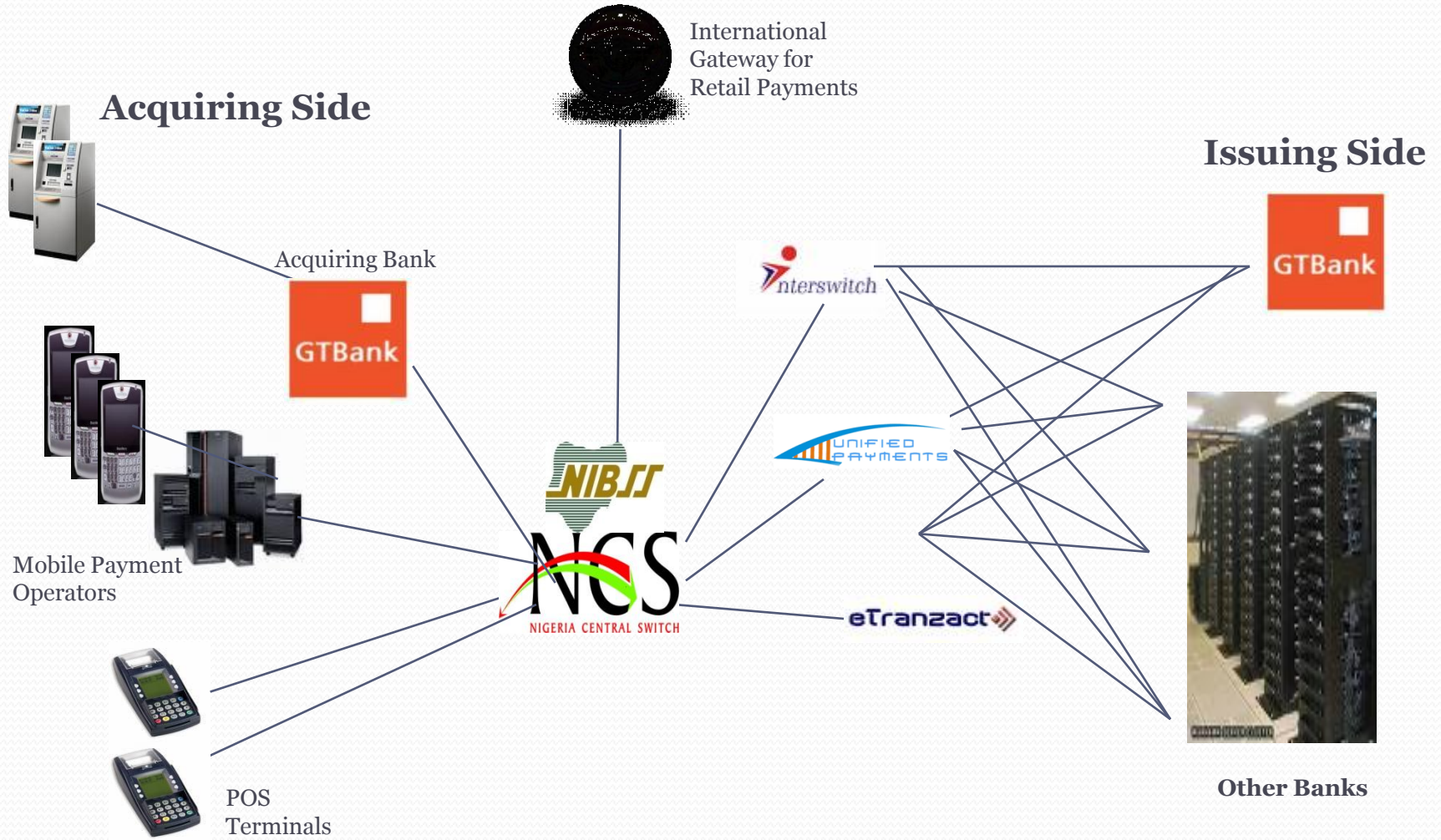
# Role of Nigeria Inter-Bank Settlement System(NIBSS) Plc

- 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

1	CHEQUE	<ul style="list-style-type: none"><li>• Operators of the Nigeria Automated Clearing System(NACS), which has reduced clearing to T+2</li><li>• Soon to commence Cheque Truncation, which will reduce clearing to T+1</li></ul>
2	BANK TRANSFER	<ul style="list-style-type: none"><li>• Same-Day Inter-Bank Transfer(NEFT)</li><li>• NIBSS Instant Payments (NIP)</li><li>• Automated Direct Credits &amp; Debits (NEFT)</li><li>• Central Mandate Management System (CMMS)</li></ul>
