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Viable agent banking and mobile payment system in Nigeria

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INTRODUCTION

In the last decade, there has been an explosion of different forms of remote access to financial services, i.e., beyond bank branches. These have been provided through a variety of different channels, including mobile phones, Automatic Teller Machines (ATMs), Point-of-Sale (PoS) devices and agent banking services. In many countries, these branchless channels have made an important contribution to enhancing financial inclusion by reaching people that traditionally, branch-based structures would have been unable to reach. One of the main obstacles to financial inclusion is cost: both the cost to banks involved in servicing low-value accounts and extending physical infrastructure to remote rural areas, and the cost (in money and time) incurred by customers in remote areas to reach bank branches.

Agent Banking and Mobile Payments, especially in developing economies are rapidly evolving and having tremendous impact on the economies and lives of its citizenry. In addition to reducing costs, these new service offering channels help to encourage customers to use financial services more often, as the locations are close by and in places where the customers are familiar with.

In light of the afore-mentioned,

VIABLE AGENT BANKING AND MOBILE PAYMENTS SYSTEM IN NIGERIA

the CBN noted the rapid growth of mobile telephony and the need to leverage existing business network infrastructure as a practical and well thought-out strategy for driving financial inclusion of the unbanked in Nigeria. In climes where Agent Banking and Mobile Payments are rooted, financial institutions have successfully expanded their outreach by engaging local agents to offer their services. These services include; cash in/cash out, electronic transfers, bill payments, pre-approved credit lines, accounts opening, international remittances, government and other micro credit payments and other banking transactions that may be permissible by the financial institution and CBN.

Nigeria began the process as far back as 2007 with the development of the Payments System Vision 2020 document, which has charted the course for the recent developments in the payments system. Despite being the most populous African nation, Nigeria is a middle-level player in the sub-Saharan financial sector and trails some of its peers in Africa with respect to financial inclusion. The CBN, as the guardian of the financial system in Nigeria, has identified financial inclusion as a key lever to achieving the objectives under its mandate. As such, the CBN designed a financial inclusion strategy that is executable and achievable.

National Financial Inclusion Strategy

In setting out the financial inclusion agenda, the Bank identified Agent Network for banking as well as mobile payments services as channels with great potential to overcome the distribution challenges and increase the use of financial services to the

unbanked and under-banked. Leveraging mobile payments and agent banking networks will allow financial institutions to focus on product innovation and diversification.

The document provides that agent banking would enhance micro-financing and by so doing, enhance the linkage of rural cooperatives to microfinance banks like it was done in Kenya.

Definitions of Agent Banking and Mobile Payment

To fully understand the concept of 'Agent Banking', there is need to appreciate what the terms under consideration are.

Agent Banking (or Branchless banking) is the provision of financial/banking services by an authorized third agent to customers through a single business unit or distributed networks of retail or postal outlets. Banking agents can be pharmacies, supermarkets, post offices, kiosks, etc. The best suited are however, businesses that have built good customer relations and garnered experience in handling cash floats.

Mobile Payments are payment services operated under financial regulation and performed from or via a mobile device. It is a payment transaction where the mobile phone plays a key role in the initiation, authorization and consummation of the transaction. Mobile payments are substitutes or replacements for cash payments. Instead of paying with cash, check or credit cards, a consumer can use his mobile device to pay for a wide range of services and receive payments. Benefits of Agent Banking and Mobile Payments

Benefits to a customer

- Cheapest means of accessing financial services with lower transaction cost
- Service closer to his immediate environment
- Longer opening hours
- Shorter lines than in branches
- More accessible for the less educated, the very poor and less privileged, who might feel intimidated in traditional bank branches
- Benefits of greater economic development to isolated communities

Benefits to the Agent/ Agent Network Provider

- Increased sales from additional foot-traffic
- Differentiation from other businesses the agent might normally operate
- Reputation from affiliation with well-known financial institution
- Additional revenue from commissions and incentives

Benefits to the Financial Institution

- Increased customer base and market share
- Increased coverage with low-cost solution in areas with potentially less number and volume of transactions
- Increased revenue from additional investment, interest and fee income, Improved indirect branch productivity by reducing congestion

Benefits to Mobile Payment Operator (MMO)

- Provides standards and guides for engaging agent network providers for the provision of mobile payment offerings
- Non-exclusivity of agent network provides a shared platform for customer take-up
- Provides more geographic spread for the scheme

Benefit to the Government

- Facilitates financial inclusion
- Provides a tool for government to utilize 'government to person' and 'person to government' payments (disbursements, micro-credits/repayments, subsidies, tax/levies, etc.)
- Facilitation of domestic remittances

Opportunities

Apart from benefits, opportunities also exist for the private sector and individuals to invest in and drive uptake for agent banking and mobile payments by signing up as agents with the expectation of generating revenues from transaction charges and other benefits that the Financial Institution will provide.

