

# Inclusion for all NAIRA REDESIGN IMPACT SNAPSHOT

On 25 October, the Central Bank of Nigeria (CBN) announced plans to redesign the 200, 500 and 1000 naira notes. While circulation of the newly designed notes began on 15 December 2022, both new and existing notes will remain in circulation until 31 January 2023. The stated objective of the process is to mop up excess cash in circulation and ultimately drive digital adoption by requiring citizens exchanging old notes for new notes to have a bank account.

At Inclusion for all, we fully align with the long term goal to digitise Nigeria's financial services ecosystem and enable fast, efficient and affordable access to financial products for all Nigerians. The intent to use the process to drive account ownership and formal participation in the financial services sector is laudable, but it is essential to ensure that the implementation of the policy does not exclude already marginalised communities.

- 1] The requirement by the CBN for individuals to have full KYC and deposit their old notes in a bank account could adversely impact the un(der)banked segment of Nigeria's population who are unlikely to own a bank account or have the requisite documentation for KYC.
- 2] The ability of financially excluded Nigerians to meet the KYC requirements in the timeframe provided and given the barriers to identity ownership will be constrained, and so even if they seek to use the opportunity to enter the formal system, they are likely to face challenges.

## WHAT DOES THE DATA TELL US?

### BANKING AND SAVINGS BEHAVIOUR

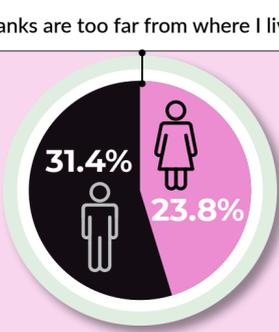
Looking at the unbanked poor population (unbanked adults who live below the PPI poverty line) from the 2020 Enhancing Financial Innovation & Access (EFInA) survey:

54.2% indicated their preference as saving their money in a safe place at home or carrying it around, indicating that more than 50% of this segment of the population could lose their savings.

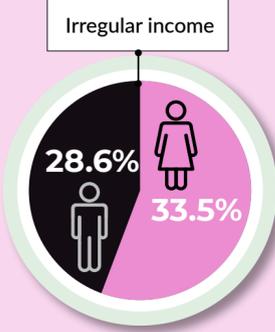


### TOP 4 REASONS WHY THEY DON'T HAVE BANK ACCOUNTS

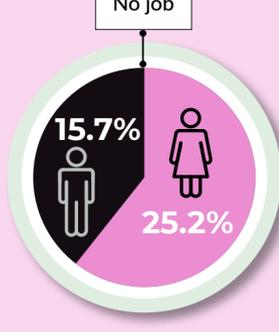
Banks are too far from where I live



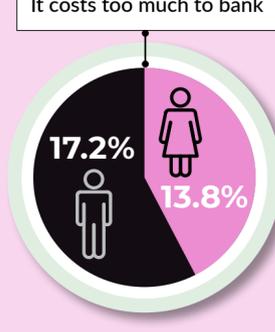
Irregular income



No job



It costs too much to bank



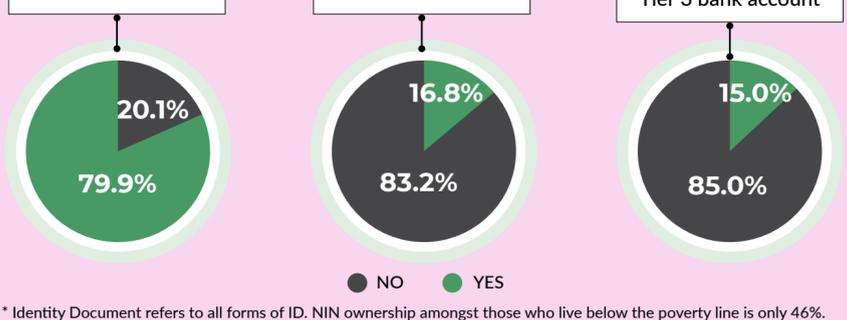
## What is the Poverty Probability Index line?

Using the World Bank's poverty probability index (PPI), the PPI percentile indicates the likelihood of a person falling below or above the poverty line, which is indicated as 50% on the scoring system.