3	CARDS	<ul style="list-style-type: none"><li>• Nigeria Central Switch (NCS)</li><li>• POS Transaction Aggregator(Interoperability, Terminal Monitoring, Global statistics)</li><li>• T+1 Merchant Settlement</li></ul>
4	MOBILE PAYMENT	<ul style="list-style-type: none"><li>• Interoperability</li><li>• Settlement</li><li>• Cash In / Cash Out</li></ul>
5	CAPACITY BUILDING	E-Payment Training Facility

# The Position of NIBSS in Cash-Less Nigeria Project

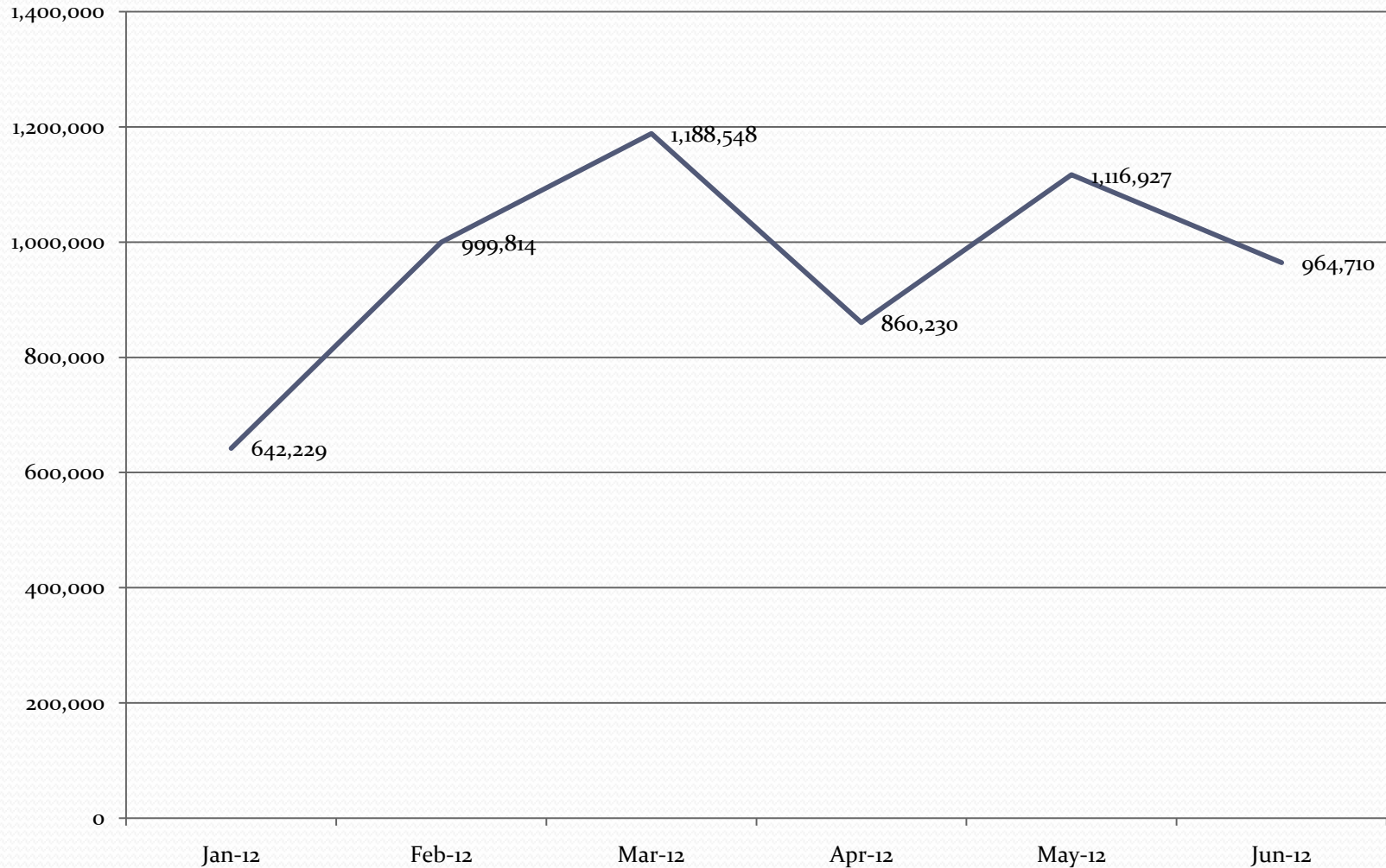


# E-Payment Challenges