For Innovations as has been with other similar jurisdictions, the success of agent banking will see to the introduction of other services as, m-Health, m-Agriculture, micro-insurance, micro-savings, m-lottery will. These will have a positive impact on the economy. Future-looking organization would adapt by seeing the opportunities for expansion and customize their products offerings to suit the

changing times.

Success Factors for Agent Banking and Mobile Payment

The Key Success Factors for Branchless Banking rest heavily on the agents at the customer frontline. They include the following:

Credibility: The agent has to be a trusted brand, or member of the community

Proximity: Agent networks have to be easily accessible by the customer

Ubiquity: the agent should offer similar customer experience regardless of location

Security: As the main interface with the customer, agents have to ensure compliance not only with Know Your Customer (KYC) principle as required by CBN but with all fraud prevention processes. As such agents, will be responsible to ensure that their counter staff have the appropriate levels of training

Simplicity: Agents are the main human interface – it is their responsibility to explain the service, guide the user, and make the service simple and accessible

Liquidity: Customer experience is critical to the success of this venture. It is imperative that customers have immediate access to their cash. Agents will have to ensure that liquidity levels are adequate to meet with demands

Industry Statistics

Agent banking is still in the licensing review stage and therefore has not yet gone live. However, Mobile Payment Operations have been live since November 2011. The data provided below is a summation of mobile payments transactions for January to May, 2013:

VOLUME

MONTHS	DEPOSIT (CASH IN)			MONEY TRANSFER (P2P)	AIRTIME TOP UP	BILL PAYMENT	WITHDRAWAL (CASH OUT)	OTHER SERVICES
	BANKS	CARD	AGENT					
TOTAL	74,499	10,143	111,080	275,558	474,741	894,949	48,874	1,826,135

VALUE

MONTHS	DEPOSIT (CASH IN)			MONEY TRANSFER (P2P)	AIRTIME TOP UP	BILL PAYMENT	WITHDRAWAL (CASH OUT)	OTHER SERVICES
	BANKS	CARD	AGENT					
TOTAL	11,081,982,760	100,412,741	2,325,102,393	9,217,353,470	351,202,466	4,207,660,086	8,910,700,622	1,976,756,401

Mobile Payments Transaction for the reporting month of May, 2013
Volume: 1,445,715
Value: 9,987,248,524.64
No. of Agents: 4031
No. of Customers: 152,195
No. of Mobile Payments Scheme Operators: 20

Mobile Payments Transaction from Inception to May, 2013
Volume: 6,855,144
Value: 74,260,751,620.97
No. of Agent: 51,095
No. of Customer: 5,731,737

Challenges

With every new system, there are bound to be challenges. Some of the major obstacles are mentioned below. However, it is worthy to note that CBN in collaboration with various stakeholders is working towards surmounting them:

Epileptic Power Supply

Power supply forms the bedrock of the infrastructure required to muscle electronic payments in any economy. Unfortunately, the supply of electricity in the country remains poor. This downturn affects both the cost of running

business for companies that provide electronic payments services and the price to the consumer of the services.

To address the challenge, the Bank and its various stakeholders have fashioned out a shared-services framework that will address power generation and distribution amongst banks and other payment service providers. In addition, Point-of-Sale (PoS) devices that utilize back-up power sourcing have been made a mandatory requirement for deployment.

Poor Telecommunication

Connectivity and Synergy between Mobile Payment Operators and Telco Companies

The transmission of electronic transaction instructions are done over telecommunication networks. Its importance to the successful uptake of electronic payments is therefore pivotal. The CBN is collaborating with NigComSat to deploy cloud technology in areas where PoS devices are concentrated. In addition, the CBN has set up a Joint Technical Committee with the NCC to address all other issues that affect telecommunication and relationships between Mobile

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