## WHAT ARE THE KYC REQUIREMENTS?

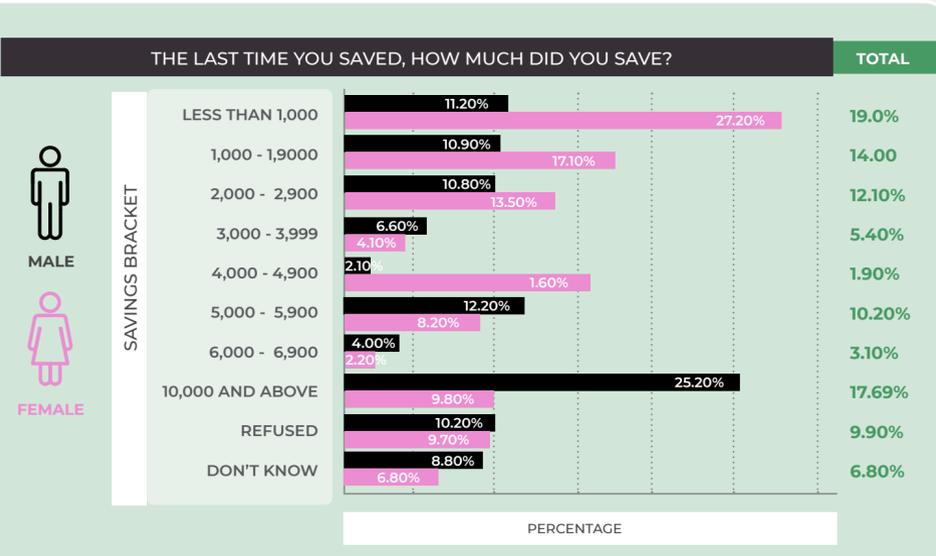
As part of the process to replace the old notes, the CBN has issued new conditions for banks: they can only accept cash from customers with full KYC and bank accounts, and cash must only be paid into customers' accounts.

But how many of the unbanked poor population have bank accounts or the requisite documentation to satisfy KYC requirements?



### SAVINGS BEHAVIOR

Across the unbanked population that lives below the poverty line, the biggest proportion (19%) are saving less than N1000.



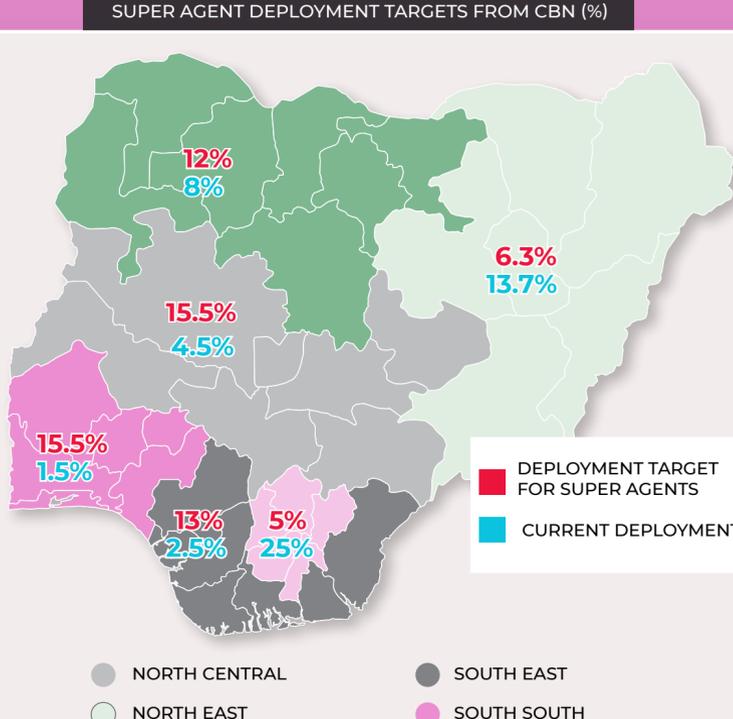
## CONCLUSION

**Our preliminary data insights validate our concerns about the potential impact on Nigeria's poor and marginalised communities.**

- More than half (54%) of the unbanked poor store cash at home or on their person. The naira redesign and accompanying note replacement process will not address the issue of banks being too far away and costly to access for poor people. This process could further exclude underserved populations if appropriate measures and time are not given to overcome the existing barrier.
- Even if customers are able to access banks or their agents, the vast majority are unlikely to possess a proof of address or the documentation required to open a Tier 3 bank account. This means that they may be unable to switch their existing notes to the new ones, or may have trouble depositing due to account limits.
- The CBN has acknowledged concerns around vulnerable populations, and prioritised banking agents to help those in rural/underserved areas to deposit cash. However, agents are concentrated in urban areas - far away from the populations that we are concerned about. With a 20% agent coverage target for the northern regions, the North East is only at 6.3%, with North Central at 15.5% and North West at 12%<sup>1</sup>. Challenges cited include insecurity, distance, lack of electricity, and low profits.

1. Business Day/Momo: Nigeria's Agent Banking Revolution Report

### SUPER AGENT DEPLOYMENT TARGETS FROM CBN (%)



## RECOMMENDATIONS

While we understand and align with the long term vision of the CBN, we believe that critical challenges need to be addressed in order to ensure that the policy does not unintentionally further disenfranchise already marginalised communities. Considering the tight timelines, I4All recommends the following:

- A rapid and intensified rollout of a sensitisation programme amongst vulnerable groups, informing them of the process, deadlines and requirements.
- Adequately equip, incentivize and capacitates mobile agents to be able to reach and cover people in hard-to-reach areas effectively.
- Consideration also needs to be given to the availability of devices for issuing BVNs, and how this will work in areas with poor network coverage.