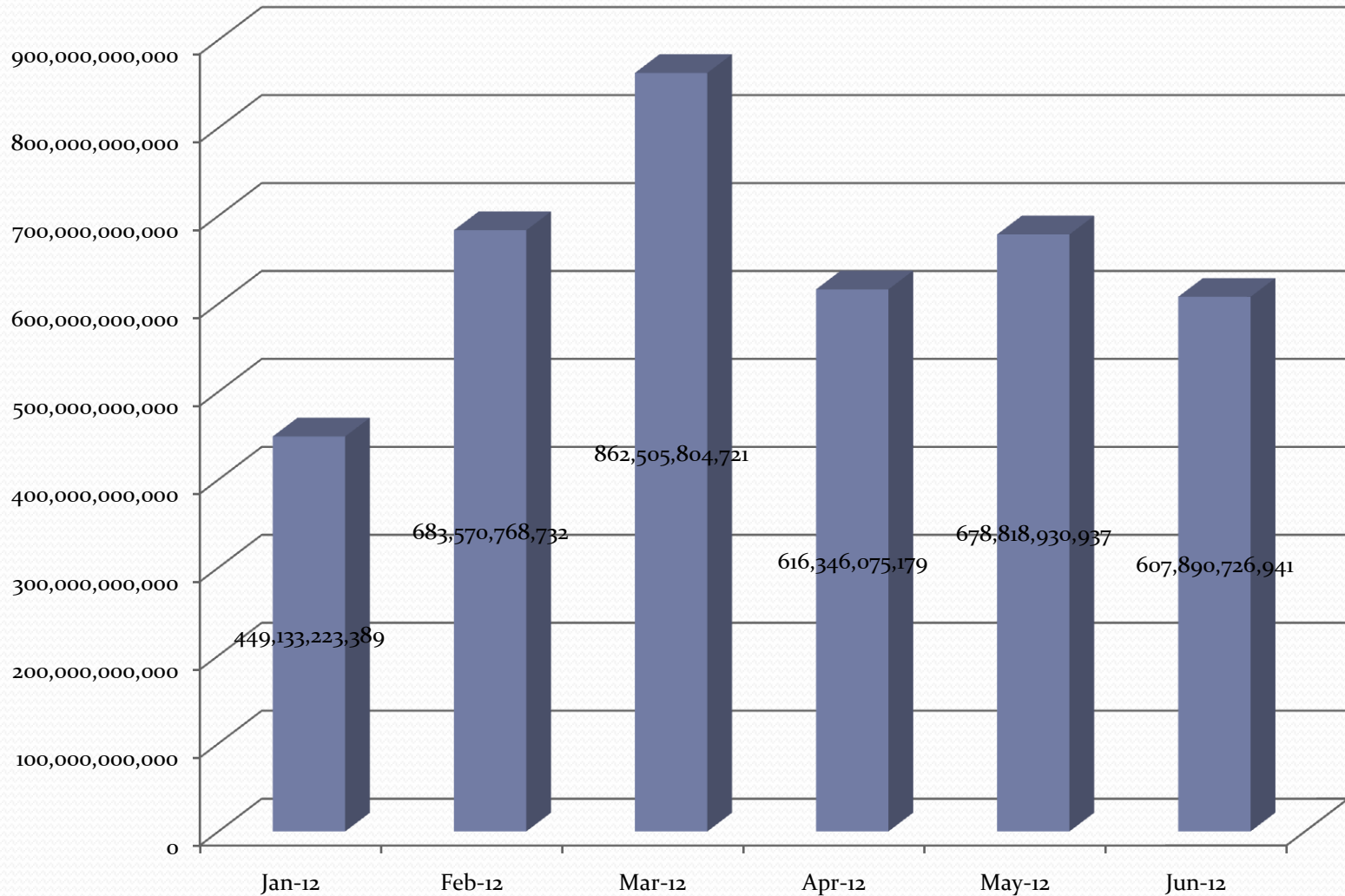
1. E-payment systems are not immune from the general infrastructure problems – Power, Telecoms, etc
2. Incessant GPRS network down-time. Every voice network down-time translates to GPRS down-time.
3. NIBSS has made available various technologies (GPRS, WiFi, CDMA, DSL, LAN) to ensure reliable POS operations
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

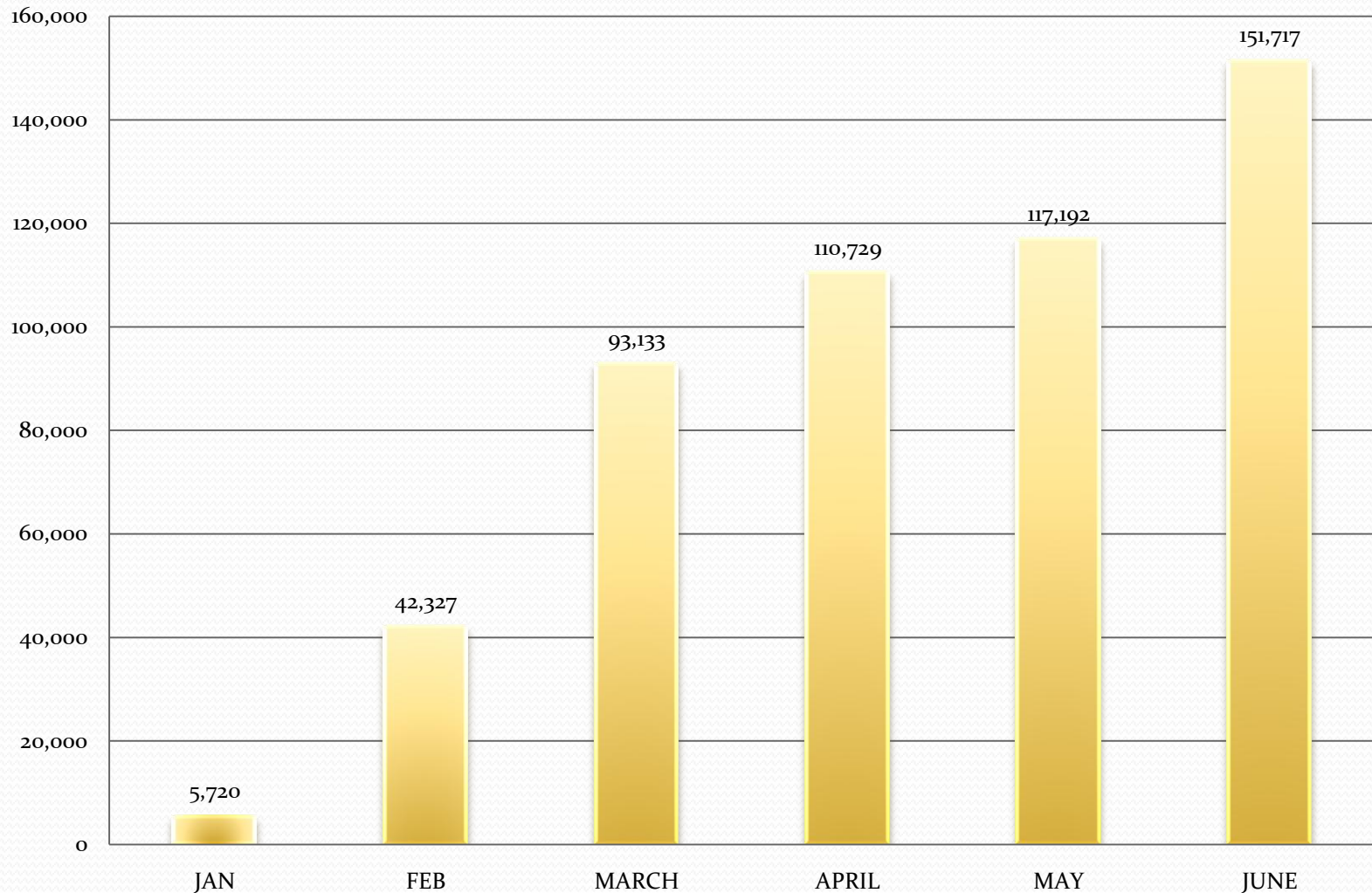
# CHEQUE VOLUME PROCESSED BY NIBSS



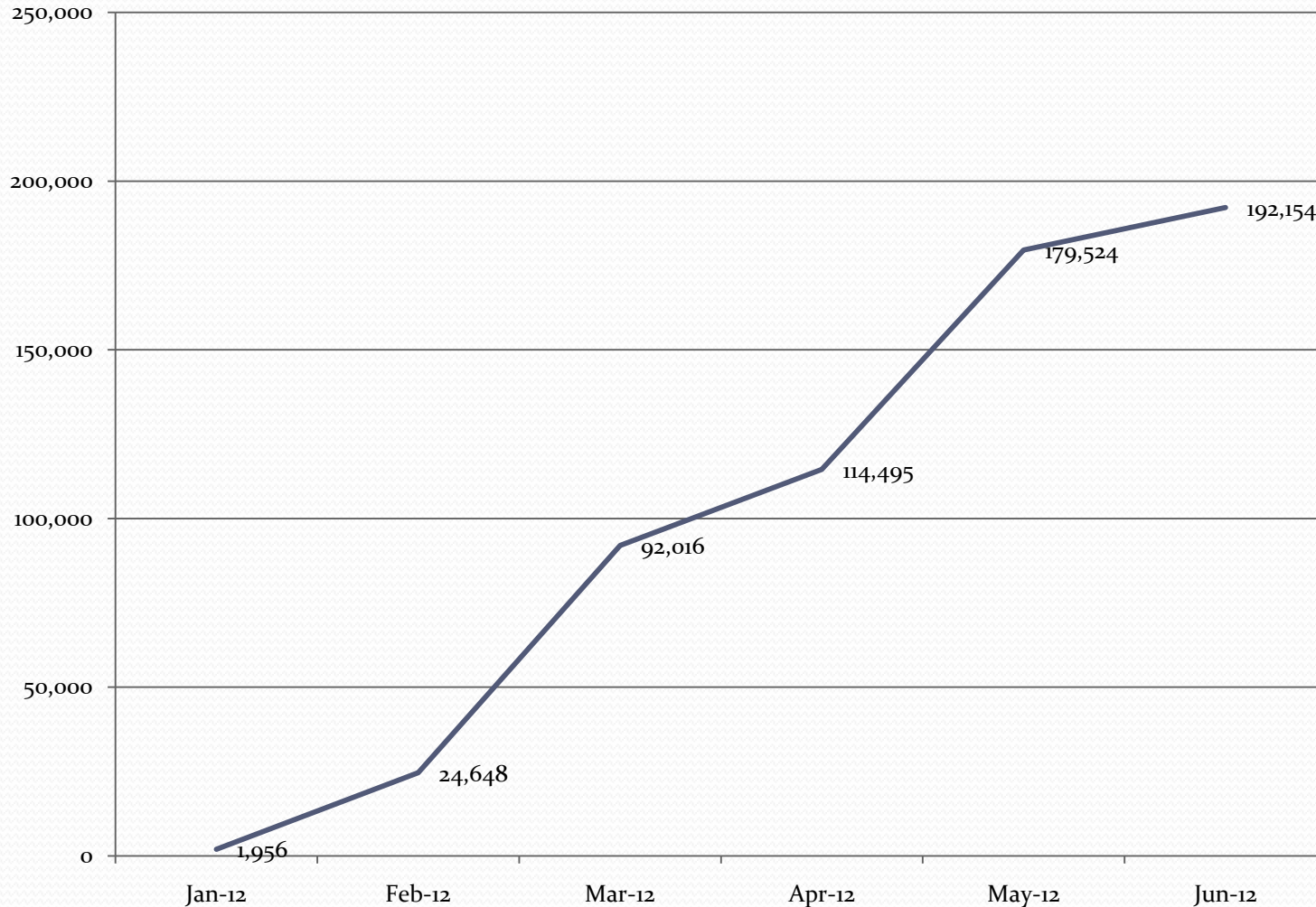
# CHEQUE VALUE PROCESSED BY NIBSS



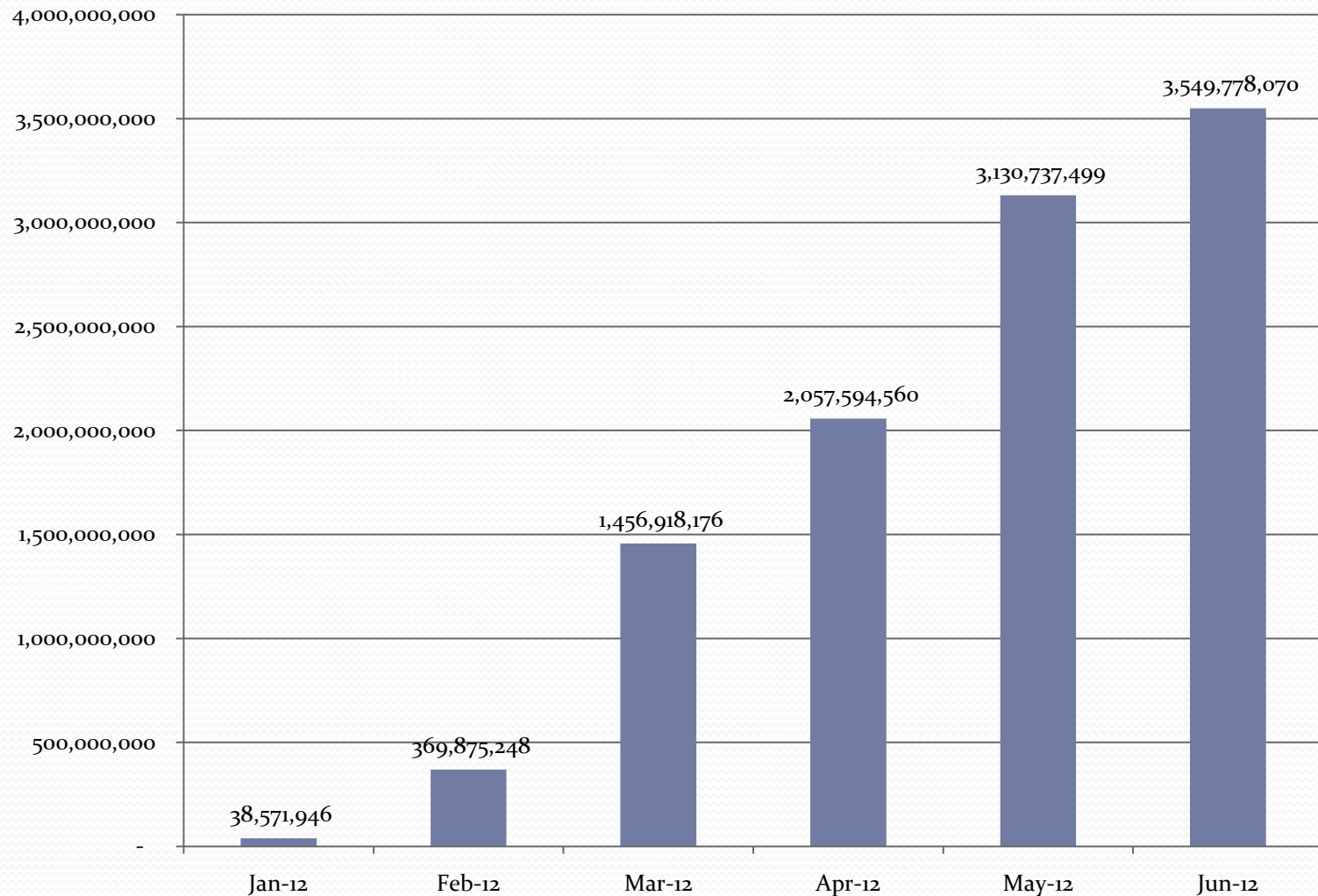
# NUMBER OF POS TERMINALS REGISTERED ON NIBSS PLATFORM



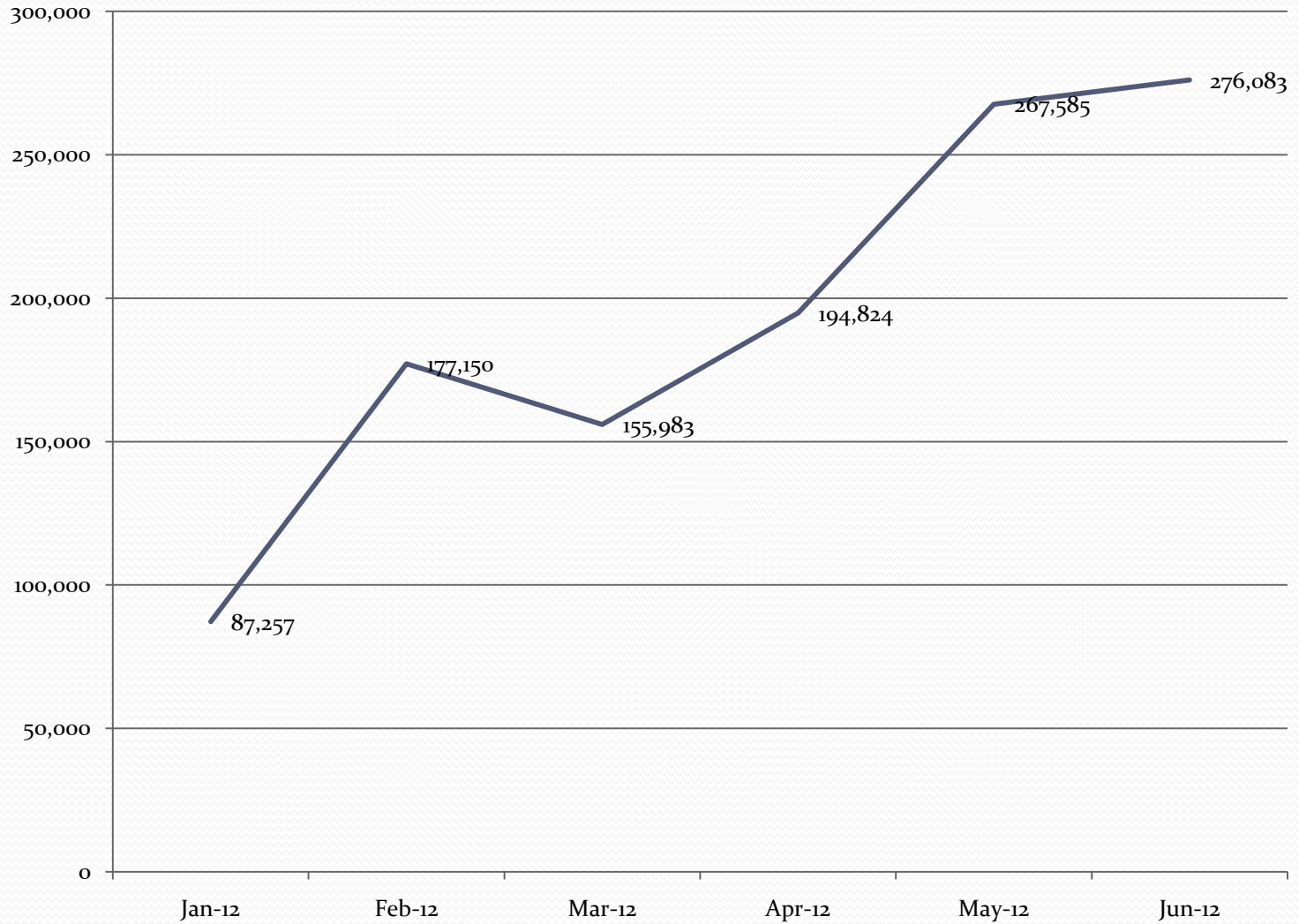
# NIBSS PTSA POS Terminal Transaction Volume



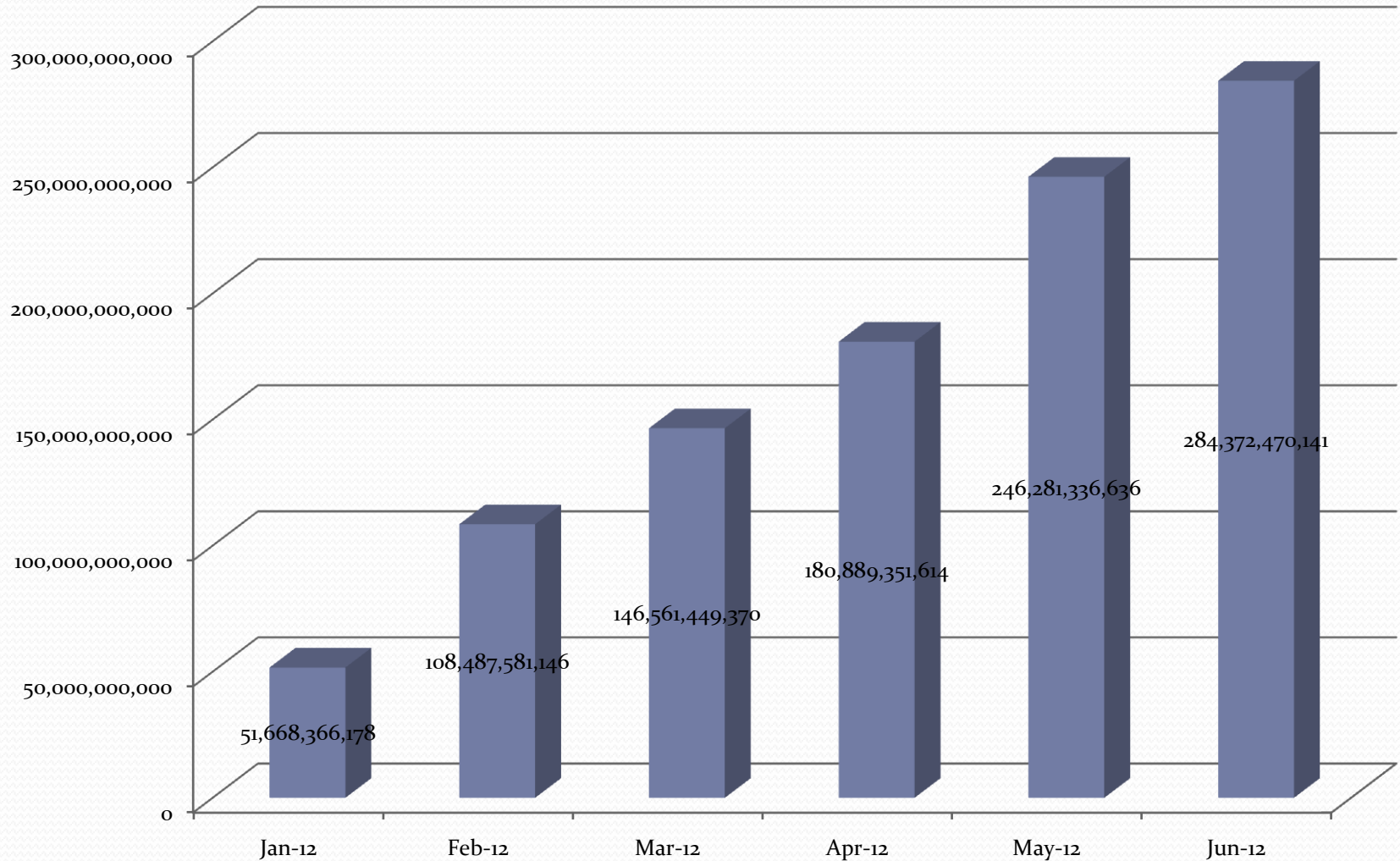
# NIBSS PTSA POS TRANSACTION VALUE (N)



# NIBSS INSTANT PAYMENT (NIP) VOLUME



# NIBSS INSTANT PAYMENT VALUE (N)



# 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 CDMAAs
- 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**